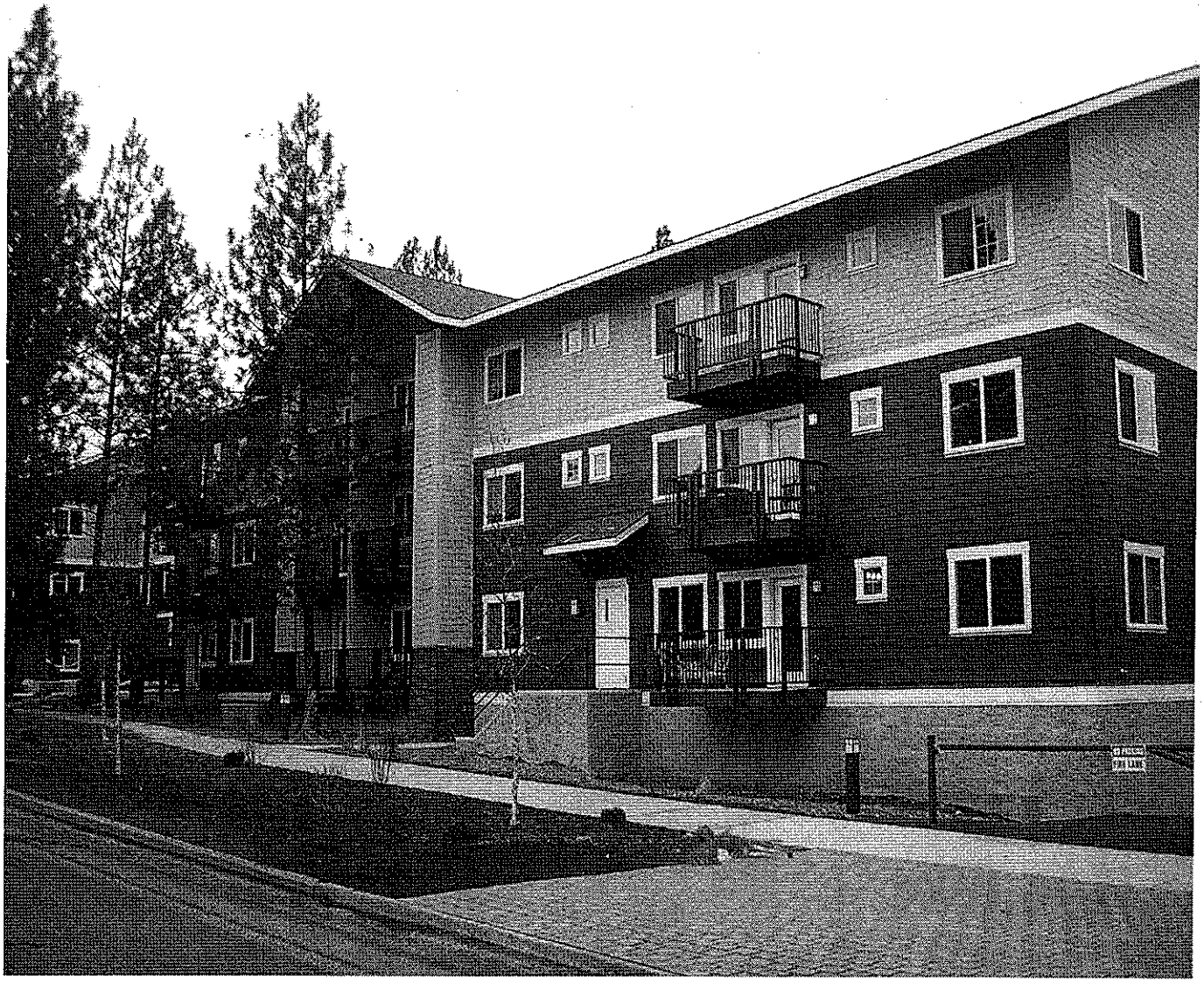
OREGON STATE HOUSING COUNCIL

September 24, 2010



Mountain Laurel Lodge, Bend, OR
(54 Units, New Construction, Seniors)

Meeting being held at:
Ameritel Inn
425 SW Bluff Drive
Bend, OR 9702
(541) 617-6111

OREGON STATE HOUSING COUNCIL

September 24, 2010

TABLE OF CONTENTS

AGENDA 1

APPROVAL OF MINUTES

A. Minutes of August 27, 2010 Meeting 3

NEW BUSINESS

A. *Orenco Senior Housing* (Hillsboro, OR), Predevelopment Loan Request **20**

B. ***Consolidated Funding Cycle:***

1. *The Village Apartments* (Monmouth, OR) **24**
2. *Brookside Court Apartments* (Roseburg, OR) **25**

C. Beaver State Apartments dba: **26**
Montebello/Montecino (Wilsonville, OR)
Spyglass Apartments (Lincoln City, OR)
Willamina Villa Apartments (Willamina, OR)
Cascade Valley Apartments (Mt. Angel, OR)
Stratford Apartments (Ashland, OR)
Tax Exempt Bond Request; Risk Sharing Loan Request; Housing Preservation Funds Request; Weatherization Funds Request; 4% LIHTC Request

Oregon State Housing Council

725 Summer St NE Suite B
Salem, OR 97301-1266
(503) 986-2005
(503) 986-2132 FAX
(503) 986-2100 TTY
www.oregon.gov/OHCS/OSHC

What We Do Matters!

Council Members
Maggie LaMont, Chair
Tammy Baney
John Epstein
Michael C. Fieldman
Francisco López
Nancy McLaughlin
Jeana Woolley

STATE HOUSING COUNCIL MEETING

September 24, 2010

9:00 a.m.

Meeting Location:
Ameritel Inn
425 SW Bluff Drive
Bend, OR 97702
(541.617.6111)

AGENDA

I.	**CALL TO ORDER**	**M. LaMont**
II.	**ROLL CALL**	**M. LaMont**
III.	**PUBLIC COMMENTS**	**M. LaMont**
IV.	**APPROVAL OF MINUTES** **A.** Minutes of August 27, 2010 Meeting	**M. LaMont**
V.	**RESIDENTIAL CONSENT CALENDAR** -- None	
VI.	**SPECIAL REPORTS** -- None	
VII.	**NEW BUSINESS**	
	A. *Orenco Senior Housing* (Hillsboro, OR), Predevelopment Loan Request	**S. Cullin**
	B. ***Consolidated Funding Cycle:***	
	1. *The Village Apartments* (Monmouth, OR)	**D. Vance**
	2. *Brookside Court Apartments* (Roseburg, OR)	**D. Vance**
	C. Beaver State Apartments dba: *Montebello/Montecino* (Wilsonville, OR) *Spyglass Apartments* (Lincoln City, OR) *Willamina Villa Apartments* (Willamina, OR) *Cascade Valley Apartments* (Mt. Angel, OR) *Stratford Apartments* (Ashland, OR) Tax Exempt Bond Request; Risk Sharing Loan Request; Housing Preservation Funds Request; Weatherization Funds Request; 4% LIHTC Request	**S. Cullin**
VIII.	**OLD BUSINESS** None	

IX.	**REPORTS**		
	A.	Neighborhood Stabilization Program Update (Handout)	
	B.	Hardest Hit Fund Update	**R. Crager**
	C.	Legislative Update	**L. Joyce**
	D.	Report of the Deputy Director	**R. Crager**
	E.	Report of the Director	**V. Merced**
	F.	Report of the Chair	**M. LaMont**
X.	**FUTURE AGENDA ITEMS**		**V. Merced**

OREGON STATE HOUSING COUNCIL

Minutes of Meeting

Meeting Location:
Oregon Department of Transportation
Conference Room 122
355 Capitol Street NE
Salem, OR 97301

9:00 a.m.

August 27, 2010

MEMBERS PRESENT

Maggie LaMont, Chair
Tammy Baney
John Epstein
Mike Fieldman
Francisco López
Nancy McLaughlin
Jeana Woolley

MEMBERS ABSENT

GUESTS

Stan Stradley, Umatilla County Housing Authority
Claudia Cantu, CASA
Mark Rozgay, TimberRiver Development
Kate McCusker, Shelter Resources, Inc.
Ryan Fisher, OHA/CAPO
Tony Chrisman, Chrisman Development
Scott Foster, Housing Authority of Jackson Co.
Jason Elzy, Housing Authority of Jackson Co.
Ruby Mason, Columbia Cascade Housing Corp.
Robin Boyce, HDC
Dee Luckenbill, Luckenbill-Drayton
Rod Graham, Architect
John MacInnis. Cascade Community Development
Mike Masat, Rose CDC
Anne Williams, St Vincent de Paul Society of Lane County
Charlie Harris, St Vincent de Paul Society of Lane County
Karen Shawcross, Bienestar
Lindsay Quartini, CASA
Betty Dominquez, HAP
Stephen McMurtrey, Northwest Housing Alternatives, Inc.
Sue Lind, FHDC
Jaime Arredondo, FHDC
Anna Geller, Geller Silvas & Associates
Tamara Holden, Geller Silvas & Associates
David Crawford, Geller Silvas & Associates
Monika Elgert, Enterprise
Andy Shaw, HDC
Rob Prasch, NOAH
Lisa Rogers, CASA
Tom Cusack, Oregon Housing BLOG
Cyndy Cook, Housing Works

STAFF PRESENT

Victor Merced, Director
Bob Gillespie, Housing Division Administrator
Marlys McNeill, Asset and Property Management Division Administrator
Dave Summers, Multifamily Section Manager
Lisa Joyce, Policy and Communication Unit Manager
Karen Clearwater, Regional Advisor to the Department
Deborah Price, Regional Advisor to the Department
Karen Chase, Regional Advisor to the Department
Bruce Buchanan, Regional Advisor to the Department
Vince Chiotti, Regional Advisor to the Department
Shelly Cullin, Senior Loan Officer
Tony Penrose, CFC Manager and Resource Coordinator
Mike McHam, Appraiser & Market Analyst
Carol Kowash, Loan Officer
Dolores Vance, Loan Officer
Roz Barnes, Loan Officer
Debie Zitzelberger, Loan Officer
John Cieri, Housing Asset Manager
Joyce Robertson, Loan Specialist
Theresa Easbey, Loan Specialist
Frank Silkey, Architect
Mariana Crawford, Tax Credit Program Coordinator
Aria Seligmann, Senior Communication Advisor
Jo Rawlins, Recorder

I. **CALL TO ORDER**: **Chair LaMont** calls the August 27, 2010 meeting to order at 9:15 a.m.

II. **ROLL CALL**: **Chair LaMont** asks for roll call. **Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. John Epstein was absent at time of roll call, arriving at 9:20 a.m.**

III. **PUBLIC COMMENT**: None.

IV. **APPROVAL OF MINUTES**

A. **Chair LaMont** asks if there are any corrections to the July 23, 2010 Minutes. There being no corrections, the Motion was read:

> **MOTION: Baney moves that the Housing Council approve the Minutes of the July 23, 2010 Council meeting.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Absent: John Epstein.**

V. **RESIDENTIAL CONSENT CALENDAR**: None.

VI. **SPECIAL REPORTS**: None.

VII. **NEW BUSINESS**:

A. *Election of Housing Council Vice Chair.* **Merced** explains that pursuant to Article 6, Section 2 of Council's Bylaws, a vice chair needs to be appointed, and that typically that opportunity has been given to someone who is the next most tenured Council member. **LaMont** says that John Epstein would be next in line.

> **MOTION: Woolley moves that, pursuant to Article 6, Section 2 of the Bylaws of the State Housing Council, John Epstein be appointed to serve as Vice Chair of Housing Council for up to two (2) years.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Absent: John Epstein.**

B. *2010 Consolidated Funding Cycle.*

1. *Overview.* **Tony Penrose**, Consolidated Funding Cycle Manager and Resource Coordinator, and **Dave Summers**, Multifamily Section Manager. **Penrose** reports that 42 applications were received this round; 26 were selected for funding, and of those, three are stand-by projects; 16 projects are requesting resources in excess of $200,000 from any single program, or $400,000 of combined programs. In this round the department forward-allocated some LIHTC, HOME, GHAP and Housing Trust Fund in an effort to fund the maximum number of projects. The three stand-by projects require additional budget or work approval before presentation to Housing Council. Resources have been set aside for populations that have been

largely underserved: homeless, chronically homeless, or persons at risk of homelessness, along with the continuing goal of preservation projects. In this round, 50% of all grant and tax credit resources and all preservation funds were targeted to preservation projects. Fifteen of the 42 applications were from projects that would meet this goal. The remainder were allocated proportionately to the urban/metro and rural areas. The urban/metro consists of city and county entitlement areas that receive their own allocations of HOME funds, which include Corvallis, Clackamas County, Eugene/Springfield, Salem/Keizer, Multnomah County and Washington County. The rural allocation is the remainder of the state. The department was able to allocate 44% of the resources through set asides. An average of 49 years of affordability was committed. OHCS was able to serve housing authorities, for profits and nonprofits. There is a mix of project types, including 12 new construction, 13 acquisition/rehab, and one rehab. The department met or exceeded its performance goals, taking into account that the RD/HUD project-based units will serve 30% AMI and the remaining at or below 50% AMI. Under the proposed reservation by performance measurables, 52% of the goal was met with a wide variety of populations served. **Penrose** gave an overview of projects that were approved that did not need Housing Council approval. **McLaughlin** asks if there is anything that shows how the funding amounts correlate to overall needs throughout the state. **Merced** states that in a way yes, because each of the applications have a priority assignment. **Gillespie** adds that it is separate from the manual, and that it is published on the department's website each year and shows special needs by county. **McLaughlin** says it would be helpful to have more information on the sites as to what they look like and whether there were any issues; more information on the type of rehabs; the levels of service; and a list of what projects did not make the cut and why. **Summers** says the group of applications were very good and the difference between the projects that were funded and those that were not got down to some very small factors. **Merced** asks Summers to describe the new process that was implemented this year. **Summers** gives an overview of the application process and the site review process.

Fieldman asks if the community service side of the agency is involved. **Summers** explains that the evaluation of the service package within the application is done with the service side of the agency. **Baney** asks if the Executive Team was only given the recommendations of staff, or if they also had the other projects to balance that with. **Summers** states that both the recommended projects and the group of waiting list projects were identified. The Executive Team was not briefed on all of the applications, but on the group that the department could fund with available resources, plus a waiting list should projects fall out. **Baney** says that since these are public funds, there needs to be a transparency of why someone would not be funded, and asks if the scoring sheets or criteria are public information. **Gillespie** responds that they are not. The department has had this reviewed by the AG's office, and their view is that to give out the scoring sheets and how they were scored, is the same as giving the answers to the test. **Baney** says that if she were an applicant and not being a good author excluded her from funding, she would hope there was a way to remedy that and get around what the AG has determined. **Summers** explains that staff meets with the Regional Advisors to the Department, goes through each application for the projects that were not recommended, and they identify why the application was found to be lacking. Then the RAD contacts each individual sponsor and identifies areas that they can correct and expand upon, and identifies programmatic threshold issues. **Fieldman** adds that the department is also very good in working with sponsors to make sure they submit as strong an application as possible. **Epstein** explains that Council used to get more information on the applications, but over the last two years they tried to move the list from Council as a deal and/or decision maker, more to a Council that determines if the funds were allocated as a good public use: does it look good and is it servicing the population intended, as opposed to getting into site

issues. Staff's job is to figure out if it has site access that is developable. Housing Council is at a higher level. We moved to that process to assist staff with their workload, since they were writing so much detail to get Council answers. **McLaughlin** says she would be interested in having some substantive brief comments about some of the issues. **Woolley** adds that the reason Council instituted the site review process is because one of the issues they have had is projects coming back over and over because they do not get the job done with the first allocation, and Council is trying to move to a new level where they get the job done with public resources the first time. If the sponsor and their team do not have the depth that they need to identify the need up front, Council wants to know that at the application process so it can be retooled and refocused so they get a good project with the money invested. **Gillespie** says that is correct.

Summers states that the department is currently working with an envelope specialist at an engineering firm to establish a set of construction standards for new construction and rehab. The department will be able to use those standards as a guide for the architects and contractors. **Woolley** asks about the time line for doing that, stating that the standards need to be set for the dollars that are being given out. **Summers** says that on ARRA projects that were awarded last year, the department has contracted with outside engineer firms to provide the department with course of construction inspections that are extremely detailed. The department is investigating ways that it can incorporate those inspections into all of the projects that are awarded in the 2011 CFC. He says it is an expensive endeavor. **Woolley** says yes, but it is part of the cost of doing business and is necessary. **LaMont** asks McLaughlin what she would like to see for the site/rehab description. **McLaughlin** says to make the short form descriptions consistent, and to include scope of rehab descriptions.

LaMont asks if there are buyers for all of the allocated LIHTC. **Gillespie** says the market has improved slightly and the department is relying on there being an exchange of credits. Congress did not act on that this year, which did not help some of the projects in the application process.

Baney asks about Council's role for the projects that did not get funded. **Woolley** suggests that she talk to staff and the RAD in her region so that she can get the background on projects in her area that she is being asked about because that information cannot be discussed in a public meeting. **Gillespie** states that the short forms are for Council's information. By statute, the Housing Council's role is to approve projects over $200,000 from any one source, and $400,000 in combined sources, and Council will be looking at projects that meet that criteria. **López** asks if there is an appeal process for applications that are not accepted. **Gillespie** answers no there is not. **López** asks if applicants that are not selected can reapply. **Gillespie** explains that part of the RAD's responsibility is to communicate that process to the sponsor. The AG's Office recommended that we do not have an appeal process. **Woolley** adds that there are a lot of applicants that are not awarded, and if they keep trying to improve and reapply, they usually are able to come in at a later round. **López** says he wants to commend the department for the focus in rural areas. **Summers** says that this round of competition in the rural areas of the state was more keen than in the urban areas.

2. *Castle Rock Apartments (Boardman, OR).* **Mike McHam**, Appraiser and Market Analyst, introduces **Stan Stradley**, Executive Director, UCHA, **Claudia Cantu**, CASA, and **Bruce Buchanan**, Regional Advisor to the Department. **McHam** refers to the write-up in Council's packet and reports that this a proposed 40-unit project that includes a range of one to four-bedroom units for various family sizes targeting farmworker housing populations with incomes at or below 60% MFI, with six of the units at 50% MFI. UCHA will manage resident

services by linking with multiple area service providers. The total project cost is $8,501,000, or $212,545 per unit, including LIHTC, HOME, Trust Fund/GHAP from the department, plus additional funding from USDA Rural Development. **Fieldman** asks if the project is in town and what kind of transportation is available for the farmworkers. **Stradley** responds that there are several farms that run vans and the processing plants are within 1.5 miles from the site. Most families have at least one vehicle, or they share rides with each other. **Fieldman** asks if the project is solely for farmworkers, and if there is a change many years from now and the need for this type of housing decreases, if there is the option to serve another population. **Stradley** says there have been instances where the population need changes, but for this project he does not see that agriculture would go away in that area due to the multitude of crops being farmed and processed. **Baney** asks what would occur if they did not receive the RD funds. **McHam** says they would not be able to fund the project now. **Shelly Cullin,** Senior Loan Officer, adds that on RD projects, RD has to obligate all their funds by September 30th. **LaMont** asks if there are any rental assistance in the units. **Stradley** says they all have rental assistance. **Epstein** states that he needs to declare a conflict on this project due to Wells Fargo Bank's involvement.

MOTION: Woolley moves that the Housing Council approve a $650,000 loan reservation of HOME funds and a $200,000 loan reservation of HDGP/GHAP Program funds to Umatilla County Housing Authority for completing the new construction of Castle Rock Apartments in Boardman, Oregon, contingent upon meeting all HOME program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Abstains: John Epstein.

3. *High Desert Commons (Redmond, OR).* **Mike McHam**, Appraiser and Market Analyst, introduces **Mark Rozgay**, and **Debbie Price**, Regional Advisor to the Department. **McHam** refers to the write-up in Council's packet and reports that this project is a proposed, wood-framed, two-and three-story garden walk up design containing 28 units of both two and three bedrooms, targeting workforce housing with incomes at or below 50% MFI. The sponsor is teaming with NeighborImpact to provide appropriate services to residents. The total project cost is $5,897,494; $210,625 per unit. The funding includes LIHTC, HOME and Trust Fund from the department, plus additional funding from USDA Rural Development. A portion of the developer fee is being deferred. The co-sponsors are experienced developers with more than 75 affordable housing projects developed since 1981. The Sponsor has sufficient development capacity to complete the project. **Epstein** comments that from a market standpoint the rents are good for what is going on in Central Oregon, but that Redmond is very cyclical, and he wants to make sure an analysis was done. **Rozgay** says the market is at 50% of MFI, but their rents are at 40%, which is 12% to 16% under the current market. **Baney** states that she needs to declare a conflict on this project due to her being a board member for NeighborImpact.

MOTION: McLaughlin moves that the Housing Council approve a $683,000 loan reservation of HOME funds and $200,000 loan reservation of HDGP/GHAP funds to Timber River Development, Inc. (Sponsor), for completing the new construction of High Desert

Commons in Redmond, contingent upon meeting all HOME Program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Abstains: Tammy Baney.

4. *Arends Place I and II (Hood River, OR).* **Carol Kowash,** Loan Officer, introduces **Kate McCusker**, Shelter Resources, Inc., and **Deborah Price**, Regional Advisor to the Department. **Kowash** refers to the write-up contained in Council's packet and reports that this project is an acquisition-rehab property in Hood River, with 62 units for family and elderly/disabled. 33 of the units have USDA Rural Development rental assistance, which will preserve the project, as well as extend the useful life of the property by an estimated 30 years, with rents to be affordable for 50 years. The complex has a mix of one and two bedroom units affordable from 30% of tenant income levels to 50% of AMI. The owner is requesting that 100% of the units have rental assistance, rather than the current 33%. Approval of assistance is pending for the additional units. The project will need an award of $700,000 in HOME and $200,000 in GHAP. In addition, LIHTC of $533,338 in annual allocation was approved by the Executive Team. RD will capitalize $2M to help renovate the property. $45,000 per unit will be utilized for rehab of the property. Shelter Resources is the principal in the ownership entity, and they have completed 29 other projects for OHCS. The team members are experienced, having 10 to 30 years in affordable housing development. **McLaughlin** asks if $45,000 a unit will be sufficient to get the job done. **McCusker** responds that they have gone through a very intensive capital needs assessment. There has been little deferred maintenance, and they try to always make sure the property is well maintained. The goal is to make sure they do things that will extend the life of the property. **Kowash** states that because these are RD units, the scope of rehab will be reviewed carefully. **McCusker** says they are capitalizing $100,000 into the replacement reserves and increasing those reserve deposits to $450 a unit, which will allow for the continued maintenance of the project. **McLaughlin** asks if there will be relocation required. **McCusker** states that there will be no permanent relocation, only temporary, and it will be on-site.

MOTION: Baney moves that the Housing Council approve a $700,000 loan reservation of HOME funds and a $200,000 loan reservation of HDGP/GHAP funds to Shelter Resources Inc., completing the acquisition and rehabilitation of Arends Place 1 & 2 in Hood River, Oregon, contingent upon meeting all HOME requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

5. *La Grande Retirement Apartments (La Grande, OR).* **Dolores Vance,** Loan Officer, introduces **Tony Chrisman**, Vice President of Chrisman Management & Development, Inc., and **Bruce Buchanan**, Regional Advisor to the Department. **Vance** refers to the write-up contained in Council's packet, and reports that this is a preservation project of 46 units for elderly and disabled, with a Section 8/HAP contract that will expire next September. The rents are 60% or below AMI and are subsidized by HUD. They are looking at

a 30-year affordability period, with a 20-year HAP contract renewal. The sponsor has extensive experience with Section 8, RD, LIHTC and other department funding. The sponsor will be the owner/manager, which has been approved by HUD. They will do a significant rehab of this project to meet the 30-year sustainability requirement. The total cost per unit will be $88,802; construction cost per square foot is $37.68. They have a letter of interest from Raymond James as the equity investor. The lender will be the Bank of Eastern Oregon as the construction and permanent lender. The acquisition will be $1,414,000, construction $1,574,400, development costs $1,096,500, for a total of $4,084,900. **Woolley** asks if the equity investor is waiting for this allocation before they commit. **Vance** says yes. **Epstein** asks if they have a formal arrangement with the service providers. **Chrisman** states that they have an arrangement with Community Connections, which is the local service provider in the area. He says he appreciated the new process where the construction managers came out and viewed the site. It was nice to be able to stand there with someone from the department to point out the issues and get some other insight. **Gillespie** comments that this is one of the best built buildings they looked at with all the other preservation projects, and the scope of rehab is quite adequate. **LaMont** states that 30 years, with the winters in LaGrande, is good.

AMENDED MOTION: Woolley moves that the Housing Council approve a grant reservation of $200,000 Housing Development Grant Program *(*Trust Fund/*GHAP)*, and $740,002 of Housing Preservation Funds (HPF) to Chrisman Development & Management, Inc., for completing the acquisition and/or rehabilitation of La Grande Retirement in La Grande, Oregon, contingent upon meeting all program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

6. *Canterbury Hills (Medford, OR).* **Shelly Cullin**, Senior Loan Officer, introduces **Scott Foster**, Executive Director, **Jason Elzy**, Program Manager with the Housing Authority of Jackson County, and **Karen Clearwater**, Regional Advisor to the Department. **Cullin** refers to the write-up contained in Council's packet and reports that this project is a proposed 48-unit apartment complex in Medford that will be affordable to households of 50% and 60% of AMI. The unit mix consists of 14 one-bedroom units, six two-bedroom one-bath units, 18 two bedroom, 1.5 bath townhouse units, and 10 three-bedroom, two-bath units. The project is designed to achieve an Earth Advantage Multifamily Certification. The Energy Star and Earth Advantage upgrades will result in $200 annual savings per unit. The project includes a 1,300 square foot community building that includes a large area for meetings, kitchen, two accessible restrooms and computer lab. This project is a sister project to Scenic Heights in Central Point and Snowberry Brook in Ashland. The total projects costs are $8,875,000. Construction costs are estimated at $5,791,142 or $120,649 per unit, a permanent loan of $1.6M, and a deferred developer fee of $350,000. The Housing Authority has two letters of interest for construction financing from Key Bank and Chase Bank; two letters of interest for permanent financing from NOAH and Enterprise; and a letter of interest from Key CDC for the equity investment. The Housing Authority of Jackson County is the project developer, general partner and management agent for the project. Their portfolio includes 1,000 rental units. They have extensive experience with the department's financing programs.

MOTION: Baney moves that the Housing Council approve a $600,000 grant reservation of HOME funds and a $200,000 grant reservation of HDGP/GHAP funds to the Housing Authority of Jackson County, completing the new construction of Canterbury Hills in Medford, Oregon, contingent upon meeting all HOME and HDGP/GHAP program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

7. *Bella Vista / Riverside Apartments (Hood River, OR).* **Shelly Cullin**, Senior Loan Officer, introduces **Ruby Mason**, Executive Director of Columbia Cascade Housing Corp, **Robin Boyce**, HDC, and **Deborah Price**, Regional Housing Advisor for the Department. **Cullin** refers to the write-up in Council's packet and reports that Columbia Cascade Housing Corp. is proposing to acquire and rehabilitate Bella Vista and Riverside Apartments located in Hood River. She explains that until 2009, there were two local affordable housing providers in Hood River County: Columbia Cascade Housing Corp. and Housing for People (HOPE). HOPE was forced to disband in 2009 due to financial shortfalls and lack of capacity, leaving a portfolio of 132 units of affordable housing at risk of foreclosure (27% of the 470 rent restricted units in the county). CCHC is completing the process of acquiring all but one of HOPE's projects. Bella Vista and Riverside consist of 54 units and are located within a mile of each other. The condition of the properties have deteriorated. CCHC proposes to combine the two sites into a single project. The sponsor does have interest letters from Boston Capitol for the equity investment, Shorebank for the permanent financing, and Wells Fargo for the construction financing. Riverside has stairs, landings, porches, sidewalks that were constructed on poorly compacted fill and settling has exposed these structures, so immediate repairs are needed. The rehab budget for both projects is $2,450,000, or $45,000 per unit. CCHC has been in operation since 1988 and owns 18 properties with 264 units. CCHC is a stable organization with a good reputation in the area. They have received support from both NeighborWorks and Meyer Memorial to increase their capacity and successfully meet the challenge of absorbing HOPE's portfolio. **Mason** comments that HOPE has stepped out of the area, and there is a critical and chronic shortage of affordable workforce housing, and it is essential that they preserve this important housing in the community. HDC has done a thorough job of reviewing the property and making sure there are adequate reserves in place to keep this property in good shape for the next 30 years. **Price** adds that the dissolution of HOPE severely impacted the Gorge area, and that CCHC has worked to evaluate what they would be taking on if they attempted to take on these projects. **Woolley** asks if Shorebank's situation impacts their commitment. **Boyce** explains that Shorebank is being acquired by CFI in California and they expect they will have the same interests. **McLaughlin** asks if the issue of poorly compacted fill has been corrected. **Mason** says that was part of the problem at Riverside, and they have corrected the essential ones to meet HQS. **Gillespie** states that the foundation is sound and there are no cracks in the foundation. This problem occurred when they built the exterior decks, but the main structure is sound. **Boyce** comments that they have had extensive soil testing done. **Epstein** says he needs to declare a conflict on this project due to Wells Fargo Bank's potential involvement.

MOTION: Baney moves that the Housing Council approve a $831,880 grant reservation of HOME funds and $500,000 in

HDGP/GHAP funds to Columbia Cascade Housing Corporation, completing the rehabilitation of Bella Vista and Riverside in Hood River, Oregon, contingent upon meeting all HOME and HDGP/GHAP Program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Abstains: John Epstein.

8. *Cascade Meadows Senior Apartments (Hood River, OR).* **Roz Barnes,** Loan Officer, introduces **Ruby Mason**, Cascade Housing Corporation, **Dee Luckenbill**, Consultant, **Rod Graham**, Architect, and **Deborah Price**, Regional Advisor to the Department. **Barnes** refers to the write-up contained in Council's packet and reports that this is a proposed new construction project by CCHC. CCHC is a nonprofit that serves a wide variety of populations including workforce, seriously mentally ill, homeless, farmworker and senior housing. CCHC is experienced with a wide range of department funding. This project site is suitable for development, located in a residential area of Cascade Locks, and will include 12 one-bedroom units, with a two-bedroom manager unit and community room. The project will be built with sustainable and green building materials, including a 50 year roof, cement board and stone siding, bioswale drainage, and native landscaping. The single story design is targeted to elderly residents earning no more than 50% AMI, with HUD 202 Project-based assistance. Construction costs per unit is just over $192,000. The lack of affordable housing for seniors in Cascade Locks makes it difficult for this population to find housing, and the need is urgent. **Fieldman** asks for clarification of the cost per unit. **Barnes** states that it is $192 per square foot per unit. **Mason** adds that they acquired this property in 2006 and have been working on it since then. She says that Deb Price has guided them and given them excellent advice to help get their application to the point where it was ready to be funded. They received the only HUD award in Oregon this year. **Woolley** says it is unusual to see a project that is at 30% AMI, and she congratulates them on achieving that.

MOTION: Woolley moves that the Housing Council approve a $1,008,669 grant reservation of HOME funds and $100,000 in GHAP funds to Columbia Cascade Housing Corporation, completing the new construction of Cascade Meadows Senior Apartments in Cascade Locks, Oregon, contingent upon meeting all HOME Program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair Maggie LaMont.

9. *Kearney II (Bend, OR).* **Carol Kowash,** Loan Officer, introduces **John MacInnis**, Cascade Community Development, and **Deborah Price**, Regional Advisor to the Department. **Kowash** refers to the write-up contained in Council's packet and reports that this will be a new construction six-unit single-room occupancy complex in a community living situation consisting of five residential and one manager unit, for disabled persons with services targeted to a developmental disability focus. The tenants have or will attain the ability to live with relative independence as family support lines decrease due to age or other factors. Most

residents either work part time or are involved in daily activities part of most days. Each unit will have a lockable storage and bedroom area. Active caseload households in Deschutes County currently are at 250 families, with only 43 units available. Services include individual case management, supporting services, self-directed supports, skill building and recreational activities. Cascade Community Development has provided expertise in developing this model of housing to other states and organizations. **Epstein** asks how they will repay the $20,000 line of credit. **MacInnis** says they will use the $20,000 as a cushion and that they have enough cash flow to repay it. **Fieldman** comments that the state is considering changing the priorities for CDBG and moving away from funding DD and mental health type housing, and asks if he has a sense of what impact that would have. **MacInnis** states that the City of Bend has its own allocation and that for other projects it would have more of an impact. **Fieldman** says he was trying to get a sense of what the ripple effect would be on this kind of project. **MacInnis** responds that CDBG is fairly restrictive. **Price** adds that Bend has an affordable housing fund which is funded by using other funding sources and that those funds are less restricted than CDBG.

MOTION: Baney moves that the Housing Council approve a $396,000 grant reservation of GHAP/Trust Funds to Cascade Community Development, completing the new construction of Kearney II in Bend, Oregon, contingent upon meeting all GHAP/Trust Fund requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

10. *Bellrose Station Apartments (Portland, OR).* **Carol Kowash,** Loan Officer, introduces **Mike Masat**, Housing Developer with Rose Community Development Corporation, and **Vince Chiotti**, Regional Advisor to the Department. **Kowash** refers to the write-up contained in Council's packet and reports that this is a 40-unit development built in 1971 in Portland, serving families and Veterans with a mix of rents from 30% to 50% MFI. It is an acquisition/rehab project that will be affordable for 60 years. Seven of the units are expected to have permanent supportive housing. Rehabilitation will provide low-income persons with housing for 30 more years, at a minimum, without further capitalization. There are 31 two-bedroom and 9 three-bedroom units, one of which is a manager unit. The complex is well located for employment opportunities and easy transit. The project will be built with sustainable/green features and will add a community center. Rose CDC has previously developed 370 units of affordable units. **Merced** asks what the Portland Youthbuilders contribution will be. **Masat** says they are going to be dong some in-kind labor, landscaping and concrete work.

MOTION: Epstein moves that the Housing Council approve a $500,000 grant reservation of GHAP/Trust Funds to Rose CDC, completing the acquisition and rehabilitation of Bellrose Station Apartments in Portland, Oregon, contingent upon meeting all GHAP/Trust Fund requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

11. *Malheur Village Apartments (Vale, OR).* **Debie Zitzelberger**, Loan Officer, introduces **Anne Williams**, Housing Director, St. Vincent de Paul Society of Lane County, **Charlie Harris** with CASA acting as the consultant, and **Bruce Buchanan**, Regional Advisor to the Department. **Zitzelberger** refers to the write-up in Council's packet and states that the project will be an acquisition/rehab of 24 units built in 1976. Based on a full inspection, the sponsor has proposed an extensive scope of rehab, and the contractor has completed a unit-by-unit inspection to provide the cost estimate. The sponsor anticipates the rehab will add an additional 30 years of life to the project. The total project cost is $2.2M. The complex has 20 units of RD rental assistance, making it affordable to households from below 30% of AMI to households up to 60% of AMI. The tenants are a mix of families and households in their mid-50s. Half the tenant population has lived at the complex for five years or more. **Williams** adds that the project represents nearly 90% of the affordable housing stock in the community, is the only subsidized family housing in the community, and there is great community support for this project. **Fieldman** asks about the location of the management company. **Williams** says that Neel Management Company is based out of Creswell and will maintain an on-site manager. **McLaughlin** asks how they will handle the relocation during rehab. **Williams** explains that there is a motel in Vale and she will be working with Neel Management, RD and the tenants to evaluate some of the relocation options. They have $60,000 in the budget for rental of motel units in Ontario.

MOTION: Woolley moves that the Housing Council approve an award of up to $500,000 grant reservation of GHAP funds and $500,000 Housing Preservation Funds to St. Vincent DePaul Society of Lane County to acquire and rehabilitate Malheur Village in Vale, Oregon, contingent upon meeting all GHAP and HPF Program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

12. *Juniper Gardens Apartments (Forest Grove, OR).* **Debie Zitzelberger**, Loan Officer, introduces **Karen Shawcross** from Bienestar, **Lindsay Quartini** from CASA, and **Vince Chiotti**, Regional Advisor to the Department. **Zitzelberger** refers to the write-up contained in Council's packet and explains that in addition to the competitive resources awarded in the 2010 CFC, the proposal includes a request for an Oregon Rural Rehabilitation (ORR) loan, which is not part of the CFC resources. However, to accommodate the borrower, the ORR is included in the packet for Housing Council's consideration. If approved by Council, a separate ORR loan commitment will be issued to Bienestar with the ORR loan conditions. This project will consist of 24-units, with an option to purchase 6.5 acres of high quality land in Forest Grove. The site will be developed in multiple phases. This project will be phase one and use 2.7 acres of the site. The designated population is farmworkers. The project will consist of six two-story buildings with a community building. The total project cost is $5,783,748. **Shawcross** says the new site review process is very rigorous and there has been good due diligence. This project will help meet an urgent need for farmworker housing in the community. She says the project is designed to receive Earth Advantage and LEED silver certification. **Epstein** asks if there has been a name change in the organization. **Shawcross** states that it is just a name change. When the market crashed they needed to diversify their funding base and wanted to encourage investors.

Bienestar means well-being in Spanish and it reflects their mission. **McLaughlin** asks for a further explanation about the Oregon Rural Rehabilitation loans. **Zitzelberger** states that the maximum loan is $100,000, and that typically it is 1% for a maximum of 10 years. It is a very old program, created back in the depression era, specifically for farmworker loans.

> **MOTION: López moves that the Housing Council approve an award of up to $500,000 grant reservation of GHAP funds and an up-to-loan commitment amount of $100,000 Oregon Rural Rehabilitation loan to Bienestar to complete the new construction of Juniper Gardens Apartments in Forest Grove, Oregon. Award is contingent upon meeting all GHAP requirements and conditions of award. The Oregon Rural Rehabilitation loan commitment is contingent upon meeting all underwriting conditions prior to closing on the acquisition of property.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.**

13. *Ainsworth Court (Portland, OR).* **Debie Zitzelberger**, Loan Officer, introduces **Betty Dominguez**, Assistant Director of Development with the Housing Authority of Portland, and **Vince Chiotti**, Regional Advisor to the Department. **Zitzelberger** refers to the write-up contained in Council's packet, stating that this project is the rehabilitation of an 88-unit complex. The project was built in the 1940s and purchased by the Housing Authority in 1997. The property is in good condition for its age and is performing adequately. It lacks the capacity to absorb two extraordinary capital needs items: the hot water system has gone beyond its expected life span and some foundation issues with the exterior porches pulling away from the main structure. Total project costs will be $1,980,000. This project targets the general family workforce population. **Dominguez** states that the units are contained in 22 buildings within two city blocks, spanning 4 acres. The affordability will remain for 60 years. With regard to the current hot water system, the two oil-fired tanks will be decommissioned and individual hot water heaters will be installed in the basements of all the units.

> **MOTION: Woolley moves that the Housing Council approve an award of up to $500,000 grant reservation of GHAP funds to the Housing Authority of Portland to acquire and rehabilitate Ainsworth Court in Portland, Oregon, contingent upon meeting all GHAP program requirements and conditions of award.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.**

14. *Spring Street Apartments (Medford, OR).* **Dolores Vance**, Loan Officer, introduces **Stephen McMurtrey**, Northwest Housing Alternatives, Inc., and **Karen Clearwater**, Regional Advisor to the Department. **Vance** refers to the write-up contained in Council's packet and reports that this is a preservation project consisting of 56 units for elderly and disabled with HUD Section 8. The HAP contract will expire next February. The project was built in 1977, is a three-story elevator building with 50 one-bedroom units, 6 two-bedroom

units, and two community areas, with laundry rooms and a tenant lounge with a kitchen. The units are aimed at tenants at 50% AMI, and rents are controlled by HUD. The project has a 60-year affordability period. In the past, 105 units of HUD project-based assistance for senior and elderly housing have been lost in the Medford area. The sponsor has 1,487 units in 16 Oregon counties, including seven Section 8 projects. They are experienced with owning and managing large tax credit projects. The management agent will be Cascade Management. The construction cost per unit will be $120,042; per square foot cost is $46.87. They have a letter of interest from National Equity Fund, Inc., and they have been talking with Wells Fargo and Key Bank about the funding of the project. The total project costs will be $6,722,375. **Clearwater** adds that the project is very needed. The building is in good condition, with well kept landscaping. It is in a desirable neighborhood in Medford, close to amenities. She says it is a good project to preserve and the renovation will be from the ground up. **McLaughlin** asks if it is currently occupied and, if so, what are their plans with regard to relocation of the residents. **McMurtrey** says they have done many relocations in the last few years, and they have a few on-site vacancies which they will use during the temporary relocation process. They use a service that has housing off-site in the community so they can rotate tenants to that during the process. **Epstein** says he needs to declare a conflict on this project due to Wells Fargo Bank's involvement.

AMENDED MOTION: McLaughlin moves that the Housing Council approve a grant reservation of $200,000 of GHAP/*Trust Fund*, and $1,627,524 of Housing Preservation Funds (HPF) to Northwest Housing Alternatives, Inc., for completing the acquisition and rehabilitation of Spring Street Apartments in Medford, Oregon, contingent upon meeting all program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont. Abstains: John Epstein.

15/16. *Summerset Village (Sublimity, OR) and Westside Apartments (Stayton, OR).* **Roz Barnes**, Loan Officer, introduces **Sue Lind**, Farmworker Housing Development Corporation, **Jaime Arrendondo,** Farmworker Housing Development Corporation, and **Karen Chase**, Regional Advisor to the Department. **Barnes** refers to the write-up contained in Council's packet and reports that Farmworker Housing Development Corporation (FHDC) is proposing the preservation and rehabilitation of both projects, which are located in Sublimity and Stayton. FHDC is a nonprofit with 20 years of experience in farmworker projects with varied funding sources. The team is experienced in management and compliance and currently own four such properties. Both projects were built in 1985 and financed through RD. *Summerset* is a senior housing complex situated on 1.52 acres comprised of 24 units with a mix of 22 one-bedroom and 2 two-bedroom units in six single story buildings, plus a small community building. *Westside* consists of 24 units that will serve families, seniors and disabled persons. The unit mix is 8 one-bedroom and 16 two-bedroom units. She says that both current owners are eligible for prepayment; however, they must first market it to a qualified nonprofit. FHDC is willing to purchase both properties to keep them affordable. Both projects are over 25 years old and in extreme need of rehabilitation. She gives an overview of the rehab that will be done.

Lind states that the key is that the sponsor will be taking these to market rate housing if they are not successful, which would be a big loss to the community. **Chase** notes that it makes a lot of sense to do these two projects as a package and that there is an economy of scale to be gained.

> **MOTION: López moves that the Housing Council approve a $500,000 grant reservation of HDGP/GHAP funds, $880,300 of HOME funds, and $100,000 in HPF funds to the Farmworker Housing Development Corporation, completing the acquisition and rehabilitation of Summerset Village Apartments, in Sublimity, Oregon, contingent upon meeting all HDGP/GHAP, HOME, and HPF requirements and conditions of award.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.**

> **MOTION: López moves that the Housing Council approve a $700,000 grant reservation of HOME funds, $500,000 in HDGP/GHAP, and $708,724 in HPF to Farmworker Housing Development Corporation, completing the acquisition and rehabilitation of Westside Apartments in Stayton, Oregon, contingent upon meeting all HOME and GHAP Program requirements and conditions of award.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.**

17. *85 Causey (Happy Valley, OR).* **Carol Kowash**, Loan Officer, introduces **Anna Geller**, Geller Silvas and Associates, **Tamara Holden**, Geller Silvas and Associates, and **Vince Chiotti**, Regional Advisor to the Department. **Kowash** refers to the write-up contained in Council's packet and reports that this is a four-story 41-unit new development complex of sustainable (Earth Advantage) workforce housing. Rents are affordable to those 50% and below AMI. There are 12 studio, 24 two-bedroom and four one-bedroom units. There is one two-bedroom manager unit. A permanent loan is likely, but the bank may not be able to utilize the tax credits. Geller Silvas and Associates have participated in the development of over 55 projects. **Epstein** comments that the studio unit rents look different and asks why that is. **Kowash** explains that with LIHTC and other resources, the studios will have the 50% and 60% AMI. Because they are not sure they will get the OAHTCs, they have designed it so that the rents will be lower than market regardless of whether or not they get the tax credits, and they are closer to market without them. On this project there is more flexibility to get different tenants in the units. If they get OAHTCs, they will have the ability to serve people at lower incomes. If they do not get the OAHTCs, they may have to market to 60% AMI. What they have done is to keep the rents at a lower level, but they are able to market to incomes that are higher. **Epstein** asks, based on the market dynamics, if they do not get OAHTCs and they have to raise the rents if the rents will still be competitive rents in the market. **Kowash** says yes. **LaMont**: asks what funding they would use instead of the tax credits. **Geller** responds that they do have the tax credits awarded, and it is now their job to convince the lender to use them. **LaMont** asks what

they can do if they do not find someone. **Kowash** says they have a permanent loan and the tax credits would give the permanent loan a better interest rate, if the lender will take the credits. **Baney** asks if it will continue to serve a population that they are targeting. **Chiotti** states that because of the inability for banks to take on OAHTCs, the applications have had to show that they could work with or without the tax credits. He says the workforce housing will still be the target and will be affordable to them. **McLaughlin** asks who their LIHTC investor is. **Geller** says it is JP Morgan/CHASE. **Chiotti** adds that the investor called them ahead of time and that was the most positive call he had heard in a long time. The bank representatives came out from Florida during the site inspection to be sure we knew they wanted to do this deal.

MOTION: Baney moves that the Housing Council approve a $300,000 grant reservation of HDGP/GHAP funds and $56,965 in LIWX funds to Causey Affordable Ventures LLC, completing the new construction of 85 Causey in Happy Valley, Oregon, contingent upon meeting all HDGP/GHAP and LIWX Program requirements and conditions of award.

VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, John Epstein, Mike Fieldman, Francisco López, Nancy McLaughlin, Jeana Woolley and Chair LaMont.

VIII. <u>OLD BUSINESS</u>: None

IX. <u>REPORTS:</u>

A. *Federal Stimulus Plan Update (Handout).* **Merced** explains that because of the number of items on the agenda, the Federal Stimulus Plan Update was being distributed to Council members, instead of the usual oral report given.

B. *Report of the Director.* **Victor Merced** reports the following:

- *Hardest Hit Fund.* The department is proceeding with aligning its infrastructure in terms of hiring additional staff for implementing the fund. The department has been allocated another $50M, primarily targeting those that are unemployed, and is still waiting for Treasury to give more guidance on the structure of that program. The additional funds will allow the department to extend the funding from 12 months to up to 18 months to help buy homeowners some additional time. It is estimated that it will allow the department to serve 2,000 additional people with mortgage assistance, if they are unemployed. **Woolley** asks if he thinks, with all of the resources that are coming to the department, that it will cause the department political problems with the legislature. **Merced** says that is a good question and it is hard to anticipate what the climate will be. These are federal dollars for specific federal programs. The bigger concern for him is the whole notion of where this is taking the agency. He says he is concerned with mission creep. We have never been an agency that provides foreclosure counseling or mitigation or this kind of prevention activity. He is concerned that the department is being driven by the state of the economy and the federal programs. **Woolley** says that might be something Council wants to keep in mind in terms of its strategic planning at this level. It concerns her too, by generating an expectation that Council did not necessarily want to be filling. **Baney** states that on paper the department is going to show an increase in staffing and it won't really be extracted out that it is federal funds. **Fieldman** says he has already heard that from some of the local legislators. **Merced** comments that the public does not differentiate between funding sources. **Baney** asks if

the department will be taking the dollars and filling that gap. **Merced** explains that with these dollars that cannot be done. **McLaughlin** notes that it does make the department vulnerable to show that it is receiving money from other sources. **Woolley** says it is something to be mindful of as we move forward. **LaMont** asks if there is any funding source at risk, due to the news yesterday of the budget shortfall. **Merced** responds yes, there are some general funding streams that are in danger. The Governor has asked that all agencies do a 9% budget reduction exercise for the remainder of the biennium. That will affect the emergency services and homelessness assistance. **Woolley** says she is concerned about the department being able to hold onto the new revenues that have been created. **Fieldman** comments that the ones to keep an eye on are the public purpose dollars because those are potentially at risk for sweep. **Merced** said he has instructed staff to be mindful about the language we use in our messaging.

- *3E Strategies.* The department has a contractual relationship with 3E Strategies. There has been a controversy at Department of Energy that there were some irregularities about 3E Strategies being awarded the contract. DOJ and the feds are looking at this because the contract used stimulus dollars to award the contract. OHCS has 3E Strategies on contract, but we followed all appropriate protocols and procedures. He says he is very glad the department's contracts staff are so thorough. **Woolley** asks what 3E Strategies is doing for the department. **Merced** explains that we had their team review our procedures due to the department receiving stimulus money for weatherization and sustainability and green building. We wanted to think beyond when the dollars run out and what our sustainability plans will be. There will be a report that will be produced and the contract will end.
- *HOST*, which is one of the CDCs, has gone out of business. They developed single-family housing, with a focus on low-income and minority households. They were a valuable partner and it is sad to lose them. **Woolley** says they had good relationships with the lending community with high profile people on their board. It is tragic. **McLaughlin** comments that Neighborhood Housing Services of America is also collapsing.
- Next month's Council meeting will be held in Bend, and there will be a project tour of some local projects.
- He has been attending some town hall meetings to discuss the anticipation of the Hardest Hit Funds. **Fieldman** asks what his thinking is on how that is going to roll out at the local level. **Merced** responds that the foreclosure counseling piece will be through the Regional Housing Centers, and the remainder will be done internally. A separate nonprofit had to be set up due to TARP requirements. **Baney** asks about the $10M carve-out allocation to Jackson and Deschutes Counties and if that is still going to happen. **Merced** explains that there were five layers of spending plans for the dollars. The one layer that was not approved by Treasury was the pilot program to focus on those two counties. Treasury encouraged the department to continue working on that. The reason for the non-approval was that it was too conceptual and they wanted us to put more "meat on the bones." If not approved, that money will be spread to the other four layers that were approved. **Baney** points out that one of the considerations is the appearance of a potential political issue that has occurred since those two counties were unable to get that $10M carve-out. **Merced** says there was never a deal with anyone. It came about because we thought it was an innovative way to spend some of these dollars and help those communities with high underwater mortgages. **Baney** says it is more of seeking a solution versus an innovation. **Merced** states that the department struggled in terms of messaging by implying that the majority of the money would go to the 16 counties. **Cyndy Cook** says that is a big perception issue they have in Deschutes County, and she does not think the department has done enough to satisfy that community, as well as Jackson County. **McLaughlin** asks if he is hearing the same thing from Jackson County. **Merced** states that he is hearing it from a lot of counties and the department is

trying to work through that. An editorial was submitted to the *Medford Tribune*. The reason it was beneficial to do the town hall meetings is because it was an opportunity to educate them on the process. We presented our proposal to the Ways and Means Committee, and those that seemed to be most upset did, in fact, vote for the department's process and plan. **Baney** says it would be a good idea to meet with local politicians while in Bend. **Merced** adds that it is about managing expectations as well. **Woolley** states that the problem the department has is that the public perceives the money as a huge amount of money, when in reality it does not begin to fix the problem. To speak to the results of what the money can buy, would be a helpful tool. **LaMont** asks when the money will be out the door. **Merced** says they can start giving out some money in December and he is hoping to shorten that. **LaMont** asks if there are applications that can be done ahead of time. **Merced** states that they are asking the Regional Housing Centers to start identifying people so when the money is here they can start processing applications.

C. *Report of the Chair.* **Maggie LaMont** reports that she enjoyed awarding funding applications today, and that it is one of the highlights of being on the Council. She was happy to see some new construction in the awards. She says it is great to have new Council members.

X. FUTURE AGENDA ITEMS.

- The **CAPO/Housing Council Joint Meeting** will be on December 3. **Merced** asks that Council begin to think about agenda items for discussion.
- **Fieldman** says he has been assigned to the sustainability portion of the Council's strategic plan, and asks if it might be helpful to have an Earth Advantage presentation for the Council. **Woolley** comments that it might be valuable to have a sense of what the different tracks for the strategic plan do. **LaMont** suggests having another retreat because of the new Council members. Discussion follows with consensus that having another retreat would be helpful.
- **Merced** says he had a good meeting with Mary McBride, the newly appointed HUD Regional Director in Seattle. It thinks it may be good for her to come to a Council meeting, perhaps the November or December meeting.

Chair LaMont adjourns the meeting at 1:30 p.m.

Maggie LaMont, Chair **DATE**	**Victor Merced, Director** **DATE**
Oregon State Housing Council	**Oregon Housing & Community Services.**

Oregon
Theodore R. Kulongoski, Governor

Housing and Community Services
What We Do Matters!
North Mall Office Building
725 Summer Street NE, Suite B
Salem, OR 97301-1266
(503) 986-2000
FAX (503) 986-2020
TTY (503) 986-2100
www.ohcs.oregon.gov

Memorandum

To: Finance Committee/State Housing Council

From: Shelly Cullin, Loan Officer
Housing Finance Section

Date: September 14, 2010

Re: Orenco Senior Housing – Predevelopment Loan Request

EXECUTIVE SUMMARY

Borrower:	Northwest Housing Alternatives
Property:	6200 NE Campus Court, Hillsboro, OR
Loan Amount:	**$500,000**
Loan Term/Rate:	2 years @ 5% Interest
Repayment:	1st) HUD 202 award in 2011, close Fall 2011; 2) 2011 CFC for 9% LIHTCs; 3) HUD 202 in 2012
Security Value:	Campus Court site (Mkt value/Purchase Price) - $380,000 NHA Office Bldg (Assessor's Mkt value) - $214,002 $594,002 = 84% LTV
Use of Funds:	Acquisition of proposed project site and predevelopment costs
Security:	Trust Deed in first lien position on Campus Court site and NHA's office bldg.
Fund Availability:	$1,836,640
Finance Committee:	September 14, 2010

Voting to Approve: 6
Voting to Decline: ___
Absent: 2

/s/ Rick Crager
Rick Crager, Finance Committee Vice-Chair

Date: *September 14, 2010*

RECOMMENDED MOTION: Approve a Predevelopment Loan in the amount not to exceed $500,000, at an interest rate of 5% per annum, for a maximum of two (2) years to Northwest Housing Alternatives for acquisition and predevelopment costs associated with the development of Orenco Senior Housing, located in Hillsboro, Oregon.

PREDEVELOPMENT LOAN REQUEST

Orenco Senior Housing

Project Description: Orenco Senior Housing is a proposed 45-unit housing project on a .72 acre site at the Orenco Station MAX stop. Orenco Station was designed and built as a walkable community that will foster not only an active resident population, but will allow them to live comfortably without the expense of a car. The site is also directly adjacent to the MAX station Park and Ride so access to downtown and other areas of the city via Tri-Met is just a few minutes walk. The neighborhood is predominately single family homes and market rate rental. The Washington County consolidated plan lists a senior affordable housing deficit of over 1,500 units and OHCS has designated senior housing as a priority 1. The soft land market has allowed NHA to get an option on this site at a price that will facilitate developing this project in a premium location for seniors versus other potential sites in the county.

The sponsor anticipates applying for a HUD 202 Capital Advance grant and HOME funds from Washington County this fall. Once those resources have been tentatively reserved, NHA will submit a conduit/4% application to the Department. With the 202 program, the project will have 100% project-based rental assistance and can not carry any debt. The conduit loan will be used through construction and then paid off with the 202 Capital Advance funds.

Estimated Sources of Financing:	Tax Exempt Bond	$ 4,250,000
	(short term use)	(4,250,000)
	4% LIHTC Equity	$ 1,592,318
	Wash Co HOME	$ 575,150
	HUD 202 Capital Advance	$ 5,945,679
		$ 8,113,147
Estimated Uses of Financing:	Acquisition	$ 385,000
	Construction	$ 4,962,619
	Development	$ 2,765,528
		$ 8,113,147

Use of Funds: NHA has requested predevelopment loan funds for the acquisition of the subject property and for architectural/design work in order to have a competitive HUD 202 application and to continue design work to keep the project on schedule for a fall 2011 construction loan closing. In May 2010, NHA entered into a Purchase and Sale Agreement for $380,000 with an anticipated closing date no later than November 9, 2010.

Security for Loan: The borrower is proposing two sites as collateral for the predevelopment loan, the project site and NHA's office building at 2316 SE Willard Street, Milwaukie. The agreed upon purchase price for the proposed project site is $380,000. A July 2010 print out from the Washington County Assessor's Office reflects a Market Value for the land of $547,490 and an Assessed Value of $301,520. An August 2, 2010, print out from the Clackamas County Assessor's Office reflects a Market Value for the office building of $214,002 and an Assessed Value of $138,577.

One assumption in determining value would be the price someone is willing to pay. With the purchase price of $380,000, the loan to value would be 84%.

Market Value:	
Sales Price:	$380,000
NHA Office Building:	$214,002
TOTAL	$594,002 (LTV 84%)

Assessed Value:	
Project Site Assessed Value:	$301,520
NHA Office Building:	$138,577
TOTAL ASSESSED VALUES:	$440,097 (LTV 114%)

The Department will be in a first lien position on both properties. With NHA's experience in developing affordable housing, and two successful 202 applications, it is this writer opinion that the Department has minimal risk for repayment of the predevelopment loan.

Repayment Plan: If awarded the HUD 202 grant in the summer of 2011, then the proposed construction loan closing would be fall 2011. If the HUD 202 is not awarded, the sponsor would apply for 9% LIHTC in the 2012 Consolidated Funding Cycle, and repay the predevelopment loan by early 2013 (this scenario would most likely require an extension of the predevelopment loan).

Availability of Funds: There are available funds for this request, along with two other predevelopment loan requests the Department is currently underwriting, Alona Place and Holgate House; leaving a balance to lend of $504,640. It is anticipated that within the next 6-8 months, six predevelopment loans will be repaid replenishing the fund of approximately $2,713,360.

Predevelopment Loan Program:	$6,250,000
Less: projects currently funded	(3,651,360)
Reserved for NOAH LOC	(100,000)
	$2,498,640
Approved – not yet disbursed	
Chaucer Court	(595,000)
Umpqua CDC	(67,000)
Available to Lend	**$1,836,640**
Applications Received-not yet approved	
Orenco Senior Housing	(500,000)
Alona Place	(720,000)
Holgate House	(112,000)
Balance Remaining to lend as of 9/24/10	**$ 504,640**

Borrower/Development Team Experience: Northwest Housing Alternatives, Inc., has extensive experience in the development of affordable housing. NHA's current portfolio includes 1,487 units in 89 different properties in 16 Oregon counties, including two mixed-financed projects (Trenton Terrace and Charleston), and one currently under construction (Creekside). Oarkridge Park (which recently received a reservation of CFC resources) will be NHA's fourth mixed financed project. Orenco will have a similar financing structure as Trenton Terrace, using the 202/bonds/4% LIHTCs.

Jonathan Trutt, Housing Director, has worked a developer of affordable housing in both Oregon and new York. His considerable experience with development timelines, workplans, and applicable funding sources ensures that NHA development projects stay on schedule and budget.

Michael Willis Architects, a Portland-based firm, will double as the architect and primary construction manager for Orenco. The firm has extensive experience on LIHTC, HUD 202, HUD 811, HOPE VI and other mixed-finance new construction projects.

Walsh Construction is the premier contractor in affordable housing in Oregon. They have 42 years of experience and have completed more than 400 projects. Walsh was one of the first construction contractors to recognize the need for specialized expertise to insure that the building envelope would be durable and protect again water intrusion. They began adding this capacity to their organization in 200 and now have 4 Envelope Consultants registered with the AIA on staff. Walsh works closely with Michael Willis Architects from the early design phase and throughout construction to insure that the building envelope is sound.

The management agent will be selected through an RFP process. While NHA self-manage their smaller properties, the large multifamily properties are contracted to professional property management firms. NHA currently contracts with both Cascade Management and Guardian Management.

Comments and Recommendations:

* NHA is a very experienced nonprofit.
* The development team has experience with three completed mixed financed projects and one just starting construction.
* They have recent experience with successful 202 applications through HUD's (once a year) process.
* The loan to value is 84%, below the Department's current standard of 85%.
* A Phase I Environmental Site Assessment was completed June 17, 2010, by Point Source Solutions, LLC. Based upon the findings of the assessment, no further environmental investigation is recommended at this time.
* A Geotechnical Report was completed by Alder Geotechnical Services, August 3, 2010, and the conclusions indicate that the site is suitable for the proposed development, if the recommendations in the report are followed. This is the standard procedure in the development process to complete the soils analysis prior to completing the design plans.
* I would recommend approval of the requested Predevelopment Loan for costs associated with the development of Orenco Senior Housing.

/s/ Shelly Cullin
Shelly Cullin, Senior Loan Officer
Multifamily Housing Section

Finance Committee Comments: No additional discussion
Vote to Approve: (6) Victor Merced, Rick Crager, Nancy Cain, Peggy McGuire, Bill Carpenter, Bob Gillespie
Absent: Dave Summers, Marlys Laver

Project Name:	**The Village Apartments**	**No. of Units:**	23
Project Address:	375 Catron St N, Monmouth	**Population (Svcs):**	ELD DIS (PHY)
Project County:	Polk	**Construction Type:**	A R
Sponsor Name:	Guardian Affordable Hsg Develop LLC	**Years Affordable:**	50
Sponsor Contact:	J Daniel Steffey	**Architect:**	Carleton Hart
Project Number:	1903	**Contractor:**	LMC
		Property Manager:	Guardian Mgmt

Unit Size (s)	# of Units	% Area Medium Income	Project Rent (Net)	Market Rent from Application (Net)	Fair Market Rent (Less Utility Allowance)
1-Bedroom	22	50%	$764	(n/a – Section 8)	(n/a – Section 8)
1-Bedroom	1	Manager	$500	(n/a – Section 8)	(n/a – Section 8)

Funds Reserved:	GHAP	$500,000	HOME	$1,522,000
Other Sources:	BETC	$15,000	Def Dev Fee	$200,000
	HUD Residual Receipts	$908,549	Cashflow during Rehab	$32,756
Total Project Cost:	$3,178,305	**Total Cost per Unit:**		$138,187
Commercial Cost:	$0	**Construction Cost per Square Foot:**		$90.14

Project Description:	The project consists of preservation of a senior housing complex with rental assistance through the Section 8 program. A 20-year HAP Contract renewal in June 2013 is anticipated. Rehabilitation will include new windows and siding plus unit renovations and accessibility improvement, which will enhance energy efficiency, sustainability, and livability. A new community building will be added.
Sponsor History:	Sponsor currently operates and manages 130 multifamily projects totaling 11,488 units in six states. Of these, 70 properties are affordable through federal rental subsidies, LIHTC, and other public financing.
Need:	The target population is senior and/or disabled tenants with a household size limited to 1-bedroom units. The current annual household incomes at the project range from $5,944 to $15,743. The Primary Market Area (PMA) for Monmouth includes the municipalities of Monmouth and Independence, in which 1 in 4 seniors have annual household incomes below $15,000. Compared to Salem at 10.3%, 17.5% of households are living below the poverty level in the PMA. There are no senior housing projects or affordable housing projects planned or proposed for this PMA and the Monmouth Comprehensive Plan notes the need for additional rental units in the community. The City of Monmouth encourages preservation of existing housing stock through use of federal and state funds for rehabilitation of housing for low and moderate income residents.
Services:	Resident services will be primarily by referral to local agencies providing services appropriate to seniors.
Recommendation:	**Housing Council approve a reservation of up to $500,000 in GHAP and up to $1,522,000 in HOME funds to Guardian Affordable Housing Development LLC, to acquire and rehabilitate The Village Apartments, in Monmouth, Oregon, contingent upon meeting all program requirements and conditions of award.**

Project Name:	**Brookside Court Apts.**	**No. of Units:**	49
Project Address:	1623 NE Vine St, Roseburg	**Population (Svcs):**	ELD
Project County:	Douglas	**Construction Type:**	A R
Sponsor Name:	Umpqua CDC	**Years Affordable:**	35
Sponsor Contact:	Betty Tamm	**Architect:**	Dallas W Horn AIA
Project Number:	2994	**Contractor:**	Harmon Construction
		Property Manager:	Umpqua Community

Unit Size (s)	**# of Units**	**% Area Medium Income**	**Project Rent (Net)**	**Market Rent from Application (Net)**	**Fair Market Rent (Less Utility Allowance)**
Studio	24	60%	$459	(n/a – Section 8)	(n/a – Section 8)
1-Bedroom	25	60%	$552	(n/a – Section 8)	(n/a – Section 8)

Funds Reserved:	GHAP/TF	$200,000	LIHTC	$578,500
	HPF	$545,000		
Other Sources:	NeighborWorks	$292,000	LIHTC Equity	$3,759,874
	Perm Loan	$845,000	Seller Reserve Contrib.	$300,000
	Def Dev Fee	$20,000	Energy Trust of Oregon	$42,700
	Cashflow during Rehab	$43,451	BETC	$80,400
Total Project Cost:	$6,378,425	**Total Cost per Unit:**		$130,172
Commercial Cost:	$0	**Construction Cost per Square Foot:**		$118.77

Project Description:	Built in 1972, Brookside Court is an elderly project that consists of six 2-story buildings including 24 studios, and 25 1-bedroom units, plus a 1-bedroom manager unit with office. The rehabilitation will include asbestos mitigation, interior repairs and upgrades, exterior siding replacement, and installation of high-efficiency HVAC systems. Upgrades will be energy efficient and exceed Enterprise Green Communities standards. Three units will be converted for handicapped accessibility and a community building will be added. Rents are directed to tenants with less than 30% AMI. The HAP Contract has been renewed through 2030.
Sponsor History:	Umpqua CDC has developed, owns and operates 18 OHCS funded projects with an additional two projects with outside sources. The 20 projects represent over 400 units with funding sources such as LIHTC, Historic Tax Credits, BETC, OAHTC, HOME, Trust Fund, and Weatherization funds. Umpqua CDC has been developing affordable housing for over 16 years and the team brings 39 years combined housing development and compliance experience.
Need:	The target population is senior and/or disabled tenants with incomes at or below 60% of AMI. Resident income averages approximately $900 per month. The project's Primary Market Area (PMA) is the City of Roseburg, where 44% of Section 8 units are for the elderly. Comparable affordable housing apartments surveyed indicate 2.7% vacancy. The Project has a waiting list of 10 senior households. The generally high occupancy rates at restricted rental projects indicate pent-up demand for affordable housing.
Services:	Services will include information and referrals for senior services, meals on wheels, home and community care, medical and financial services, protective services, transportation, health checks, and recreational opportunities including arts, crafts, and education.
Recommended Motion:	**Housing Council approve a reservation of up to $200,000 in GHAP/TF and up to $545,000 in Housing Preservation Funds (HPF) funds to Umpqua Community Development Corporation, to acquire and rehabilitate Brookside Court Apartments, in Roseburg, Oregon, contingent upon meeting all program requirements and conditions of award.**

Beaver State Apartments

Tax Exempt Bond Request
Risk Sharing Loan Request
Housing Preservation Funds Request
Weatherization Funds Request
4% Low Income Housing Tax Credit Request

Executive Summary

Borrower:	Beaver State Apartments LLC 99.99% Raymond James (to be formed affiliate entity) 00.01% Western Oregon Affordable Housing, Inc. *Doug and Tony Chrisman 50/50 ownership interest*
Properties:	Beaver State Apartments dba: Montebello/Montecino, Wilsonville, 84 units Spyglass Apartments, Lincoln City, 40 units Willamina Villa Apartments, Willamina, 24 units Cascade Valley Apartments, Mt. Angel, 40 units Stratford Apartments, Ashland, 51 units
Tax Exempt Bond:	**$15,854,000** *(short-term bond amount $6,630,000)*
Risk Sharing Loan:	**$ 9,224,000** *(permanent long-term loan)*
Loan Term/Rate:	40 years / 6.25% underwriting rate *(actual rate to be determined at time of bond sale, includes OHCS full spread of)*
Debt Coverage Ratio:	1.29:1 *(average for all properties, includes RD debt)*
Contingency Escrow:	$276,720
Affordability:	40 years
Target Population:	Families and seniors at or below 60% of area median income
Appraised Value:	Rent Restricted Value as Renovated: $11,300,000 Beneficial Financing Value: $31,140,000
Loan to Value Permanent financing:	82% Rent Restricted Value as Renovated 30% Beneficial Financing Value
Annual 4% LIHTC:	**877,153** *(approximately $4,825,493 in equity @ .55)*
Housing Preservation Funds:	**$10,040,298** ($6,475,009 taxable; $3,162,005 tax exempt; and, $403,284 CIF/HPF)
Weatherization Funds:	**$645,300**
Development Team:	Chrisman Development & Management, Inc, (developer/mgmt agent) Doug Blomgren (legal counsel) Michelle Silver (tax consultant)

W.C. Construction (general contractor)
Doug Alley, Pinnacle Architecture (project architect)
Greg Gardner (US Bank construction inspector)

Financing Partners: USDA Rural Development (*assumption of existing debt/rental assistance*)
US Bank – Letter of Credit provider *(credit enhancement for the bonds during construction)*
Raymond James – Equity Investor

Finance Committee Meeting: September 14, 2010

Voting to Approve: 6
Voting to Decline: ____
Absent/Abstain: 2

Submitted By: */s/ Shelly Cullin*
Shelly Cullin, Senior Loan Officer
Multifamily Housing Section/OHCS

/s/ Rick Crager
Rick Crager, Finance Committee Chair

9/14/2010
Date

RECOMMENDED MOTIONS:

Approve a loan, using tax exempt bond proceeds, to Beaver State Apartments LLC, in an amount not to exceed $16 million for the acquisition and rehabilitation of a portfolio of six properties known as the Beaver State Apartments.

To approve a Risk Sharing Loan in an amount not to exceed $9,500,000 to Beaver State Apartments LLC for permanent financing of a portfolio of six properties known as Beaver State Apartments, for a term of 40 years, at an interest rate to be determined by a future bond sale; with permanent loan conversion occurring once the project meets a 1.15:1 DCR for 60 consecutive days, and all closing due diligence completed, reviewed and approved by staff.

To approve a loan of Housing Preservation Funds in an amount of $6,878,293 to Beaver State Apartments LLC for the acquisition and rehabilitation of a portfolio of six properties known as Beaver State Apartments.

To approve a grant of Housing Preservation Funds in an amount of $3,162,005 to Western Oregon Affordable Housing, Inc., for the acquisition and rehabilitation of a portfolio of six properties known as Beaver State Apartments.

To approve Weatherization Funds in an amount of $645,300 to Western Oregon Affordable Housing, Inc., for weatherization eligible activities associated with the rehabilitation of a portfolio of six properties known as Beaver State Apartments.

To approve an annual allocation of 4% Low Income Housing Tax credits in an amount not to exceed 900,000 to Beaver State Apartments LLC for the acquisition and rehabilitation of a portfolio of six properties known as Beaver State Apartments.

Project Summaries

Beaver State Apartments is a proposed acquisition of a portfolio of six properties consisting of 239 units located in five Oregon cities (Wilsonville, Mt. Angel, Willamina, Lincoln City and Ashland). The projects were constructed from 1976 through 1986 using USDA Rural Development financing. Currently only 147 of the 239 units received rental assistance. Willamina has 100% project-based rental assistance through a HUD Section 8 Housing Assistance Payment (HAP) Contract. As part of the Rural Development Multifamily Preservation Revitalization (MPR) Program the projects will receive an ***additional 92 units of rental assistance***, providing 100% rental assistance for all projects.

Following is a summary for each property:

Stratford Apartments, Ashland, Oregon

- The Stratford Apartments are located in Ashland. Ashland is 284 miles from Portland, Oregon.
- The subject is located .5 miles from the Interstate 5 freeway with good access to downtown Ashland. The project is considered to have an average location near Southern Oregon University Campus (1 mile NW) and downtown Ashland (2 miles NW).
- Community services and facilities are readily available in the surrounding area. This includes hospitals, police and fire stations, schools (all ages), parks and recreational facilities.
- The nearest grocery store is .55 miles away and the nearest public transportation site is .39 miles away.
- Single family construction is the predominate land use and includes very old historic homes, newer homes, multifamily properties including apartment developments, hotels, and mixed use projects.
- There is a minimal amount of existing industrial development within the subject's market boundaries.

The subject and the proposed improvements are summarized below.

Stratford Apartments			
Unit Types	**No. Units**	**Size (SF)**	**Total (SF)**
1 BD / 1 BTH	17	570	9,690
2 BD / 1 BTH	29	750	21,750
3 BD / 1 BTH	5	1,050	5,250
Total Units/Avg	**51**	**719**	**36,690**
Office/laundry room			436
Maintenance Shed			240
Other Common Areas			382
Gross Building Area			**37,748**

Existing Improvements	Description	Comments
Address	585 Clay Street, Ashland, Oregon 97520	Jackson County
Current Use	51 Multifamily Units (Garden/Low Rise)	
Parking	80 open spaces	1.60 spaces/unit
Target Market	50% of AMI (current)	60% of AMI (proposed)
Year Built	1980	
Remaining Life – Before/After Renovation (years)	25/45	
# Buildings/# Stories	8 two-story residential buildings	
Site Size (acres)	4.34	
Density (units/acre)	11.75	
Utilities	All available to site	
Zoning	R-2 (Low Density Multi Family Residential)	Subject is legal conforming use
Flood Zone	Zone C	Moderate or minimal hazard
Current Condition	Average	Some deferred maintenance, which will be addressed with rehab
Unit Amenities	Deck/patio, storage, oven/range,	

	refrigerator	
Project Amenities	3 laundry rooms, play structure, near-by park, office, large nicely landscaped common areas	
Structure	Concrete foundation, wood framing, composition asphalt roof, wood siding	

Proposed Improvements	Description	Comments
Exterior:		
Siding and trim	Full replacement, painting, etc	
Gutters, Downspouts	Full replacement, painting, etc	
Entry steps, decks, railings	Full replacement, painting, etc	
Doors and Windows	Full replacement	Interior and exterior doors
Roof	Full replacement	Includes new venting and insulation
Paving and Curbs	Resurfacing, striping and curbing	
Landscaping	Tree removal, plant replacement, and sprinkler systems to be replaced	Current landscaping is in fair to good condition
Lighting	Upgrades to parking lot lighting	
Playground Equipment	Full replacement, plus addition of bark chips	
Interior:		
Cabinetry	Full replacement	Kitchen and bathrooms
Flooring	Full replacement of all vinyl flooring	Carpet to be replaced on an as needed basis
Countertops, sinks, faucets	Full replacement	
Tub/shower surrounds	Full replacement	
Toilets	As needed	
Range exhaust hoods	Full replacement	
Appliances	Replaced as needed	Most appliances are in good condition
Hardware	Full replacement	
Outlets	Full replacement	GFI where appropriate
Lighting	Full replacement	Kitchen and bathrooms
Air conditioning	To be added in all units	Through wall units (in living room)
General:		
ADA Units	3 units to be converted to ADA units	
Office Bathroom	To be added	

- The proposed improvements will improve the economic life of the property, will cure deferred maintenance issues, increase tenant appeal, and provide for additional 30 years of sustainability.
- The appraiser estimates that the project has approximately $100,000 in deferred maintenance. This includes the need to repaint the entire exterior of the building, the need to replace/repair some damaged siding, and the need to replace the windows.
- The borrower will be addressing all of these issues and more in the proposed rehab.
- Overall, the project is well located and historically a strong performer.
- The proposed improvements coupled with the increase in the number of subsidized units (17 units currently, all units with this refinance) should create great demand for the subject units.

MARKET OVERVIEW

Sources: Stratford Apartments appraisal prepared by First Service PGP Valuation dated July 15, 2010.

Market Demographics:

Economy

- Ashland's economy is based on three industries: Tourism, education, and wood products.
- The two major employers in the area are Southern Oregon University ("SOU") and the Oregon Shakespeare Festival ("OSF").
- Retail trade also plays an important role in the economy due to the presence of these employers who are primarily tourist oriented.

Population

- Moderate population and household growth is anticipated for the City of Ashland during the next five years.
- Population is expected to increase .83% per year; which is behind Jackson County, the State of Oregon, and the nation.

- Total population in City of Ashland in 2009 was 21,589; projected to grow to 22,495 in 2014.
- Total households in City of Ashland in 2009 was 9,563; projected to grow to 10,041 in 2014.
- Total number of housing units in City of Ashland in 2009 was 10,284; projected to grow to 10,809 in 2014.

Job Growth and Unemployment

- Long term job projections are positive with growth anticipated in most of the major industrial sectors except Information (for 2008 to 2018 forecast period). Growth rate is estimated at 1% annually.
- The national recession and housing decline have negatively affected the Medford area and job losses occurring in 2008 and 2009 have heavily impacted the anticipated growth in the area.
- That being said, growth is still expected especially in education and health services (20% growth rate), professional and business services (15% growth rate), and leisure and hospitality (14% growth rate).
- Unemployment rates at YE09 were 13.6% for Jackson County, this has improved to 12.2% as of May 2010. The largest losses were in manufacturing and construction, trade, transportation, and utilities.
- The region's growth rate and high unemployment rate indicate a declining outlook for employment; however results are highly seasonal. Declining during winter months and improving during summer months, an overall leveling off is projected.

Supply

The supply of multifamily units in the area is below average with moderate opportunities for expansion. This is based on the following facts:

- There is a limited supply of developable land.
- The best opportunities for development are in areas outside of the Ashland city limits.
- Many market rate apartment units have been converted to condominiums (100 units were removed between 2001 and 2007).
- Several affordable projects are in the process of converting to market rate units (two projects – Takilma Village and Chief Tyee).
- There is only one project currently under construction, Snowberry Brook – a 60 unit LIHTC complex in Ashland being developed by the local housing authority.
- There are no affordable or market rate projects either proposed or under construction with the exception of Snowberry Brook.
- Stratford should compete well in the market post rehab given the limited amount of new construction and average quality of existing multifamily housing stock.

Demand

- The appraiser conducted a survey of 443 market rate rental units which indicated an average vacancy rate of 8.1%.
- The bulk of the vacancies were in one project (15.6% vacancy at The Ashlander Apartments) that has large seasonal swings when students move out during the summer months.
- The outlook for market rate units is considered unstable due to high unemployment and instability over the next 12-18 months.
- Increased vacancy is expected during the summer months when students leave, with marked improvement expected by fall quarter when classes begin.
- The appraiser conducted a survey of 727 affordable rental units which indicated an average vacancy rate of 4.3%.
- All units are targeted to families at or below 30% to 60% of AMI.
- The Housing Authority of Jackson County reports a waiting list of approximately 3-4 years for a Section 8 voucher (4,950 applications).
- Many of the affordable projects report waiting lists.
- The subject currently only has 17 fully subsidized units. After renovation all 51 units will receive RD rental assistance. This will improve tenant demand for the subject.

Conclusions

- Modest population and employment growth is anticipated for the area.
- Unemployment levels are declining but are still high.
- The supply of restricted units in the subject area is being outpaced by demand, with no new projects recently completed and only one currently under construction.
- Market vacancy is 8.1% while affordable vacancy is 4.3%.
- Outlook for the subject is considered stable during next 2-3 years and is expected to continue to see low vacancy levels.

Spyglass Apartments, Lincoln City, Oregon

- The Spyglass Apartments are located in Lincoln City, Oregon. Lincoln City is 88 miles from Portland, Oregon.
- The subject is located 1 block east of Highway 101 and two miles south of downtown Lincoln City. The project is considered to have an average location.
- Community services and facilities are readily available in the surrounding area. This includes hospitals, police and fire stations, schools (all ages), parks and recreational facilities.
- The nearest grocery store is 1.27 miles away and the nearest public transportation site is 24 miles away. Mass transit is not a primary mode of transportation along the Oregon coast.
- Single family construction is the predominate land use and includes single family homes, multifamily properties and mobile home parks.
- Commercial development in the area is concentrated along Highway 101 and includes shopping centers, fast food restaurants, banks, gas stations, grocery stores, and auto related shops.

The subject and the proposed improvements are summarized below.

Spyglass Apartments			
Unit Types	**No. Units**	**Size (SF)**	**Total (SF)**
1 BD / 1 BTH	8	603	4,824
2 BD / 1 BTH	28	780	21,840
3 BD / 1 BTH	4	1,080	4,320
Total Units/Avg	**40**	**775**	**30,984**
Office/laundry room			810
Gross Building Area			**31,794**

Existing Improvements	Description	Comments
Address	950 SE 32nd Street, Lincoln City, Oregon 97367	Lincoln County
Current Use	40 Multifamily Units (Garden/Low Rise)	
Parking	83 open spaces	2.08 spaces/unit
Target Market	50% of AMI (current)	60% of AMI (proposed)
Year Built	1986	
Remaining Life – Before/After Renovation (years)	35/45	
# Buildings/# Stories	4 two-story residential buildings	
Site Size (acres)	3.8	
Density (units/acre)	10.53	
Utilities	All available to site	
Zoning	R-M (Multiple – Family Residential)	Subject is legal conforming use.
Flood Zone	Zone X	Outside of the 500 year flood level and protected by levee from 100 year flood
Current Condition	Average	Some deferred maintenance, which will be addressed with rehab
Unit Amenities	Deck/patio, oven/range, refrigerator	
Project Amenities	1 common laundry room, play structure, office, sport court	
Structure	Concrete foundation, wood framing, composition asphalt roof, wood siding	

Proposed Improvements	Description	Comments
Exterior:		
Siding and trim	Full replacement, painting, etc	
Gutters, Downspouts	Full replacement, painting, etc	
Entry steps, railings	As needed	
Doors and Windows	Full replacement	Interior and exterior doors
Roof	Full replacement	Includes new venting and insulation
Paving and Curbs	Resurfacing, striping and curbing	
Landscaping	Tree removal, plant replacement, and sprinkler systems to be replaced	Current landscaping is in fair to good condition
Lighting	Upgrades to parking lot lighting	
Playground Equipment	Full replacement, plus addition of bark chips	Addition of benches, picnic table, etc
Interior:		
Cabinetry	Full replacement	Kitchen and bathrooms
Flooring	Full replacement of all vinyl flooring	Carpet to be replaced on an as needed basis
Countertops, sinks, faucets	Full replacement	
Tub/shower surrounds	As needed	
Toilets	As needed	
Range exhaust hoods	As needed	
Appliances	Replaced as needed	Most appliances are in good condition
Hardware	Full replacement	
Outlets	Full replacement	GFI where appropriate
Lighting	Full replacement	Kitchen and bathrooms
Air conditioning	To be added in all units	Through wall units (in living room)
General:		
ADA Units	2 units to be converted to ADA units	
Office Bathroom	To be added	

- The proposed improvements will improve the economic life of the property, will cure deferred maintenance issues, increase tenant appeal, and provide for additional 30 years of sustainability.
- The appraiser estimates that the project has approximately $75,000 in deferred maintenance. This includes the need to repaint the entire exterior of the building, the need to replace/repair some damaged siding, and the need to replace the windows.
- The borrower will be addressing all of these issues and more in the proposed rehab.
- Overall, the project is well located and historically a strong performer. The proposed improvements coupled with the increase in the number of subsidized units (19 units currently, all units with this refinance) should create great demand for the subject units.

MARKET OVERVIEW

Sources: Spyglass Apartments appraisal prepared by First Service PGP Valuation dated July 20, 2010

Market Demographics:

Economy

- Lincoln County's economy is based on three primary industries: Tourism, fishing, and wood products.
- The two major employers in the area are Chinook Winds Casino and various government and medical facilities.

Population

- Slightly negative population and household growth are expected during the next five years.
- Population is expected to decrease -.17% per year; which is behind Lincoln County, the State of Oregon, and the nation.
- However, areas surrounding Lincoln City limits are anticipated to grow at a more moderate pace than the city itself.
  - Total population in Lincoln City in 2009 was 7,342; projected to decrease to 7,280 in 2014.
  - Total households in Lincoln City in 2009 was 3,281; projected to decrease to 3,247 in 2014.
  - Total number of housing units in Lincoln City are to remain in balance during next five years at 5,064 units.
- Population, households and housing units are expected to increase by .26%, .29%, and .20%, respectively during the next five years.

Job Growth and Unemployment

- Long term job projections are positive with growth anticipated in most of the major industrial sectors except manufacturing (for 2008 to 2018 forecast period). Growth rate is estimated at 0.9% annually.
- The national recession and housing decline have negatively affected the Lincoln City area and job losses occurring in 2008 and 2009 have heavily impacted anticipated growth.
- That being said, growth is still expected especially in education and health services (27.5% growth rate), professional and business services (15% growth rate), and leisure and hospitality (11.4% growth rate).
- Unemployment rates at YE09 were 10.4% for Lincoln County, this has improved to 10% as of May 2010. The largest losses were in manufacturing.
- The region's growth rate and high unemployment rate indicate a declining outlook for employment; however results are highly seasonal. Declining during winter months and improving during summer months, an overall leveling off is projected.

Supply

- The majority of existing supply of apartments in the subject's neighborhood have been constructed in the last 10 to 30 years.
- The most recent LITHC project was built in 2008; the 41 unit Beacon Crest Apartments located approximately 5 miles from the subject. Project is 100% occupied.
- Lincoln City has seen sporadic multifamily development in the last decade and generally a low - number of multifamily permits are forecasted in the near future.
- There are no affordable or market rate projects either proposed or under construction in the Lincoln City area.
- Spyglass should compete well in the market post rehab given the limited amount of new construction and average quality of existing multifamily housing stock.

Demand

- The appraiser conducted a survey of 305 market rate rental units which indicated an average vacancy rate of 4.9%.
- The outlook for market rate units is generally in balance with demand.
- Although the area has seen high unemployment and instability over the last 12 to 18 months (due to economy), outlook for market rate units is considered stable recognizing limited supply and no new complexes planned.
- The appraiser conducted a survey of 366 affordable rental units which indicated an average vacancy rate of 1.9%.
- All units are targeted to families at or below 30% to 60% of AMI.
- Property managers surveyed generally report that waiting lists are common. Increase in vacancy is usually attributed to time required to complete turnover and complete application/approval process.
- The Housing Authority of Lincoln County reports a waiting list of approximately 12 months for a Section 8 voucher.
- Many of the affordable projects report waiting lists of between 5 and 12 months. Beacon Crest has over 100 people on their waiting list.
- The subject currently only has 19 fully subsidized units. After renovation all 40 units will receive RD rental assistance. This will improve tenant demand for the subject.

Conclusions

- A slight decline in population is projected for the area, however employment is expected to grow.
- Unemployment levels are declining but are still high.
- The supply of restricted units in the subjects area is being outpaced by demand, with no new projects recently completed and only one currently under construction.
- Market vacancy is 4.9% while affordable vacancy is 1.9%.

- Outlook for the subject is considered stable during next 2-3 years and is expected to continue to see low vacancy levels.

Willamina Villa Apartments, Willamina, Oregon

- The Willamina Apartments are located in Willamina, Oregon. Willamina is 40 miles from Portland, Oregon. The city lies near the intersection of Oregon Route 18 and Oregon Route 22 next to the South Yamhill River.
- The project is considered to have an average location.
- The majority of community services are located in larger cities surrounding Willamina including Dallas, McMinnville and Salem.
- The nearest grocery store is .16 miles away and the nearest public transportation site is .24 miles away.
- The area has a variety of land uses, with the predominant land uses forestry, farming and rural residential.
- Residences in the area are in average condition and were typically built during the last century (average price is $118M). New development is scarce.
- Commercial development in the area focuses on lumber production and agriculture. There are no commercial centers in the local area, but more extensive commercial development is available in
- McMinnville, located 18 miles NE of Willamina.

The subject and the proposed improvements are summarized below.

Willamina Apartments			
Unit Types	**No. Units**	**Size (SF)**	**Total (SF)**
1 BD / 1 BTH	6	620	3,720
2 BD / 1 BTH	12	800	9,600
3 BD / 1 BTH	6	1,030	6,180
Total Units/Avg	**24**	**813**	**19,500**
Small Shed			80
Laundry/Storage			210
Office//storage area			972
Gross Building Area			**20,762**

Existing Improvements	Description	Comments
Address	320 NE 1st Street Willamina, Oregon 97396	Yamhill County
Current Use	24 Multifamily Units (Garden/Low Rise)	
Parking	33 open spaces	1.38 spaces/unit
Target Market	50% of AMI (current)	60% of AMI (proposed)
Year Built	1982	
Remaining Life – Before/After Renovation (years)	25/45	
# Buildings/# Stories	4 two-story residential buildings	
Site Size (acres)	1.3	
Density (units/acre)	18.46	
Utilities	All available to site	
Zoning	R-1 (Single Family Residential)	Subject is legal conforming use; property was built under prior to 1995 when zoning was R-3 which allowed for multifamily property. Current use is grandfathered.
Flood Zone	Zone X	Outside of the 500 year flood level
Current Condition	Average	Some deferred maintenance, which will be addressed with rehab
Unit Amenities	Deck/patio, storage, garbage disposals, oven/range, refrigerator	
Project Amenities	1 common laundry room, play structure, office, large grassy common area with picnic tables	
Structure	Concrete foundation, wood framing, composition asphalt roof, T1-11 siding	

Proposed Improvements	Description	Comments
Exterior:		
Siding and trim	Full replacement, painting, etc	
Gutters, Downspouts	Full replacement, painting, etc	
Entry railings & handrails	Full replacement	
Doors and Windows	Full replacement	Interior and exterior doors
Roof	Full replacement	Includes new venting and insulation
Paving and Curbs	Resurfacing, striping and curbing	
Landscaping	Tree removal, plant replacement, and sprinkler systems to be replaced	Current landscaping is in poor to fair condition
Lighting	Upgrades to parking lot lighting	
Playground Equipment	Addition of playground equipment	Addition of benches, bike rack, and sport court
Fencing	Full replacement	
Interior:		
Cabinetry	Full replacement	Kitchen and bathrooms
Flooring	Full replacement	
Countertops, sinks, faucets	Full replacement	
Tub/shower surrounds	As needed	
Toilets	As needed	
Range exhaust hoods	Full replacement	
Appliances	Replaced as needed	Most appliances are in good condition
Hardware	Full replacement	
Outlets	Full replacement	GFI where appropriate
Lighting	Full replacement	Kitchen and bathrooms
Air conditioning	To be added in all units	Through wall units (in living room)
General:		
ADA Units	2 units to be converted to ADA units	
Office Bathroom	To be added	

- The proposed improvements will improve the economic life of the property, will cure deferred maintenance issues, increase tenant appeal, and provide for additional 30 years of sustainability.
- The appraiser estimates that the project has approximately $50,000 in deferred maintenance. This includes the need to repaint the entire exterior of the building, the need to replace/repair some damaged siding, and the need to replace the windows.
- The borrower will be addressing all of these issues and more in the proposed rehab.
- Overall, the project is well located and historically a strong performer. The proposed improvements coupled with all units (except manager's unit) being subsidized should continue to create great demand for the subject units.

MARKET OVERVIEW

Sources: Willamina Apartments appraisal prepared by First Service PGP Valuation dated July 20, 2010

Market Demographics:

Economy

- Yamhill County's economy is based on two primary industries: Wood products and farming.
- The largest employer and commercial development in the area is Spirit Mountain Casino.

Population

- Moderate population and household growth are expected during the next five years.
- Population is expected to increase 1.73% per year in Willamina; which is ahead of Yamhill County, the State of Oregon, and the nation.
- However, areas surrounding Willamina limits are anticipated to grow at a similar to slightly slower pace than the city itself.
- Total population in Willamina in 2010 was 2,229; projected to increase to 2,429 in 2015.
- Total households in Willamina in 2010 was 805; projected to increase to 805 in 2015.
- Total number of housing units in Willamina in 2010 was 888; projected to increase to [illegible] housing units in 2015.
- Population, households and housing units are expected to increase by 1.73%, 1.75%, and [illegible] respectively during the next five years.

Job Growth and Unemployment

- Long term job projections are positive with growth anticipated in most of the major industrial sectors except information (for 2008 to 2018 forecast period). Growth rate is estimated at 1% annually.
- The national recession and housing decline have negatively affected the Willamina area and job losses occurring in 2008 and 2009 have heavily impacted the anticipated growth in the area.
- That being said, growth is still expected especially in education and health services (25.8% growth rate), professional and business services (14.7% growth rate), and leisure and hospitality (14.4% growth rate).
- Unemployment rates at YE09 were 11.4% for Yamhill County, this has improved to 10.5% as of May 2010. The largest losses were in manufacturing and construction, trade, transportation and utilities.
- The region's growth rate and high unemployment rate indicate a declining outlook for employment; however results are highly seasonal. Declining during winter months and improving during summer months, an overall leveling off is projected.

Supply

- The majority of existing supply of apartments (market and affordable) in the subject's neighborhood was built in the 1970's through 1990's. The supply of multifamily units is minimal and the product is of average quality.
- Willamina has seen limited new construction over the last 15 years and limited permit activity is expected in the future due to national economic conditions and lack of feasibility of market rent apartments.
- There are no affordable or market rate projects either proposed or under construction in Willamina area.
- Willamina Villa should compete well in the market post rehab given the limited amount of new construction and average quality of existing multifamily housing stock.

Demand

- The appraiser conducted a survey of 275 market rate rental units which indicated an average vacancy rate of 3.3%.
- The outlook for market rate units is generally in balance with demand with all comparable projects at stable occupancy levels.
- The outlook for the subject's market is considered stable given the strong demand for multifamily housing over the last 12 months.
- The appraiser conducted a survey of 350 affordable rental units which indicated an average vacancy rate of 2.3%.
- All units are targeted to families at or below 50% of AMI.
- Property managers surveyed generally report that waiting lists are common. Increase in vacancy is usually attributed to time required to complete turnover and complete application/approval process.
- The Housing Authority of Yamhill County reports a waiting list of approximately two years for a Section 8 voucher.
- Please note that the 100% of the units are currently under a HUD Section 8 contract, this will continue to be the case during and after the proposed rehab.

<u>Conclusions</u>

- A slight increase in population is projected for the area, however employment is expected to grow.
- Unemployment levels are declining but are still high.
- The supply of restricted units in the subjects area is being outpaced by demand, with no new projects recently completed and only one currently under construction.
- Market vacancy is 3.3% while affordable vacancy is 2.3%.
- Outlook for the subject is considered stable during next 2-3 years and is expected to continue to see low vacancy levels.

Cascade Valley Apartments, Mt. Angel, Oregon

- The Cascade Valley Apartments are located in Mount Angel, Oregon. Mount Angel is 36 miles from Portland, Oregon.
- The subject is located several blocks from the downtown commercial core. The project is considered to have an average location.
- Community services and facilities are available in nearby communities (Silverton, Salem, etc). This includes hospitals, police and fire stations, schools (all ages), parks and recreational facilities.
- The nearest grocery store is .25 miles away and the nearest public transportation site is 7.53 miles away. Mass transit is not a primary mode of transportation along the Oregon coast.
- Single family and agricultural are the predominate land uses.
- There has been some new residential development as a result of modest population growth and there is ample land within the city limits for future development.
- However community makes every effort to retain small town community appeal.
- The most recent multifamily development was the Edelweiss Village in downtown Mount Angel (a four story building with a bank and restaurant on the first floor and senior housing on the upper floors).
- Outside of this project there has been no new market rate multifamily development in 20 years.
- Commercial development in the area has been limited due to the small size of the community and is concentrated in the downtown core area. This includes restaurants, gift shops, auto parts store, drug store, hardware store, etc.
- More comprehensive commercial services are available approximately four miles to the south in Silverton.
- Industrial development is contained within the city's industrial park at the north end of town. - There has been no recent development and none planned at this time.

The subject and the proposed improvements are summarized below.

Cascade Valley Apartments			
Unit Types	**No. Units**	**Size (SF)**	**Total (SF)**
1 BD / 1 BTH	16	596	9,536
2 BD / 1 BTH	24	750	18,000
Total Units/Avg	**40**	**688**	**27,536**
Office/laundry room			441
Gross Building Area			**27,977**

Existing Improvements	Description	Comments
Address	455 W. Marquam Street Mount Angel, Oregon 97362	Marion County
Current Use	40 Multifamily Units (Garden/Low Rise)	
Parking	62 open spaces	1.55 spaces/unit
Target Market	50% of AMI (current)	60% of AMI (proposed)
Year Built	1978	
Remaining Life – Before/After Renovation (years)	23/45	
# Buildings/# Stories	7 two-story residential buildings	
Site Size (acres)	3.33	
Density (units/acre)	12	
Utilities	All available to site	
Zoning	R-M (Multiple – Family Residential)	Subject is legal conforming use
Flood Zone	Zone X	Outside of the 500 year flood [illegible]
Site Rating	Average	
Current Condition	Average	Some deferred maintenance, which will be addressed with rehab
Unit Amenities	Deck/patio, oven/range, refrigerator	

Project Amenities	1 common laundry room, play structure, office, open space	
Structure	Concrete foundation, wood framing, composition asphalt roof, T1-11 siding	

Proposed Improvements	Description	Comments
Exterior:		
Siding and trim	Full replacement, painting, etc	
Gutters, Downspouts	Full replacement, painting, etc	
Entry steps, railings	Full Replacement	
Doors and Windows	Full replacement	Interior and exterior doors
Roof	Full replacement	Includes new venting and insulation
Paving and Curbs	Resurfacing, striping and curbing	
Landscaping	Tree removal, plant replacement, and sprinkler systems to be replaced	Current landscaping is in poor condition
Lighting	Upgrades to patio lighting	
Playground Equipment	Full replacement, plus addition of bark chips	Addition of benches, picnic table, etc
Interior:		
Cabinetry	Full replacement	Kitchen and bathrooms
Flooring	Full replacement	
Countertops, sinks, faucets	Full replacement	
Tub/shower surrounds	As needed	
Toilets	As needed	
Range exhaust hoods	As needed	
Appliances	Full replacement	
Hardware	Full replacement	
Outlets	Full replacement	GFI where appropriate
Lighting	Full replacement	Kitchen and bathrooms
Air conditioning	To be added in all units	Through wall units (in living room)
General:		
ADA Units	2 units to be converted to ADA units	
Office Bathroom	To be added	

- The proposed improvements will improve the economic life of the property, will cure deferred maintenance issues, increase tenant appeal, and provide for additional 30 years of sustainability.
- The appraiser estimates that the project has approximately $100,000 in deferred maintenance. This includes the need to repaint the entire exterior of the building, the need to replace/repair some damaged siding, and the need to replace the windows.
- The borrower will be addressing all of these issues and more in the proposed rehab.
- Overall, the project is well located and historically a strong performer. The proposed improvements coupled with the increase in the number of subsidized units (19 units currently, all units with this refinance) should create great demand for the subject units.

MARKET OVERVIEW

Sources: Cascade Valley Apartments appraisal prepared by First Service PGP Valuation dated July 20, 2010

Market Demographics:

Economy

- Marion County's economy is based on three primary industries: Government; trade, transportation and utilities; and education and heath services.
- Mt. Angel is characterized as a "bedroom" community with more than half of the local working residents commuting to the larger economic centers of Salem and Portland.

Population

- Moderate population and household growth are expected during the next five years.
- Population is expected to increase 1.35% per year; which is ahead of Marion County, the State of Oregon, and the nation.
- Total population Mount Angel in 2010 was 3,744; projected to increase to 4,003 in 2015.
- Total households in Mount Angel in 2010 was 1,293; projected to increase to 1,390 in 2015.

- Total number of housing units in Mount Angel in 2010 was 1,294; projected to increase to 1,329 in 2015.
- Population, households and housing units are expected to increase by 1.35%, 1.46%, and 1.43%, respectively during the next five years.

Job Growth and Unemployment

- Long term job projections are positive with growth anticipated in most of the major industrial sectors except information (for 2008 to 2018 forecast period). Growth rate is estimated at 1.0% annually.
- The national recession and housing decline have negatively affected the Marion City area and job losses occurring in 2008 and 2009 have heavily impacted the anticipated growth in the area.
- That being said, growth is still expected especially in education and health services (14.4% growth rate), professional and business services (10% growth rate), and leisure and hospitality (14.7% growth rate).
- Unemployment rates at YE09 were 10.9% for Marion County, this has improved slightly to 10.8% as of May 2010. The largest losses were in construction, manufacturing, and trade.
- Recently, job loss has actually slowed and total nonfarm employment increased from April to May 2010. In light of this "leading indicator", this market may be heading in a positive direction, although positive growth is anticipated to be slow.

Supply

- The supply of multifamily units in the area is limited and considered to be below average within moderate opportunities for expansion.
- The majority of existing supply of apartments in the subject's neighborhood were constructed in the 1970's or before and are over average quality.
- Additional multi-family inventory in the general area is located in Silverton (4.5 miles south) and Woodburn (7 miles northwest). There has been newer market rate multifamily development in these two communities within the past several years.
- Marion County has seen limited multifamily development in the last decade and generally a low number of multifamily permits are forecasted in the near future.
- There are no affordable or market rate projects either proposed or under construction in Mt. Angel.
- Cascade Valley should compete well in the market post rehab given the limited amount of new construction and average quality of existing multifamily housing stock.

Demand

- The appraiser conducted a survey of 180 market rate rental units which indicated an average vacancy rate of 5.0%.
- The outlook for market rate units is considered stable recognizing limited supply and no new complexes planned.
- The appraiser conducted a survey of 233 affordable rental units which indicated an average vacancy rate of 6.4%.
- All units are targeted to families at or below 40% to 60% of AMI.
- Appraiser notes that the survey results significantly understate demand for affordable units in the area. All property managers surveyed report that units are only due to time required to complete turnover and complete application/approval process.
- All properties report waiting lists. The wait list for Woodpark Terrace is two years.
- Results show good demand for units.
- The Housing Authority of Marion County reports that their waiting list for Section 8 vouchers had previously been closed, but was re-opened in June 2010. The County reports a very strong demand an inadequate inventory to serve the need in the area.
- Please note that the subject currently only has 19 fully subsidized units, while after renovation all 40 units will be covered under the RD contract. This will improve tenant demand for the subject.

Conclusions

- Moderate population and household growth is projected for the area.
- Unemployment levels are declining but are still high.
- The supply of restricted units in the subject area is being outpaced by demand, with no new projects recently completed and only one currently under construction.
- Market vacancy is 5% while affordable vacancy is 6.4%.
- Outlook for the subject is considered stable during next 2-3 years and is expected to continue to see low vacancy levels.

Montebello and Montecino Apartments, Wilsonville, Oregon

- The Montebello Apartments are located in Wilsonville, Oregon. Wilsonville is 17 miles from Portland, Oregon.
- The subject is located in the central-southwest portion of the City of Wilsonville, on the west side of Interstate 5.
- The immediate areas is characterized as residential and benefits from its convenient location near transportation services, employment, shopping, schools and supporting services.
- The nearest grocery store is .66 miles away and the nearest public transportation site is .60 miles away.
- Wilsonville is a mixed-use area that has seen extensive new development activity in all market sectors over the last several years.
- Single family residential is prevalent in the area and consists of established neighborhoods of average to good quality homes constructed from the 1960's to 1970's and extensive new subdivision development constructed steadily from the mid 1980's.
- There is adequate land for new development in the coming years, which is expected to occur but at a slower pace than in prior years due to the economy.
- Multifamily development in the area is dominated by newer, luxury-oriented complexes constructed since the late 1980's.
- There are two new luxury apartment complexes that were completed in the last five years. Due to the recession, both properties have reduced rents and are offering concessions.
- Commercial buildings within the area range from new to 30 years old and are generally in average to good condition. The area is well served by multiple shopping centers and major retail tenants like Costco, Frys Electronics, Target, Albertsons, Office Depot, Walgreen's, Thriftway, and Pier 1 Imports.
- A new commercial development was recently approved which will include a new Fred Meyer store, 50,000 sq ft of commercial/retail space and 42,000 sq ft of new housing (56 unit).
- This project is only ¼ mile from the subject and will have a positive impact on the subject as it will draw more traffic from Wilsonville Road closer to the project.
- Most industrial development is located next to the Interstate 5 freeway. There is a large amount of vacant and developable land in this area which will make it attractive for future development.
- Wilsonville is home to some of Oregon's largest and most influential corporate citizens, including InFocus, Xerox, Mentor Graphics, and Hollywood Entertainment.

The subject(s) and the proposed improvements are summarized below.

Montebello Apartments			
Unit Types	**No. Units**	**Size (SF)**	**Total (SF)**
1 BD / 1 BTH	16	615	9,840
2 BD / 1 BTH	34	735	24,990
Total Units/Avg	**50**	**697**	**34,830**
Community Building			1,500
Laundry Room			2,974
Gross Building Area			**39,304**

Montecino Apartments			
Unit Types	**No. Units**	**Size (SF)**	**Total (SF)**
1 BD / 1 BTH	10	600	6,000
2 BD / 1 BTH	24	725	17,400
Total Units/Avg	**34**	**688**	**23,400**
Laundry Room			805
Gross Building Area			**24,205**

Existing Improvements-Montebello	**Description**	**Comments**
Address	29800 SW Montebello Drive Wilsonville, Oregon 97030	Clackamas County
Current Use	50 Multifamily Units (Garden/Low Rise)	
Parking	72 open spaces	1.44 spaces/unit
Target Market	50% of AMI (current)	60% of AMI (proposed)
Year Built	1976	
Remaining Life – Before/After Renovation (years)	23/45	
# Buildings/# Stories	6 two-story residential buildings and 1 one-story community building	
Site Size (acres)	2.62	
Density (units/acre)	19.08	
Utilities	All available to site	
Zoning	R (Residential)	Subject legal but non-conforming use due to its density exceeding the maximum density of 12 units per acre (actual is 19.08). If destroyed could be rebuilt to the same density, according to City of Wilsonville
Flood Zone	Zone X	Outside of the 500 year flood level. There is a creek on the east side of the property. It occupies the first few feet of the east side of the property and extends onto the neighboring property.
Current Condition	Average	Some deferred maintenance, which will be addressed with rehab
Unit Amenities	Deck/patio, oven/range, refrigerator	
Project Amenities	1 common laundry room, community building with rec room, kitchen and office and bathroom.	
Structure	Concrete foundation, wood framing, composition asphalt roof, T1-11 siding	

Proposed Improvements - Mopntebello	**Description**	**Comments**
Exterior:		
Siding and trim	Full replacement, painting, etc	
Gutters, Downspouts	Full replacement, painting, etc	
Entry steps, railings	As needed	
Doors and Windows	Full replacement	Interior and exterior doors
Roof	Full replacement	Includes new venting and insulation
Paving and Curbs	Resurfacing, striping and curbing	
Landscaping	Tree removal, plant replacement, and sprinkler systems to be replaced	Current landscaping is in good condition
Lighting	Upgrades to parking	
Playground Equipment	New structure with bark chips	Addition of BBQ, benches, picnic table, bicycle racks, etc
Interior:		
Cabinetry	Full replacement	Kitchen and bathrooms
Flooring	Full replacement	
Countertops, sinks, faucets	Full replacement	
Tub/shower surrounds	Full replacement	
Toilets	Full replacement	
Range exhaust hoods	Full replacement	
Appliances	As needed	
Hardware	Full replacement	
Outlets	Full replacement	GFI where appropriate
Lighting	As needed	Kitchen and bathrooms

Air conditioning	To be added in all units	Through wall units (in living room)
General:		
ADA Units	5 units to be converted to ADA units	Combined Montebello and Montecino

- The proposed improvements will improve the economic life of the property, will cure deferred maintenance issues, increase tenant appeal, and provide for additional 30 years of sustainability.
- Overall, the project is well located and historically a strong performer. The proposed improvements coupled with the increase in the number of subsidized units (41 units currently, all units with this refinance) should create great demand for the subject units.

Existing Improvements - Montecino	**Description**	**Comments**
Address	29730 SW Montebello Drive Wilsonville, Oregon 97030	Clackamas County
Current Use	34 Multifamily Units (Garden/Low Rise)	
Parking	54 open spaces	1.59 spaces/unit
Target Market	50% of AMI (current)	60% of AMI (proposed)
Year Built	1978	
Remaining Life – Before/After Renovation (years)	25/45	
# Buildings/# Stories	6 two-story residential buildings	
Site Size (acres)	1.85	
Density (units/acre)	18.38	
Utilities	All available to site	
Zoning	R (Residential)	Subject legal but non-conforming use due to its density exceeding the maximum density of 12 units per acre (actual is 19.08).). If destroyed could be rebuilt to the same density, according to City of Wilsonville
Flood Zone	Zone X	Outside of the 500 year flood level. There is a creek on the east side of the property. It occupies the first few feet of the east side of the property and extends onto the neighboring property.
Current Condition	Average	Some deferred maintenance, which will be addressed with rehab
Unit Amenities	Deck/patio, oven/range, refrigerator	
Project Amenities	1 common laundry room, access to community building at Montebello.	
Structure	Concrete foundation, wood framing, composition asphalt roof, T1-11 siding	

Proposed Improvements - Montencino	**Description**	**Comments**
Exterior:		
Siding and trim	Full replacement, painting, etc	
Gutters, Downspouts	Full replacement, painting, etc	
Entry steps, railings	As needed	
Doors and Windows	Full replacement	Interior and exterior doors
Roof	Full replacement	Includes new venting and insulation
Paving and Curbs	Resurfacing, striping and curbing	
Landscaping	Tree removal, plant replacement, and sprinkler systems to be replaced	Current landscaping is in good condition
Lighting	Upgrades to parking	
Playground Equipment	New structure with bark chips	Addition of BBQ, benches, picnic table, bicycle racks, etc
Interior:		
Cabinetry	Full replacement	Kitchen and bathrooms
Flooring	Full replacement	
Countertops, sinks, faucets	Full replacement	
Tub/shower surrounds	Full replacement	
Toilets	Full replacement	
Range exhaust hoods	Full replacement	
Appliances	As needed	
Hardware	Full replacement	
Outlets	Full replacement	GFI where appropriate
Lighting	As needed	Kitchen and bathrooms
Air conditioning	To be added in all units	Through wall units (in living room)
General:		
ADA Units	5 units to be converted to ADA units	Combined Montebello and Montecino

- The proposed improvements will improve the economic life of the property, will cure deferred maintenance issues, increase tenant appeal, and provide for additional 30 years of sustainability.
- The appraiser estimates that the project has approximately $30,000 in deferred maintenance. This includes resurfacing the parking lot.
- The borrower will be addressing all of these issues and more in the proposed rehab.
- Overall, the project is well located and historically a strong performer. The proposed improvements coupled with the increase in the number of subsidized units (28 units currently, all units with this refinance) should create great demand for the subject units.

MARKET OVERVIEW

Sources: Montebello and Montecino Apartment's appraisals prepared by First Service PGP Valuation dated July 22, 2010

Market Demographics:

Economy

- The Portland MSA (includes Clackamas County) economy is based on three primary industries: Trade, transportation, and utilities; government; and, educational and health services.
- The three major employers in the area are Intel, Providence Health Systems, and Oregon Health & Science University.

Population

- Moderate population and household growth is expected to be stronger in Wilsonville than the surrounding areas during the next five years.
- Population is expected to increase 1.70% per year; which is ahead of Clackamas County, the State of Oregon, and the nation.
- Total population Wilsonville in 2009 was 17,194; projected to increase to 18,656 in 2014.
- Total households in Wilsonville in 2009 was 7,112; projected to increase to 7,705 in 2014.
- Total number of housing units in Wilsonville in 2009 was 7,831; projected to increase to 8,474 in 2014.
- Population, households and housing units are expected to increase by 1.70%, 1.67%, and 1.64%, respectively during the next five years.

Job Growth and Unemployment

- Long term job projections are positive with growth anticipated in most of the major industrial sectors except manufacturing (for 2008 to 2018 forecast period). Growth rate is estimated at less than 1.0% annually.
- The national recession and housing decline have negatively affected Clackamas County and job losses occurring in 2008 and 2009 have heavily impacted the anticipated growth in the area.
- That being said, growth is still expected especially in professional and business services (16.7% growth rate) and education and health services (22.1% growth rate).
- Unemployment rates at YE09 were 10.6% for Clackamas County, this has improved slightly to 10.3% as of April 2010.

Supply

- The supply of multifamily units in the area is moderate with opportunities for expansion, due to the availability of large tracts of buildable land.
- The majority of existing supply of apartments in the subject's neighborhood are average quality, two and three story, multi-building projects constructed in the late 1960's to 1990's.
- Clackamas County has seen limited multifamily development in the last three to five years due to slowdown in the economy. A stable to slightly increased number of permits for apartments is forecasted in the future due to developers moving away from building for sale projects to apartments.

- Much of the upcoming and recently constructed multifamily development within Wilsonville is in the Villebois Master Development (411 market and restricted units) or Village at Main Street Phase 2 (232 market units).
- There are two proposed/under construction new affordable projects in the area (Creekside and Old Town Square – 139 units) and there has been only one new affordable project added to the market in recent years (Charleston – 52 units).
- There are no other new apartment units in planning stages (restricted or market).
- Montebello is projected to have strong occupancy based on the waiting lists at other subsidized projects and no new development of subsidized housing in the market area.

Demand

- The appraiser conducted a survey of 1,258 market rate rental units which indicated an average vacancy rate of 2.7%.
- Supply of market rent units is generally in balance with demand.
- The outlook for market rate units is considered stable but could change depending on economic recovery.
- The appraiser conducted a survey of 674 affordable rental units which indicated an average vacancy rate of 4.0%.
- All units are targeted to families at or below 30% to 60% of AMI.
- Montebello, Montecino, and Wilsonville Heights are all RD properties, and all of these properties
- have higher than normal vacancy due to difficulties renting out unsubsidized units. These three properties had no vacant RD units.
- The subject and Montecino share a waiting list of five people for RD assistance units.
- Eight projects surveyed have a waiting list ranging from a few people to multiple years for some of the projects with subsidized units.
- The Housing Authority of Clackamas County reports a multi-year wait list for Section 8 vouchers and has closed the waiting list to new applications, indicating a high demand for subsidized units.
- The supply of restricted rent units in the area is being outpaced by demand, with almost no new projects recently completed and none currently under construction. Outlook is stable during next two to three years with low vacancy rates expected.
- Note that the subject currently only has 41 fully subsidized units, while after renovation all units will be covered under the RD contract (with the exception of the manager's unit). This will improve tenant demand for the subject.

Conclusions

- Strong population and household growth is projected for the area.
- Unemployment levels are declining but are still high.
- The supply of restricted units in the subject area is being outpaced by demand, with no new projects recently completed or under construction.
- Market vacancy is 2.7% while affordable vacancy is 4.0%.
- Outlook for the subject is considered stable during next 2-3 years and is expected to continue to see low vacancy levels.

Sources and Uses of Financing

The borrower is requesting a tax exempt bond allocation in an amount of $15,854,000 for acquisition, development and rehabilitation costs associated with the Beaver State Apartments. Bonds will be used through construction, to meet the 50% test required for the 4% Low Income Housing Tax Credits. At the time of permanent loan conversion, the short term bond ($6,630,000) will be paid down, leaving a permanent loan of $9,224,000.

The permanent Risk Sharing loan is underwritten with a 40-year term at an interest rate of 6.25%, which includes the Department's full spread on the bonds. The final interest rate will be determined at the time of bond sale, scheduled for October 25, with a closing date of November 9, 2010. In addition, at the time

of permanent loan conversion, the Risk Sharing FHA mortgage insurance will be in placed for the term of the loan.

An annual allocation of 4% Low Income Housing Tax Credits is being requested in an amount of 877,153, which will provide tax credit equity in an amount of $4,825,493. Raymond James is the equity investor and is providing the equity investment at a yield of .55. Capital contributions estimated as follows: 31% at closing and throughout construction; 45% at construction completion; and, 24% at stabilized operations (1.15:1).

US Bank is providing the Letter of Credit during construction. At the time of permanent loan conversion, the Letter of Credit will be terminated. The term of the Letter of Credit will be 15 months, with one 6 month extensions. *(Note: a Letter of Credit, or some form of credit enhancement, is required when using bond proceeds through construction. Once the Risk Sharing loan is converted, the credit enhancement then becomes the FHA mortgage insurance.).* US Bank has received approval for the Letter of Credit.

Rural Development (RD) financing for the project includes: The assumption of the existing RD loan; debt deferral and additional rental assistance (92 units). All six projects will have all or some portion of their existing debt deferred for 20 years. Montebello/Montecino and Cascade Valley will have a portion that is reamortized over 50 years at 1% interest. Through RD's Multifamily Preservation Revitalization (MPR) program, they provide a 20 year debt deferral with a 30 year restrictive use covenant. At the end of 20 years (according to a representative at the National Office) they will either extend the deferral, or reamortize the existing debt for 40/50 years at 1% and execute a new 30 year restrictive use covenant, basically providing for affordability in perpetuity because of staggered renewal dates.

A Weatherization Grant in the amount of $645,300 has been requested for weatherization eligible items. These items include: Refrigerators (239); Water Heaters (239); A/C Units (Cascade Valley 40); and Lighting (CFLs).

Gap financing is provided in the form of Housing Preservation Funds. Of the $18,304,528 in Lottery Backed Bonds available for preservation, $15,600,000 is for multifamily preservation projects that have 25% or more federal project-based rental assistance from USDA Rural Development or the US Department of Housing and Urban Development (HUD); and the balance is for the acquisition/preservation of manufactured dwelling parks. It is the Department's goal to have the Housing Preservation Funds allocated by the end of the biennium (6/30/2011).

The borrower is requesting an allocation of $10,040,298 in Housing Preservation Funds. $6,878,293 will be in the form of a loan as the bond proceeds are taxable, and $3,162,005 will be in the form of a grant as the bond proceeds are tax exempt. The terms of the loan proposed are 0% interest for 40 years, no payment required. If affordability restrictions are compromised, then repayment in full will be required.

The balance of the financing is coming from the deferred developers fee in the amount of $1,097,878 and project funds in the amount of $942,000.

Sources and Uses

Source	Spyglass	Stratford	Cascade	Montebello/ Montecino	Willamina	Total
Tax Exempt Bonds	2,662,000	3,362,000	2,580,000	5,610,000	1,640,000	15,854,000
Short term use bonds	(750,000)	(1,130,000)	(1,600,000)	(2,200,000)	(950,000)	(6,630,000)
LIHTC Equity	933,791	949,022	755,734	1,696,742	490,204	4,825,493
HPF – Taxable	900,000	1,900,000	750,000	2,175,009	750,000	6,475,009

HPF – Tax Exempt	106,065	389,905	784,052	1,402,059	479,474	3,162,005
HPF – CIF balance				403,284		
Weatherization	108,000	137,700	108,000	226,800	64,800	645,300
RD – debt deferral	1,050,000	650,000	375,000	665,000	545,000	3,285,000
RD – Reamort.			852,000	840,000		1,692,000
Def Dev Fee	183,338	246,442	196,395	329,631	142,072	1,097,878
Project Cashflow	137,500	150,000	137,500	200,000	125,000	942,001
TOTAL	**5,362,827**	**6,696,040**	**4,971,265**	**11,416,006**	**3,305,830**	**31,751,970**
Perm Loan Amt per project	1,912,000	2,232,000	980,000	3,410,000	690,000	9,224,000

Uses	Spyglass	Stratford	Cascade	Montebello/ Montecino	Willamina	Total
Acquisition Costs (incl closing costs)	2,460,000	3,012,000	1,610,000	5,060,000	1,230,016	13,372,016
Rehab Costs	1,450,000	1,897,500	1,860,000	3,681,391	900,000	9,788,891
Development Costs	1,452,828	1,786,540	1,501,265	2,674,616	1,175,814	8,591,063
TOTAL	**5,362,828**	**6,696,040**	**4,971,265**	**11,416,007**	**3,305,830**	**31,751,970**

Acquisition cost per unit	239	55,949.86
Rehab cost per unit	239	40,958
Development cost per unit	239	35,946

OHCS Fee/Charge (Revenue) estimate:

2% Loan Fee:	$317,080
2% Cost of Issuance:	$317,080
Risk Sharing App Fee:	$ 7,500
Tax Credit Reservation Fee:	$ 57,015
Negative Arbitrage Est. :	$250,000
Total	$948,675

In addition: full spread of 150 basis points over a 40 year term

Operating Budget

	Spyglass	Stratford	Cascade	Montebello/ Montecino	Willamina	Total
Gross Potential Income	328,344	414,288	311,052	672,900	221,232	1,947,816
Vacancy: 7%	(22,984)	(29,000)	(21,774)	(47,103)	(15,486)	(136,347)
Effective Gross Income	311,360	393,888	295,278	639,197	209,646	1,849,369
Operating Expenses	(157,320)	(196,430)	(163,120)	(332,220)	(132,820)	(981,910)
Net Operating Income	154,040	197,458	132,158	306,977	76,826	867,459
RISK SHARING LOAN	1,912,000	2,232,000	980,000	3,410,000	690,000	9,224,000
Rate	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Term	40	40	40	40	40	40
Annual payment	130,262	152,053	66,766	232,319	47,009	628,420
RD LOAN DEFERRAL	1,050,000	650,000	375,000	665,000	545,000	3,285,000

Rate	1%	1%	1%	1%	1%	1%
Annual payment	0	0	0	0	0	0
RD LOAN	0	0	852,000	840,000	0	1,692,000
Rate			1%	1%		1%
Annual payment			21,660	21,355		43,016
Total Debt Service	130,262	152,053	88,427	253,674	47,009	671,435
Annual Cash Flow	23,778	45,395	43,731	53,303	29,817	196,024
DCR	1.18	1.30	1.49	1.21	1.63	1.29

** Risk Sharing debt is estimated using a 6.25% underwriting rate*

Note: Operating Expenses are estimated at $4,108 per unit/per year
Deferred Developers fee annual payment $91,490
Asset Management annual payment $15,000
Partner Management Fee annual payment $15,000
Cash flow after above payments estimate $121,490

Break-Even Analysis

To mitigate potential risk of non-payment of debt due to high economic vacancy, general underwriting preference is for break-even occupancy at 90% or less. At the time of acquisition/transfer the project will have 100% project-based rental assistance from RD and HUD; therefore, reducing the risk of vacant units. Historical occupancy for units with rental assistance has been 100% for the past several years. The main occupancy issues have occurred on the non-rent assisted units. With this acquisition/transfer all projects will receive 100% rental assistance.

Debt Service	$671,435
Expenses (including Reserves)	$981,910
Combined Debt & Expenses	$1,653,345
Effective Gross Income	$1,849,369
Break-Even Occupancy	$1,653,345 / $1,849,369 = 89% (213 of 239 units occupied)

Appraisal

Complete appraisals were prepared (July 2010) for each property by First Service PGP Valuation.

Project	**Appraisal Date**	**Rent Restricted Value as Renovated**	**Tax Credit Value**	**Beneficial Financing Value**	**Combined Value**
Stratford	7/15/2010	$2,640,000	$1,060,000	$3,510,000	$7,210,000
Montecino	7/22/2010	$1,830,000	$680,000	$1,928,000	$4,438,000
Montebello	7/22/2010	$2,560,000	$1,020,000	$2,902,000	$6,482,000
Willamina	7/20/2010	$1,150,000	$490,000	$1,870,000	$3,510,000
Spyglass	7/20/2010	$1,730,000	$820,000	$2,240,000	$4,790,000
Cascade Valley	7/20/2010	$1,390,000	$820,000	$2,500,000	$4,710,000
Total		**$11,300,000**	**$4,890,000**	**$14,950,000**	**$31,140,000**

Based on the Risk Sharing permanent loan amount of $9,224,000 the loan to value using the Rent Restricted Value as Renovated ($11,300,000) is 81.62%; and using the Beneficial Financing Value

($31,140,000) is 29.62%. The Department's maximum loan to value requirement is 85%. The permanent loan is within the Department's discretion to utilize Beneficial Financing Value in determining the loan to value. However, this project, due to debt service restrictions and some conservative underwriting, meets the Department's loan to value requirement using the Rent Restricted Value as Renovated.

Borrower/Mgmt Agent/Development Team

Borrower: Beaver State Apartments LLC is a newly formed single asset entity. The managing member is Western Oregon Affordable Housing, Inc. and the equity investor will be a to-be-formed affiliate of Raymond James. Raymond James corporate offices are located in St. Petersburg, Florida.
The principals of Western Oregon Affordable Housing, Inc. are Tony Chrisman and Doug Chrisman (50/50 ownership).

Developer and Property Manager: Chrisman Development and Management, Inc. ("CDMI") was founded in 1989 to build, acquire and develop low income apartment complexes for seniors, disabled, low income families, and the chronically mentally ill.

Chrisman Development was founded by Doug and Tony Chrisman and acquired its first affordable housing property in 1991. Since 1991 CD&M has focused on developing, acquiring, and rehabilitating affordable properties throughout Eastern Oregon. CD&M manages their entire portfolio of affordable properties themselves and currently has 36 employees. The company recently hired a full-time compliance officer to monitor the requirements for LIHTC and the new, additional compliance reports for the exchange and TCAP programs. The firm currently owns and manages 689 multi-family units in 24 projects, all in Oregon.

A review of CD&M Real Estate Owned Schedule, as of March 31, 2010, reflects an average DSCR for their portfolio of 1.78; average LTV is 70%; and average occupancy is 95%.

CD&M was recently chosen as "Property Management Company of the Year" by the Multi-Family Housing Department of the USDA Rural Development at the annual Oregon Rural Housing Conference.

Contractor: W.C. Construction., Inc. was established in 1986 by Dennis Cross, President, and Robert Wiles, Vice President. The company is based in Elgin, Oregon (near the Chrisman headquarters in Enterprise, Oregon). The company is involved in both new construction and rehabilitation work. They have completed projects of various types including multi-family, public schools, bank buildings, athletic clubs, retail stores, municipal buildings and office buildings in Oregon, Washington and Idaho. WC is the contractor on two US Bank financed properties (Sagebrush and Crest Butte), both of which are on schedule and on budget.

The Beaver State project will be fully bonded by Travelers Surety who provided bonds on Sagebrush and Crest Butte. The bond will be issued near the scheduled closing date on 11/9/10. The Payment and Performance Bond provides a guarantee that the suppliers and subcontractors are paid and that the project is completed on budget and on time. Travelers has been providing this type of bonding for WC Construction for a number of years and does a complete credit underwriting of the company annually. In the event of non-payment by W C Construction of suppliers or subcontractors and the filing of liens, Travelers would look to W C Construction to remedy the problem. In the event that W C Construction was unable to make payment and after the 75 day lien period, Travelers would be required to pay.

Legal Counsel: Doug Blomgren has been providing legal counsel for affordable housing developers 1989. Mr. Blomgren has extensive experience working with OHCS financing programs and staff.

Tax Consultant: Michelle Silver has been providing tax advice for bond and low income housing tax credits projects for the past 20 years. Ms. Silver has extensive experience working with OHCS financing programs and staff.

Resident Services

SERVICE PROVIDED	*LOCATION OF SERVICE (on site / off-site)*	*ANTICIPATED RESULTS*	*SERVICE PROVIDER*
Employment Services	Off-Site	Residents will be able to improve their work skills, find jobs, and create economic opportunities	Employment Dept.
Energy Assistance	Off/On Site	Residents can get help covering cost of heating, electricity, phone, sewer, etc. to help sustain basic needs and reduce risk of homelessness or living in substandard conditions	Varies
Transportation	Off Site	Residents can get anywhere they need to go for a nominal fee.	Varies
Food programs	On/Off Site	Residents have access to affordable or free food to reduce stress of buying and preparing food	Meals on Wheels; Emergency food boxes and food bank
Social Support	Off Site/On Site	Residents have access to social services to help make positive decisions and maintain stability	Department of Human Resources
Medical Services	Off Site	Residents have access to affordable health services to maintain optimal health	Health Department

The onsite manager will be responsible for letting tenants know what services are available and how to access them. An information package will be presented to each new tenant with all of the key agencies and services, with contact information. The onsite manager can assist tenants in arranging these services, whether on site or off site. CDMI will establish strong partnerships with key agencies in the area that provide services, so that if any problems arise they can be addressed quickly.

CDMI has been serving the needs of low and very low income families, seniors and disabled since 1992; they have a proven track record of providing quality housing, including ensuring residents have easy access to available services.

The Resident Services Plan is in review and must be finalized prior to funding the permanent loan. If there are any concerns or issues by the Community Resources Section Resident Services reviewer, they will work with the borrower and will be addressed during the rehabilitation period.

Environmental/Third Party Reviews

Phase I Environmental reports dated July 2010 was prepared by Inspections Unlimited. All properties with the exception of Stratford Apartments in Ashland, concludes that no further environmental due diligence is required. A Phase II is recommended for Stratford to investigate for petroleum products and heavy metals in the soil. The site was previously used as an auto repair/wrecking facility. A soils investigation was completed and concludes no contamination to the site.

Asbestos and lead-based paint inspections were completed for all six properties, however, only required for Cascade Valley, Montebello/Montecino, and Stratford (construction prior to 1978). (at the time of this report) No lead-based paint was identified at any of the properties. Asbestos was identified at Stratford in the flooring and at Montebello/Montecino in the popcorn ceiling, drywall, and underbelly coating on the sinks. As with other RD developments that the Chrisman's have completed, they will abate or incapsulate where appropriate. For example, with

the drywall, where they are installing cabinets, they will use a DEQ certified abatement contractor when the drywall is affected; and with the removal of the sinks (replacement of all sinks is in the scope of rehab). The ceilings will be painted. Operations and Maintenance Plans are in the process of being completed. They need to be completed prior to the start of rehab and will remain on site in perpetuity.

All properties have completed radon testing as required by the lender and investor. The report will be available by the end of September.

The borrower has requested additional mold testing at all properties to evaluate whether mold is a tenant issue or a building issue. Tenant issues will be addressed through management and building issues will be addressed as part of the current rehabilitation scope, and will be completed prior to permanent financing.

MBE/WBE/ESB Participation/Outreach

It is OHCS' policy to encourage affirmative outreach practices when developing affordable housing projects. Borrowers are encouraged to contact the Department of Consumer and Business Services, Office of Minority, Women and Emerging Small Business Enterprises for a listing of those businesses in the project area. At the time of permanent loan conversion/closing, the borrower will be required to complete the MBE/WBE/ESB Compliance Report demonstrating their efforts.

Comments/Recommendation

- Preservation of affordable rental properties with (at least 25%) project-based rental assistance from USDA Rural Development (RD) or the US Department of Housing and Urban Development (HUD) is a high priority of the Department.

- Chrisman Development & Management, Inc. (Tony Chrisman and Doug Chrisman) are very experienced developers and property managers. They have been working with OHCS since 1992 on affordable housing projects, from small HOME projects to larger bond/tax credit projects.

- At this time, CD&M, is the premier developer in the preservation of USDA Rural Development projects.

- The borrower's current portfolio (690 units) operates at a 95% occupancy rate with an average DCR of 1.78.

- At the time of transfer of this portfolio, 100% of the units (with the exception of a manager's unit) will receive project-based rental assistance. Increases in rental assistance will be based on the operating budget, which includes operating expenses, reserve deposits and debt service.

- At this time, all the assisted units are full, with waiting lists for those units. It is anticipated that when the projects receive 100% RA, they will be fully occupied with waiting lists.

- The current underwriting rate of 6.25% reflects a DCR of 1.29 for the portfolio. As of 8-26-2010, the 40 year Risk Sharing rate (with full spread) would be 6.00%, this would equate to a 1.33 DCR.

- From time to time, the Department has utilized the beneficial financing value to size the debt; however, with this portfolio the Risk Sharing loan is 81.62% of the Rent Restricted Value as Renovated, which is below the Department's 85% loan-to-value maximum.

Recommendation: Based on the Department's priority of preservation, the borrower's extensive experience, and underwriting assumptions that exceed the Department's minimum standards, it is this writer's opinion that there is minimal risk to the Department. I would recommend approval of the financing requests outlined in this write up.

Finance Committee Discussion: Additional discussion centered around a more "robust" resident services plan. The Department's Resident Services Reviewer will work with the borrower to provide a more detailed and acceptable plan. The resident services plans must be approved by the Department prior to the issuance of LIHTC 8609s.

Vote: For: (6) Victor Merced, Rick Crager, Nancy Cain, Peggy McGuire, Bill Carpenter, Bob Gillespie
Abstain/Absent: Dave Summers, Marlys Laver