# OREGON STATE HOUSING COUNCIL

## February 3, 2012

*Barbara's Place, Redmond, OR*
*(New Construction; 6 Units; Multi-Family; Homeless)*

Meeting held at:
Oregon Housing and Community Services
725 Summer Street NE, Room 124 A/B
Salem, OR 97301
503.986.2005

# OREGON STATE HOUSING COUNCIL

**February 3, 2012**

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**Oregon State Housing Council**

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What We Do Matters!

**Council Members**
John Epstein, Chair
Tammy Baney
Michael C. Fieldman
Adolph "Val" Valfre, Jr.
Jeana Woolley

# STATE HOUSING COUNCIL MEETING

## February 3, 2012

**9:00 a.m.**

Meeting Location:
Oregon Housing and Community Services
725 Summer Street NE, Room 124 A/B
Salem, OR 97301
(503.986.2005)

# AGENDA

| | | |
|---|---|---|
| **I.** | **CALL TO ORDER** | **John Epstein** |
| **II.** | **ROLL CALL** | **John Epstein** |
| **III.** | **PUBLIC COMMENT** | **John Epstein** |
| **IV.** | **APPROVAL OF MINUTES**<br>**A.** Minutes of January 6, 2012 Meeting | **John Epstein** |
| **V.** | **DIRECTOR'S REPORT** | **Margaret Van Vliet** |
| **VI.** | **RESIDENTIAL CONSENT CALENDAR**<br>**A.** *2400 Block NE Multnomah St., Portland, OR* | **Kari Cleveland** |
| **VII.** | **SPECIAL REPORTS**<br>*A.* *Preserving Manufactured Home Parks Through Resident Ownership*, Presented by **Theresa Wingard**, Program Coordinator, Manufactured Communities Resource Center; and **Peter Hainley**, Executive Director, CASA of Oregon | **Pegge McGuire** |
| **VIII.** | **NEW BUSINESS**<br>**A.** *Vida Lea Mobile Home Park* (Leaburg, OR), Manufactured Dwelling Park Preservation (MDPP) Grant Request<br>**B.** *Hyak* (Seaside, OR), Predevelopment Loan Request | **Debie Zitzelberger**<br>**Janna Graham** |
| **IX.** | **OLD BUSINESS -- None** | |

**X. DISCUSSION ITEM**

**A.** Community Engagement — **Karen Tolvstad**

**XI. REPORTS**

**A.** Report of the Chair — **John Epstein**

**XII. FUTURE AGENDA ITEMS** — **Margaret Van Vliet**

# OREGON STATE HOUSING COUNCIL
## Minutes of Meeting

Meeting Location:
Oregon Housing and Community Services
725 Summer Street NE, Room 124 A/B
Salem, OR 97301

**9:00 a.m.**
**January 6, 2012**

**MEMBERS PRESENT**
John Epstein, Chair
Tammy Baney
Mike Fieldman
Adolph "Val" Valfre, Jr.
Jeana Woolley

**MEMBERS ABSENT**

**GUESTS**
John Miller, Oregon ON
Skip Grohdahl, GSL Properties
Melora Banker, GSL Properties
Chuck Weinstock, Chase Bank
Peter Hainely, CASA of Oregon
Cristel Alley, OHA
Sheila Greenlaw-Fink
Ramsey Weit
Tom Cusack, Oregon Housing Blog

**STAFF PRESENT**
Margaret S. Van Vliet, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Bob Gillespie, Housing Division Administrator
Karen Tolvstad, Policy, Communication & Strategy Division Administrator
Jodi Enos, LIHTC Tax Credit Program Coordinator
Mike Auman, OHSI Administrator
Dave Summers, MultiFamily Financial Manager
Heather Pate, MultiFamily Programs Section Manager
Vince Chiotti, Regional Advisor to the Department
Karen Clearwater, Regional Advisor to the Department
Shelly Cullin, Senior Loan Officer
Lisa Joyce, Legislative Relations
Betty Markey, Senior Policy Advisor
Janna Graham, Loan Specialist
Jo Rawlins, Recorder

**I. CALL TO ORDER: Chair Epstein** calls the January 6, 2012 meeting to order at 9:02 a.m.

**II. ROLL CALL: Chair Epstein** asks for roll call. **Present: Tammy Baney, Mike Fieldman, Adolph "Val" Valfre, Jr., Jeana Woolley and Chair Epstein.**

**III. PUBLIC COMMENT: John Miller,** Executive Director of Oregon ON, said his organization was disappointed to learn that their comments did not make it into the first rewrite of the QAP, and were presented with a rewrite in September that also did not incorporate any of their comments. They resubmitted their comments at that time, but many of the things were still not incorporated into subsequent rewrites. He suggests that, rather than having OHCS craft what it thinks is the right thing and then having the owners and operators react, it would be better to have an ongoing dialogue. He says he is encouraged that it sounds like that process will be used with the CFC rewrite. He comments that the owners of their 23,000 units are experts and have valid input into what makes healthy housing for Oregonians. Oregon ON asks that the Housing

Council monitor that process and encourage ongoing dialogue between OHCS and all the owners within the state. **Epstein** says there was a meeting yesterday with owners about communication around having more collaboration with our partners.

## IV. APPROVAL OF MINUTES

A. **Chair Epstein** asks if there are any corrections to the December 2, 2011 Minutes. **Woolley** points out a mistake on page 5, line 3. It should read "30 year" instead of "three year." There being one amendment, the Motion was read:

> **MOTION: Valfre moves that the Housing Council approve the Minutes of the December 2, 2011 Council meeting, as amended.**
>
> **VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Adolph "Val" Valfre, Jr., Jeana Woolley and Chair Epstein.**

## V. RESIDENTIAL CONSENT CALENDAR: None.

## VI. NEW BUSINESS:

A. *The Yards at Union Station Phase C Apartments* (Portland, OR), Pass-Through Revenue Bond Financing Request. **Shelly Cullin,** Senior Loan Officer, introduces **Skip Grohdahl** and **Melora Banker** from GSL Properties, and **Chuck Weinstock** from Chase Bank. **Cullin** reports that GSL Properties has requested a Pass-Through Revenue Bond allocation for the development of The Yards at Union Station Phase C Apartments. Phase C of The Yards is the last and final phase of a 4-phased development, and will consist of 80 units, targeting families at or below 60% of AMI. **Cullin** gives an overview of the write-up contained in Council's packet. She explains that, in response to an inquiry from Chair Epstein, the department has issued conduit bonds for 50 projects since 2000; and GSL has two projects that utilized the department's Pass-Through Revenue Bond Program -- Wyndhaven in Beaverton and Gresham Station. **Epstein** says the department has the right to issue bonds under its authority. Housing authorities have the right to issue bonds and there are a few other issuing agencies. When we are the issuer we are using our authority to issue tax exempt debt as allocated by the federal government year-to-year. There is plenty of supply right now. From a practical standpoint, we have a financial liability. We do collect a fee for being an issuer, and it is a revenue source for this agency. Our primary risk on something like this is reputation risk. We also have a bond program that is the Risk Sharing program and in that case we do take some financial risk. **Cullin** adds that this is the department's first project with Chase Bank, and thanks them for participating.

> **MOTION: Woolley moves that the Oregon State Housing Council approve a Pass-Through Revenue Bond Financing in an amount not to exceed $7,700,000 to The Yards Phase C LP for the new construction of The Yards at Union Station Phase C Apartments, subject to borrower meeting OHCS, Chase Bank, Portland Housing Bureau and City Real Estate Advisors, Inc. underwriting and closing criteria, documentation satisfactory to legal counsel and Treasurer approval for the bond sale.**

**VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Adolph "Val" Valfre, Jr., Jeana Woolley and Chair Epstein.**

**B.** *Proposed 2012 Qualified Allocation Plan Changes/Comments.* **Jodi Enos**, LIHTC Tax Credit Program Coordinator, and **Karen Tolvstad**, Policy, Strategy and Communication Division Administrator. **Tolvstad** explains that she has been asked by Margaret to take a look at policies for the agency and what is the best way to move forward. The department will be sending out an initiative to partners on what changes need to be made as an industry going forward to address affordable housing and community service needs. The plan will be done this month, as well as the beginnings of the conversations with property owners and potential property owners. This will be a change of how we make policies, implement policies and then check to make sure they are effective. **Van Vliet** adds that her intent is that this be brought back to Council for further discussion. The department will do the ground work, and then come before Council with some ideas to be vetted in a public manner on what we are seeing and ways to think about policy priorities.

**Enos** explains that OHCS is designated by the Governor as the administering agency for the Low Income Housing Tax Credit Qualified Allocation Plan (QAP). This plan, if adopted, would govern the allocation of LIHTC in the 2012 Consolidated Funding Cycle round. Section 42 of the Internal Revenue Code requires that the QAP set forth selection and allocation criteria of LIHTC. **Enos** gives an overview of the suggested changes to the QAP, as outlined in the Housing Council packet. Following discussion, Council suggests two amendments to the QAP: 1) On page 21 of the QAP (page 43 of Council's packet, line 17), adding "Cost Reasonableness" as a program consideration to be evaluated in the application; 2) On page 25 of the QAP (page 47 of Council's packet, line 12), deleting the words "rapid inflation," and revising the sentence to read as follows: *If there is an increase in LIHTC in pricing subsequent to a reservation of tax credits due to a material change in the pricing of credits, OHCS reserves the right to adjust the amount of a tax credit award or any other OHCS funding source.*

**MOTION: Woolley moves that the Oregon State Housing Council approve the final 20012 Qualified Allocation Plan as presented, with the two amendments suggested by Council, with recommendation to forward to the Governor for signature.**

**VOTE: In a roll call vote the motion passes. Members Present: Tammy Baney, Mike Fieldman, Adolph "Val" Valfre, Jr., Jeana Woolley and Chair Epstein.**

**VII. <u>SPECIAL REPORTS</u>:** None.

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

## IX. REPORTS:

**A.** *Oregon Homeownership Stabilization Initiative (OHSI) Update.* **Mike Auman,** OHSI Administrator, reports the following:

- There are 4,000 applicants in the first round of the Mortgage Payment Assistance program.
- $36M in assistance has gone out across the state, which is up $5M from the last Council meeting.
- The second round of the Mortgage Payment Assistance program (U program) was rolled out as a pilot phase in Klamath and Lake Counties, with almost 30 applicants. The next phase of the launch will be on January 25, in Washington, Multnomah, Marion, Clackamas and Lane Counties. They will continue to roll out phases, with all counties open by March 7.
- They are continuing to honor the initial obligations made to the rural counties in Oregon by the targeted roll out. Each county does have a defined number of slots. Once the applications are accepted for those, they will move to a statewide opening for the program, which they expect to be by mid-year. That will allow any remaining slots and any remaining funding that is available to be offered on a first-come, first-served basis throughout the state.
- Eligibility for the new program has been revised, and is simpler and quicker. The OHSI website features a full eligibility test people can take to see if they qualify. The website will soon include a video on how to apply for the program.
- The Preservation program is rolling out simultaneous with the Mortgage Payment Assistance U program. Those that applied for the Mortgage Payment Assistance U program will automatically be enrolled for up to a $10,000 reinstatement in the Reinstatement program. If they need funds between $10,000 and $20,000, they will be eligible for the Preservation program they expect to roll out mid-year.

**Woolley** asks if, on the unemployment program, those that ran small businesses will be eligible, noting that there is currently no assistance for those in that situation. **Auman** explains that in the first round of mortgage payment assistance, that population was considered. Looking forward and taking cues from the federal level, they are launching just an unemployment program for the folks that are receiving unemployment. **Woolley** asks if we provided any assistance to those that were unemployed, having lost their own small business. **Crager** states that the percentages were about 50/50 – unemployed versus underemployed (loss of income).

**B.** *Report of the Chief Financial Officer.* **Nancy Cain** reports the following:

- The department is currently evaluating whether it is time to go out for a single family bond issuance.
- The Private Activity Bond Committee meeting is scheduled for January 17. The department will request all of it for single family.
- The department's annual audit is done.
- There has been an opinion issued on the Enterprise funds, and there were no issues and no findings.

**Epstein** says he wants to make sure there are no issues on any audits that Housing Council should be made aware of, and requests that any material findings be brought before the Council. **Van Vliet** says absolutely, and if there is a regular financial report, that will be reported on as

well. **Cain** replies that she will add that to her reporting. **Fieldman** comments that in the past, the amount of detail regarding funding revenues has been helpful. **Cain** states that the department is facing significant reductions in federal funding, and there is a report that has been developed that analyzes some of the impacts. **Fieldman** says that would be helpful to be able to share that with other partners.

**C.** *Report of the Deputy Director.* **Rick Crager** reports the following:

- The department is preparing information on federal reductions and what the impacts are, which will be shared with partners.
- The department is looking at a 60% cut on the normal allocation it gets through the Department of Energy for weatherization, which does not include the ARRA dollars that will be ending, due to those being committed by March 31, 2012. **Fieldman** points out that this is in addition to the LIHEAP funding that is being reduced by 38%. **Crager** adds that the energy assistance funding that provides assistance to pay low-income Oregonians' utility bills will be impacted by a total of 20-30% reduction.
- HOME funding will be reduced by 38%, which will have impacts on two programs: less money for CFC and funding processes in the future, and HOME TBA. **Cain** states that the 38% cut to HOME funds is about $3.8M in addition to a $1.5M reduction that incurred in the previous year. Between the two years that is $5.3M. Total reductions are $5.3 in HOME; $10M in LIHEAP; and $800,000 in DOE. **Baney** says she will be in Washington DC next week meeting with our federal delegation, and that talking points to that effect would be beneficial.
- OCVAS will have a substantial cut, nearly 50%, of one of their key sources of funding to administer the AmeriCorps program.
- There are also state reductions that will come into focus after the next economic forecast. We have modeled 3.5%, 7% and 10.5% reduction levels to our General Fund programs, which include the two homeless funding sources, the General Fund Food program, and the Low-Income Rental Housing Fund.
- All state government is under a hiring freeze, and there will be an exception process to go through in order to recruit for positions. Needed OHSI positions will be the first to go through that process. We are trying to save dollars, but at the same time recognize the critical functions and services that need to be provided. **Cain** adds that agencies have also been asked not to spend any program funds that are new or are enhancements.
- CFC applications will be going out for 2012.
- 160 of our existing properties have been analyzed to better assess their structure and what we can anticipate going forward. The properties will be categorized by level of risk.

**D.** *Report of the Director.* **Margaret Van Vliet** requests Council's assistance in recruiting for two new Council members. Legislative days will be coming up partway through this month and then February will be the short session of the legislature. The department has been asked by the Senate General Government, Consumer and Small Business Protection Committee to talk about Hardest Hit and how it fits into the bigger arena of what is happening in the foreclosure market. She is spending a lot of time on the Oregon 10-Year Plan and what it means for budgeting and how we reframe our budget and line up our proposed expenditures and funding sources with the seven statewide outcomes. She is also looking at that programmatically and from a policy perspective and the need to do some policy setting and community engagement to have some of those things come together in new ways. The department has to keep an eye on the state's interest in pursuing the seven outcomes and how to balance those big

policy waves that are in front of us. She has been told that there is still the intent to invite all boards and commissions and councils to a meeting with the Governor to talk through the 10-Year Plan.

**E.** *Report of the Chair.* No report given.

**X. <u>FUTURE AGENDA ITEMS</u>.** A Legislative update will be given at the February meeting.

**Chair Epstein** adjourns the meeting at 11:21 a.m.

| | |
|---|---|
| **John Epstein, Chair** **DATE** | **Margaret S. Van Vliet, Director** **DATE** |
| **Oregon State Housing Council** | **Oregon Housing & Community Services** |

Oregon Housing and Community Services

What We Do Matters!

**Date:** 1/25/2012

**To:** State Housing Council

**From:** Roberto Franco, Manager
Homeownership Section

**Re:** Residential Loan Program - purchase of loans equal to or greater than 75% of the local area Acquisition Cost Limit, or $190,000, whichever is greater.

**Background:** State statutes require the State Housing Council to establish a single family loan threshold for loans to be reviewed and approved prior to purchase. The current threshold for single family loans includes all loans equal to or greater than 75% of the applicable area program purchase price limit, or $190,000, whichever is greater.

**Considerations:** Staff has reviewed all of the following loan files and concluded that the borrowers and properties meet all relevant program guidelines for the Residential Loan Program. All required documents have been properly executed, received, and the loans have been approved for purchase. In addition to being approved by staff, the loan files have been underwritten by the applicable lenders and are insured by either FHA (FB), Rural Development (RG), or Uninsured (U) with a loan-to-value of 80% or less.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 1 | Borrower | | | Lender | EAGLE HOME MORTGAGE, LLC | | |
| | Co-Borrower | | | | | | |
| | | | | Purchase Price | $310,000 | Note Amount | $302,141 |
| Property Address | 2400 BLOCK NE MULTNOMAH ST | | | Cost Limit | $381,645 | Principal Balance | $302,141 |
| | PORTLAND | OR | 97232 | Appr. Value | $335,000 | | |
| | | | | Year Built | 1906 | | |
| Hshld. Income | $93,708 | | | Living Area (Sq. Ft.) | 1,893 | Loan-to-Value | 97% |
| Income Limit | $100,800 | | | Lot Size (Sq. Ft.) | 5,000 | Insurance Type | FB |
| % of Income Limit | 92.96% | | | Cost per Sq. Ft. | $163.76 | Rate | 3.500% |
| Prior Ownership Yes (Y) or No (N) | | N | | New (N) or Existing (E) | E | | |
| | | | | Construction Style | Multi-Level | | |

**Recommended Motion:** **That the Oregon State Housing Council approve the Consent Calendar.**

Oregon
John A. Kitzhaber, MD, Governor

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# Memo

To: State Housing Council

From: Debie Zitzelberger, Loan Officer
Multifamily Housing Section

Date: January 25, 2012

Re: **Manufactured Dwelling Park Preservation Program – $600,000 Grant Request**

| | | | |
|---|---|---|---|
| **Project Name:** | **Vida Lea Mobile Home Park** | **No. of Units:** | 20 mobile home sites<br>13 RV sites<br>33 Total Spaces<br>1 S-F Home |
| **Project Address:** | 44221 McKenzie Hwy, Leaburg OR | **Population:** | Senior – 55+ |
| **Project County:** | Lane County | **Construction Type:** | Acq/Renovation |
| **Owner Name:** | Vida Lea Community Cooperative | **Years Affordable:** | Perpetuity |
| **Sponsor Contact:** | Stan Welsh, Coop President | **Consultant:** | CASA |
| **Lender:** | NOAH & CASA of Oregon | **Ongoing TA Provider:** | CASA |
| **Lender Contact:** | Susan Asam & Lisa Rogers | **Property Manager:** | Commonwealth Real Estate Services |
| **MDPP Request:** | $600,000 Grant | | |

MDPP Program Overview: In 2009 the Legislature passed Senate Bill 5535 enabling OHCS to administer the Manufactured Dwelling Parks Preservation Fund. The Department of Administrative Services is authorized to issue lottery bonds for OHCS to provide assistance to community organizations or tenant groups in acquiring manufactured dwelling parks to preserve the affordable housing and stabilize communities. The Program requires that 60% of the park spaces be occupied by residents at or below 80% of the area median income for a minimum affordability period of 20 years.

Finance Committee Meeting: January 24, 2012

/ S / Date: January 24, 2012
Rick Crager, Finance Committee Chair

/ S / Date: January 25, 2012
Margaret S. VanVliet, Director

**MOTION 1: To approve a conditional grant award of up to $600,000 from Manufactured Dwelling Park Preservation resources to Vida Lea Community Cooperative to acquire and renovate Vida Lea Mobile Home Park in Leaburg, Oregon.**

# VIDA LEA MOBILE HOME PARK

Request for MDPP Resources

Project/Site Description

- Vida Lea Mobile Home Park is located east of Leaburg and west of Vida in an area which is approximately 20 miles east of the Eugene-Springfield area. This rural community is situated in the scenic McKenzie River Valley along State Highway 126. The Park was originally built in 1964 and expanded in the late 1980s.
- There are 20 manufactured dwelling sites, 13 RV sites, one (1) 3-bedroom 2-bath wood-frame single family home, and a community space that includes two full bathrooms, laundry area with two washers and two dryers, community mail boxes, manager's office, and workshop space.
- The site is an irregular shape and contains 10.7 acres. The south and central portions of the site are level to gently sloping, while the northwest portion is accessed by a moderately steep narrow roadway, but it is relatively level once the upper area is accessed.
- The Park is served by paved roadways, a private septic system and private well-water system.
- Until recently, the seller has maintained a high occupancy level in the park with an average of 1-3 vacant spaces annually (permanent manufactured homes and RV spaces combined) over the last 3 years.
- As of 12/31/11, the occupied spaces consist of: 12 single-wide homes, 8 double-wide homes, 8 RVs and the single-family home is occupied by long-term renters, leaving zero (0) manufactured home spaces vacant and 5 RV spaces vacant. With the impending acquisition of the Park by the resident Cooperative, occupancy is expected to increase to full occupancy as it will be the only known resident-owned cooperative in the area.
- While the seller used the RV spaces as over-night or short-term rental spaces, the Cooperative will not rent these spaces to overnighters or short-term residents.
- All residents own their own homes. The seller does not own or rent any of the manufactured homes or RVs.

Resident/Cooperative Information

- The majority of the existing manufactured home residents have lived in the park for many years and are excited to become members of a Cooperative-owned park. Most of the RV residents have lived in the Park for over 1 year, intend to make the park their permanent home, and are interested in becoming members of the Cooperative.
- A legal opinion has been received that confirms the owners of the RVs do qualify for membership in the cooperative, that RV's fall within the definition of "manufactured home", and current zoning allows placement of 13 recreational vehicles in the Park.
- CASA holds ongoing regular meetings with the residents to encourage all residents to become members of the Cooperative and provide training in anticipation of the residents taking over the business of operating a Park. Residents in who do not wish to become members of the Cooperative will be offered a regular month-to-month lease (manufactured home residents or RV residents).
- Resident membership fees are set at $200 per occupied space (manufactured homes or RVs). The membership fee can be paid over time and is held in a reserve account by the Cooperative. If a member moves out of the park, their $200 is refunded. Residents remain responsible for costs associated with their individual homes.
- As of 12/31/11, 19 manufactured dwelling residents and 6 RV residents have signed up to be members of the Cooperative.
- The Cooperative's intent is to occupy the RV spaces with permanent residents who own their own RV or small manufactured home and who will make Vida Lea their permanent home. Future plans include replacing RV's with more permanent manufactured housing.
- Commonwealth Real Estate Services will be retained by the Cooperative to act as the management agent. The Cooperative proposes that 1 of the manufactured home spaces be occupied by an on-site manager employed by Commonwealth Real Estate Services. The on-site manager will pay space rent.
- The Appraisal concludes that after the proposed upgrades and replacements are completed, the property has an estimated effective age of 20 years and a remaining economic life of 30+ years. The Appraisal report notes that once the improvements have been completed, the Park will be in above average condition, should remain a viable development into the foreseeable future assuming it is well maintained and managed, and be able to support the proposed rents.

Park Space Rent

| Units | Single/ Double/ RV | Seller Existing Rent/Mo. | Cooperative Proposed Rent/Mo | Market Comparable Rents | Cooperative Proposed Mo. Total Income |
|---|---|---|---|---|---|
| 12 | SW | $300-$325 | $325 | $320 | $3,900 |
| 1 | DW | $0 (on-site mgr) | $415 | $390-$440 | $415 |
| 3 | DW | $380 | $415 | $390-$440 | $1,245 |
| 3 | DW | $410 | $430 | $390-$440 | $1,290 |
| 1 | DW | $430 | $430 | $390-$440 | $430 |
| 2 | RV | $325 | $350 | $360 | $700 |
| 5 | RV * | $350 | $335 | $360 | $1,675 |
| 6 | RV | $350-$375 | $375 | $360 | $2,250 |
| **33** | **Spaces** | | | | |
| 1 | SF Home | $1,000 | $1,100 | $1,100-$1,150 | $1,100 |
| **TOTAL MONTHLY INCOME** | | | | | $13,005 |

**As part of the initial renovation, electrical meters will be installed for 5 RV spaces. Space rent is higher on the 6 non-metered sites to compensate for potential increases in electrical use by the occupants.*

- MDPP income restrictions are 60% of the spaces must be occupied by households at or below 80% of Area Median Income (AMI). For 2011 in Lane County, 80% AMI is $32,720 for a 1 person household, $37,440 for a 2 person household, and $42,080 for a 3 person household. There are no restrictions on the remaining 40% of spaces.
- The OAHTC program serves low-income households earning less than 80% of AMI, but does not require income qualifications for manufactured dwelling parks.

Sources & Uses

| Sources | | | Uses | |
|---|---|---|---|---|
| Primary NOAH Loan | $530,000 | | Purchase | $1,275,000 |
| Secondary CASA Loan | $643,896 | | Renovations | $353,899 |
| EWEB Loan | $75,000 | | Soft Costs | $219,997 |
| MDPP grant | $600,000 | | | |
| **TOTAL** | **$1,848,896** | | **TOTAL** | **$1,848,896** |

- Park residents are very low income and will not be required to provide their own resources to fund the renovation of the park.
- The Appraisal concludes an As-Is Fair Market Value of $1,100,000 as of September 27, 2011; and a Hypothetical Value that assumes the budgeted capital repairs and maintenance have been completed resulting in a Fair Market Value Upon Completion of $1,375,000.
- NOAH is relying upon the As-Is appraised value of $1,100,000 to size their loan. NOAH's underwriting guidelines allow up to 75% Loan To Value (LTV). In first position, NOAH's $530,000 has a LTV of 48% which is well within their underwriting guidelines.
- In second position, CASA is also relying upon the As-Is appraised value of $1,100,000 to size their loan. CASA's underwriting guidelines allow up to 110% LTV. CASA's $643,896 loan has an LTV of 59% of appraised value which is well within their underwriting guidelines.
- In third position, the Eugene Water and Electric Board (EWEB) does not have typical underwriting criteria, but does approve loan amounts based on specific project information. In this case EWEB has loaned the maximum amount based on the septic system replacement cost estimate of $75,000.
- Total debt for the project is $1,248,896, resulting in a LTV on an "As-Is" basis of 114% and an LTV on an "as-completed Hypothetical Value" basis of 91%, which is below CASA's LTV guidelines for manufactured home park financing. EWEB does not size their loans based on LTV.

Use of Funds: The table below reflects permanent financing after renovation is complete and the construction loan has been converted to permanent. CASA will be providing the bridge construction financing during renovation and NOAH will take primary debt position when their funds pay off a portion of the CASA debt.

| Uses | Cost | MDPP Funds | NOAH Funds | CASA Funds | EWEB |
|---|---|---|---|---|---|
| Purchase Price | $1,275,000 | $600,000 | $530,000 | $145,000 | |
| Predevelopment | $29,375 | | | $29,375 | |
| Closing Costs | $87,126 | | | $87,126 | |
| Capital Improvements/ Renovations | $353,895 | | | $278,895 | $75,000 |
| Capital Improvement Reserves | $50,000 | | | $50,000 | |
| Debt Service Reserves | $53,500 | | | $53,500 | |
| **TOTALS** | **$1,848,896** | **$600,000** | **$530,000** | **$643,896** | **$75,000** |

- OHCS resources are less than the As Is value of the Park (minus the value of the single-family home) and will not be used to pay any balance of the purchase price above the As-Is appraised value. CASA and NOAH resources will be used to subsidize the difference between the OHCS grant amount and the purchase price.
- The purchase price of $1,275,000 is slightly higher than the As-Is appraised value of $1,100,000 due to Seller refusing to reduce their price any further. The original purchase price was $1,485,000. Upon receiving the Appraisal, CASA was able to renegotiate the price down to $1,275,000. CASA felt any further attempts to renegotiate a lower price would jeopardize the residents' ability to close on the purchase on the Park.
- An Appraisal was completed by Annand Real Estate Consulting dated as of September 27, 2011. The appraisal addresses the replacement of the on-site sewage system, electrical work in the RV area, repairs made to the existing buildings and upgrades to the well and storage tank. The property has been valued on a fee simple basis. The Appraiser used both the Income Approach and Sales Comparison Approach to conclude value. The Appraiser notes the Cost Approach is not considered reliable for this type of property.
- The Appraiser estimated the value of the Single-Family home on the property to be $115,000 with the assumption that all recommended renovations are made to both the Park and the home. Using the As-Is value minus the value of the single family is $985,000, which exceeds the $600,000 that MDPP contributes to the purchase.
- During the multiple site inspections, it was found that the Park would need additional driveway repairs in about year 5; with costs in the range of $58,000-$98,000. The lenders have required the Cooperative to fund a $50,000 reserve account at closing of the acquisition, plus deposits of $11,900 annually from the operating income to ensure adequate funds are available in year 5.
- A debt service reserve of $53,500 per NOAH's requirements will be capitalized at acquisition and be held in NOAH's control for the life of the loan.

Proposed Renovations:

| | |
|---|---|
| Park Signage | $2,000 |
| Electrical meter Base – Underground RV area | $732 |
| Electrical Meter Base – Overhead lines | $6,825 |
| Well Pump Repair | $10,540 |
| Well Water – Storage Tank Repair | $5,000 |
| Sewer Line Replacement, including Septic Tanks, Leach Fields, and Effluent Pump and Permits | $225,500 |
| Metering for 5 RV Spaces | $9,000 |
| Telephone/Cable Network Wire Replaced | $900 |
| Driveway, Slope and Site Drainage Upgrades | $28,000 |
| Landscaping/Tree Repair & Maintenance | $7,500 |

| | |
|---|---|
| Single-Family Home – Siding Replacement | $2,000 |
| Single-Family Home – Eave and Overhang Repairs | $2,000 |
| Single-Family Home – Fireplace Repair | $1,000 |
| Single-Family Home – Deck Repair | $1,000 |
| Bath House – Shower Stall Upgrades | $3,500 |
| Allowance for Kick-Out Flashing | $1,000 |
| Replace 3 Water Heathers (bath house & SF home) | $1,241 |
| 15% Contingency | $46,161 |
| **TOTAL** | **$353,899** |

- A full Capital Needs Assessment (CNA) Report was completed on October 8, 2011 by Inspections Unlimited. Capital needs items were identified as needing to be repaired or replaced in the Park upon acquisition and new funding. The Report did not find any immediate life, health, safety (critical) repairs needed prior to funding.
- The scope of renovation work above reflects repairs and upgrades necessary to maintain the ongoing financial viability of the Park and income stream.
- Inspection of the private septic system and well water system was included with the CNA. The inspection found substantial deterioration and some areas of failure within the septic system. Replacement of the septic system was recommended and is included in the scope of renovation. Replacement costs for the septic system are based on an Engineer's bid following a soils analysis, a site evaluation, and coordination with DEQ. The water system was found to be in good condition in the newer areas, but in need of upgrades in specific locations. Upgrades to the water system are included in the scope of renovation.
- An analysis of the water quality in the well was conducted by the Office of Environmental Public Health Drinking Water Program and found no areas of concern. Under Cooperative ownership, the management plan is to conduct water samples and analysis on a monthly basis.
- NOAH and CASA have reviewed all site analysis reports and are satisfied with the proposed renovations.
- CASA will oversee and manage the capital repairs work during the renovation phase after acquisition of the park by the Cooperative.
- As the project manager, CASA will inspect the renovation work for quality and completeness. CASA will hire engineers and architects for the renovation work when necessary and will oversee the work throughout the process.

Project Cash Flow/Debt Service: The table below represents the projected first year of operation after renovation is complete and converted to permanent financing.

| | |
|---|---|
| MH Space Income | $87,360 |
| RV Space Income | $55,500 |
| S-F Home Income | $13,200 |
| Storage/Laundry Rental Income | $3,648 |
| 5% Mfg Home & Other MH Income Vacancy (= 1 space) | ($4,374) |
| 25% RV Space & Other Income Vacancy (= 4 spaces) | ($13,903) |
| 0% Single Family Home * | $0 |
| Effective Gross Income | $141,431 |
| Expenses | ($71,163) |
| Net Operating Income | $70,268 |
| Annual Principal & Interest | ($62,328) |
| Net Cash Flow | $7,940 |
| Debt Service Coverage Ratio (DSCR) | 1.13 |

**S-F residents have requested long-term lease from Cooperative, which will be signed after Cooperative takes control of the property.*

- As of 12/15/11, the Park is at full occupancy for SW/DW spaces and has 5 vacant RV spaces with one interested new RV resident expected to move in within 30 days. Using the current occupancy of 28 spaces out of 33 total, the park has a current overall vacancy rate of 15%.

- Based on the vacancy history of the park, the stable residents currently in the park looking forward to resident ownership, and CASA's history with other similar parks that have been purchased by and are operating under resident Cooperative ownership, vacancy rates are expected to drop significantly once the Cooperative is in control of the park. This is primarily due to the fact that Manufactured Park Cooperative ownership stabilizes the rents, puts the control of the Park in the residents' hands, the residents take on a pride of ownership in their Park and community, and Cooperative ownership preserves the Park as long-term affordable housing in the community.
- The lenders are underwriting the first year Cash Flow/Debt Service (shown in the table above) more conservatively than has been the history of the park and is more conservative than is projected for the park to operate.
- To mitigate risk of potential fluctuations in rental income, the lenders have required a capitalized debt service reserve of $53,500 to be in the control of NOAH for the term of the loan.
- Based on the lender's 20 year cash flow projections using an annual inflation factor of 3% for income and 4% for expenses, the Park is projected to stabilize after year one with debt coverage increasing to1.24 year 5,1.40 year 10, 1.58 year 15, and 1.76 year 20; indicating a strong probability the Park will be financially feasible for the term of the affordability period and will not require the applicant to seek refinancing or additional financing for the term of the OHCS grant.
- A portion of the net cash flow will remain with the property management company in the Cooperative's client trust account, not to exceed $10,000, with the balance deposited in the Cooperative's operating reserve account.
- NOAH primary permanent debt: $530,000 at 3.00%*, 20 year term, 30 year amortization, monthly payment of $2,235. (*The interest rate includes a 4% reduction due to the use of Oregon Affordable Housing Tax Credits.)
- CASA subordinate debt: $643,896 at 2.8%*, 20 year term, 30 year amortization, monthly payment of $2,646. (*The interest rate will be 2.8% during construction, with an opportunity to raise the rate to 5.5% once occupancy is stabilized and the vacancy rate decreases. The permanent interest rate of 5.5% includes .5% to be applied towards the ongoing technical assistance fee to CASA as recommended by ROC USA rather than have the Park pay a "technical assistance fee" out of their operating expenses.)
- EWEB subordinate debt: $75,000 at 0%, 20 year term, 20 year amortization, monthly payments of $313. EWEB will provide the funding once the work has been completed.
- MDPP funds are in the form of grant resources and not included in DSCR.

Market: The Appraisal indicates the property is situated between the communities of Leaburg and Vida in rural Lane County (roughly 20 miles east of the Eugene-Springfield area). There are limited nearby mobile home/RV parks. However, there are similarly rural parks located in the nearby Dexter area off State Highway 58. While the McKenzie River Valley does not appear to be growing at a rapid rate, there is very little competition of similar product. The Appraiser concludes Vida Lea should remain a financially viable development with minimal vacancies into the foreseeable future assuming it is well maintained and managed.

Vida Lea is a seasoned 33 space, 55 year and older, manufactured home/RV community. Similar to other 55 year and older parks in the County, Vida Lea has experienced high occupancy from 2000 to present. The overall average occupancy rate in the last 2.5 years has been 93%. Currently Vida Lea is at full occupancy of the 20 manufactured home spaces and has 5 vacancies in the RV spaces, which is the highest RV vacancy in the past 11 years. Some of these vacancies are due to the unwillingness of the current owner to market and fill the spaces during the sale period. The onsite manager is currently working with a potential resident to qualify them and is expected to fill one RV space within the next 30 days.

Cooperative and CASA Background

*Vida Lea Community Cooperative* (the Cooperative) was formed in May 2011, as a manufactured dwelling park nonprofit cooperative under ORS 62.803. In partnership with CASA, residents were organized into a Cooperative with the intent to purchase the Park. The Cooperative has executed a contract with CASA to provide ongoing Pre-Purchase and Post-Purchase Technical Assistance, Training and Property Management. The Cooperative currently has 25 members for a 89% participation rate by the total residents in the park. In preparation for resident purchase of Vida Lea Mobile Home Park, CASA provided the residents with Technical Assistance and Training to form a

legal Cooperative under Oregon Statute. The residents received assistance incorporating as a non-profit manufactured dwelling park cooperative; guidance through the resident ownership conversion process; election of an interim Board of Directors to represent the Cooperative; preparation for seller/owner negotiations; template legal documents to form the ownership entity. Upon purchase, the residents will receive assistance with preparing the Business Plan for operating the park, assistance in preparing financing proposals, and assistance with meeting lenders due diligence requirements. After purchase, CASA will provide extensive post-purchase technical assistance to mitigate lender risk and to provide the newly-formed Cooperative with all the resources and trainings they will need to operate their community successfully.

Since its inception in 1988, *CASA of Oregon* (CASA) has focused on the development and rehabilitation of affordable housing for farmworkers and other low-income populations through Oregon. CASA's work in manufactured housing began with assistance to farmers in acquiring manufactured housing for their employees. As the issues surrounding manufactured housing parks came to the forefront in Oregon in 2004, CASA began discussions with various stakeholders involved in preserving manufactured housing parks. In May 2008, CASA became one of nine Certified Technical Assistance Providers (CTAP) under the national ROC USA Network. ROC USA and its affiliate, the New Hampshire Community Loan Fund, are non-profits with over 25 years of experience combining expert technical assistance with specialized purchase financing for resident corporations. With over 100 resident conversions nationwide, there have been no defaults. As a member of ROC USA network, CASA of Oregon delivers pre- and post-purchase technical assistance and helps manufactured homeowners secure the financing needed to buy their communities and shape their economic futures through resident ownership. Participation in this network gives CASA of Oregon access to financial products, technical assistance trainings, and resources developed by experts from ROC USA and the New Hampshire Community Loan Fund. To date, CASA has successfully converted three manufactured housing parks into resident-owned communities and provides ongoing technical assistance for all three.

OHCS Comments

- CASA is a long-standing partner with OHCS and has extensive experience in developing affordable housing in Oregon; including assisting manufactured homeowners to purchase their own parks.
- The MDPP Program requires ongoing technical assistance by a 3rd party for a 20 year term. CASA is an experienced provider of technical assistance appropriate to assist park residents own and operate their own park. CASA has executed an ongoing technical assistance contract with the Cooperative and has already been providing training to the newly formed Board members.
- CASA will initially fund the acquisition and renovation of the park, acting as the interim construction lender. NOAH will step in as the permanent primary lender after renovations are complete. Under this scenario, CASA assumes all the construction period risk. CASA has based their decision to take on this additional risk from their experience with other similar parks who have been converted to resident-owned Cooperatives. One example is Green Pastures Mobile Home Park which was converted to a resident-owned park in October 2009. The Green Pastures residents has been very successful in stabilizing their park and making it a financially feasible business as evidenced by their ongoing positive cash flow and accumulating over $60,000 in reserves from cash flow to allow them to add future capital improvements to their park.
- CASA plans to work with the Cooperative to convert the RV spaces into permanent manufactured home spaces over a 5-10 year period. The plan is to purchase and place one manufactured home in an RV space during the construction phase, with 4 more conversions to be completed within the first 5 years. CASA will identify resources to convert the spaces and is currently working with different banks on an affordable single-family financing product that potential residents could utilize to purchase homes. The conversion of RV spaces to permanent home spaces will help ensure the long-term financial viability of the Park for the Cooperative.
- CASA has conducted an existing resident survey and found 5 households under 30% AMI, 8 households under 50% AMI, 6 households under 60% AMI, 5 households under 80% AMI, 2 households over 80% AMI, 6 households have not responded to survey, and one space was vacant at the time of the survey. Based on the preliminary resident survey conducted by CASA, the existing tenant population meets the MDPP restriction of 60% of the spaces (20 spaces) must be occupied by residents at or below 80% AMI. No tenant relocation is anticipated in the Park.

- Vida Lea Community Cooperative will execute the MDPP Grant Agreement which will obligate them to a minimum 20 year affordability period, which meets the Program restrictions.
- The proposed renovations and projected cash flow structure will ensure that the Park will be adequately maintained beyond the 20 year affordability period without seeking further resources from OHCS.
- By the residents forming a Cooperative to own their park, the residents of Vida Lea Mobile Home Park will not only be able to control their site rents to maintain long-term affordability, but they will be able to ensure that Vida Lea remains an ongoing affordable housing option in the rural community.

We recommend approval of the proposed motion found on the front page of this report.

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| / S / | / S / |
| Debie Zitzelberger, Loan Officer | Jodi L. Enos, Tax Credit Programs Representative |

**Finance Committee Comments:** A request for $600,000 of Manufactured Dwelling Park Preservation (MDPP) funds and $530,000 of Oregon Affordable Housing Tax Credit (OAHTC) resources was presented to the Finance Committee on January 24, 2012. Finance Committee members asked about how the RV income is structured, the long-term financial viability of the financing structure, and the status of the MDPP fund availability. Finance Committee approved the request for OAHTC resources and approved the request for MDPP funds to be moved forward to the State Housing Council for approval. Both motions were approved as written.

Oregon
John A. Kitzhaber, MD, Governor

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# Memorandum

To: Finance Committee/Housing Council

From: Janna Graham, Loan Specialist

Date: January 24, 2011

Re: Hyak – Predevelopment Loan Request

## EXECUTIVE SUMMARY

| | |
|---|---|
| Borrower: | Clatsop County Housing Authority |
| Property: | 1861 S. Edgewood, Seaside, OR 97138 |
| Loan Amount: | **$289,750 – Predevelopment Loan Request** |
| Loan Term/Rate: | 2 year maximum @ 5.00% Interest rate |
| Loan Fee: | 1% ($2,897.50) |
| Repayment: | Future Consolidated Funding Cycles or sale of property |
| Security Value: | $305,000 (95% LTV) |
| Use of Funds: | Acquisition of property |
| Security: | Trust Deed in first lien position |
| Fund Availability: | $2,320,000 *(as of 1/13/2012)* |
| Finance Committee: | January 24, 2012 |

/s/ _____ *January 24, 2012*
Rick Crager, Finance Committee Chair

**RECOMMENDED MOTION: Approve a Predevelopment Loan in an amount not to exceed $289,750, at an interest rate of 5% per annum, to Clatsop County Housing Authority for the acquisition of a five unit Residence located in Seaside, OR to be known as Hyak.**
**APPROVED:**

/s/ _____ *January 25, 2012*
**Margaret Van Vliet, Director** **Date**

*What We Do Matters!*

## PREDEVELOPMENT LOAN REQUEST
## HYAK

**Project Description:** Hyak is a proposed 5 unit project that will serve homeless males. Men entering the program will begin living in the upper level, which consists of 5 bedrooms, two of which have attached private bathrooms, a common kitchen, eating/dining area, living room, meeting room and two additional shared bathrooms. After meeting benchmarks in the program, men will transfer downstairs to one of four individual one bedroom apartments. This allows them independent living with continuing case management as they continue the journey toward self-sufficiency. The lower units are one bedroom, full bathrooms, galley kitchens, with living rooms. The project has on-site laundry facilities and a gravel parking area.

Helping Hands, a re-entry program and local community partner, will be responsible for program delivery while partnering with Clatsop County Housing Authority on this project. They work with homeless men and women on the education and tools needed to achieve employment, health care and behavioral modification to re-enter society.

Proposed Uses:

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|---|---|
| Acquisition | $ 292,500 |
| Construction | $ 220,410 |
| Development | $ 59,300 |
| Total Costs | $ 572,210 |

Proposed Sources:

| | |
|---|---|
| Trust/GHAP Funds | $ 500,000 |
| Permanent Loan | $ 50,000 |
| Cash Flow During Rehab | $ 13,785 |
| Owner Contribution | $ 8,425 |
| Total Sources | $ 572,210 |

**Use of Funds:** The Predevelopment Loan funds of $289,750 will be used to acquire the existing residence for the Hyak project.

**Security for Loan:** The security for the loan will be the subject property. The project site is a .21 acre lot with the existing improvement being a 3,941 square foot residence. The appraisal dated November 23, 2011 supports a current market value of $305,000. The department's appraiser/market analyst has reviewed and approved the appraisal. The loan-to-value will be 95% of the $305,000 appraised value and 99% of the $292,500 purchase price.

The current zoning is R-2 (single family/multi-family) legal nonconforming (grandfathered use). The city/county confirms that should the property be destroyed, it will be allowed to be rebuilt to

its existing size, floor plan and use (staff will verify before closing the predevelopment loan that the property can be rebuilt if destroyed).

The property's existing oil tank is being decommissioned and a clear DEQ report obtained prior to closing the Predevelopment loan.

**Repayment Plan:** The borrower intends to apply for funding through the 2012 Consolidated Funding Cycle. Should they be unsuccessful, the borrower will apply for funding in the 2013 CFC. The loan will be paid in full upon the first draw of funds received in association with this project. If the borrower has not obtained this or other funding prior to the maturity date, the borrower understands and is willing to sell the property.

**Availability of Funds as of January 13, 2011:** There are available funds for this request. It is anticipated that four predevelopment loans will be repaid by first quarter 2012 for approximately $1.5 M.

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|---|---|
| Predevelopment Loan Program: | $6,450,000 |
| Less: Projects currently funded | ( 3,170,000) |
| Reserved for NOAH LOC | ( 50,000) |
| **Available to Lend** | **$3,230,000** |
| Applications Approved: | |
| Riverview Terrace | ( 285,000) |
| Eliot MLK | ( 450,000) |
| Camas Ridge | ( 175,000) |
| Available to Lend: | **$2,320,000** |
| Applications Pending: | |
| Albany Court Apts. | ( 700,000) |
| Viking Village | ( 940,000) |
| **Balance Remaining** | **$ 680,000** |

**Borrower/Development Team Experience:** The Clatsop County Housing Authority was formed on 1980, with the Board of County Commissioners serving as the Clatsop County Housing Authority. The housing authority owns a total of 104 units; 46 Section 8 with project-based rental assistance; 8 HOME/Trust Fund units; 8 Housing Plus units; and, an additional 42 units of affordable housing. Clatsop County Housing Authority's management and development team for this project are Kathy Lucas and Sheila Heino. Between them they have 24 years cumulative experience working with complex federal and state housing rules and regulations to meet the needs of low income individuals and families.

**Comments and Recommendations:**

- Clatsop County Housing Authority has a long standing commitment to provide the homeless and those with limited resources with the opportunities to become self-sufficient and to access and maintain permanent housing. Hyak will enhance that commitment.

- Clatsop County Housing Authority has been and continues to be a strong partner with OHCS.
- By investing funds for the acquisition of this property, OHCS can assist Clatsop County Housing Authority in ultimately providing 9 homeless men with a safe, decent and affordable housing environment.

I would recommend approval of the Predevelopment Loan request from Clatsop County Housing Authority for $289,750 for the acquisition of this residence that will become transitional housing for homeless men known as Hyak.

_____

Janna Graham, Loan Specialist
Multifamily Housing Section

**Finance Committee:**

Vote to Approve:
Abstain:
Absent: