

OREGON STATE HOUSING COUNCIL TELEPHONE CONFERENCE

March 2, 2012



*Cascade Meadows Senior Apartments, Cascade Locks, OR
(New Construction; 13 Units; Independent Elderly)*

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

OREGON STATE HOUSING COUNCIL TELEPHONE CONFERENCE

March 2, 2012

TABLE OF CONTENTS

<u>AGENDA</u>	1
<u>APPROVAL OF MINUTES</u>	
A. Minutes of February 3, 2012 Meeting	2
<u>RESIDENTIAL CONSENT CALENDAR</u>	
A. 36200 Block E Historic Columbia River Hwy, Corbett, OR	9
B. 11200 Block Pioneer Rd., Lyons, OR	
<u>NEW BUSINESS</u>	
A. <i>Village East Apartments</i> (Springfield, OR), Predevelopment Loan Request	10



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



Council Members
John Epstein, Chair
Tammy Haney
Michael C. Fieldman
Adolph "Val" Valbre, Jr.
Jenna Woolley

STATE HOUSING COUNCIL MEETING TELEPHONE CONFERENCE

March 2, 2012

9:00 a.m.

Meeting Location:

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

AGENDA

- | | | |
|--------------|---|---------------------------|
| I. | CALL TO ORDER | John Epstein |
| II. | ROLL CALL | John Epstein |
| III. | PUBLIC COMMENT | John Epstein |
| IV. | APPROVAL OF MINUTES | John Epstein |
| | A. Minutes of February 3, 2012 Meeting | |
| V. | DIRECTOR'S REPORT | Margaret Van Vliet |
| VI. | RESIDENTIAL CONSENT CALENDAR | Kari Cleveland |
| | A. 36200 Block E Historic Columbia River Hwy,
Corbett, OR | |
| | B. 11200 Block Pioneer Rd., Lyons, OR | |
| VII. | SPECIAL REPORTS -- None | |
| VIII. | NEW BUSINESS | |
| | A. <i>Village East Apartments</i> (Springfield, OR),
Predevelopment Loan Request | Janna Graham |
| IX. | OLD BUSINESS -- None | |
| X. | DISCUSSION ITEM -- None | |
| 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.
February 3, 2012

MEMBERS PRESENT

John Epstein, Chair
Mike Fieldman
Adolph "Val" Valfre, Jr.
Jeana Woolley

MEMBERS ABSENT

Tammy Baney

GUESTS

Peter Hainley, CASA of Oregon
Chelsea Cato, CASA of Oregon
Rose Mary Ojeda, CASA of Oregon
Travis Blythe, Vida Lea Cooperative Board
Member
Dan Fountain, Vida Lea Cooperative Board
Member
Kathy Lucas, Clatsop County Housing
Authority
Sheila Heino, Clatsop County Housing
Authority

STAFF PRESENT

Margaret S. Van Vliet, Director
Rick Crager, Deputy Director
Nancy Cain, Chief Financial Officer
Karen Tolvstad, Policy, Communication &
Strategy Division Administrator
Mike Auman, OHSI Administrator
Diana Koppes, Asset and Property Management
Division Administrator
Pegge McGuire, Community Resources Division
Administrator
Karen Clearwater, Regional Advisor to the
Department
Vince Chiotti, Regional Advisor to the
Department
Roberto Franco, Single Family Program
Manager
Kari Cleveland, Loan Specialist
Theresa Wingard, Program Coordinator,
Manufactured Communities Resource Center
Shelly Cullin, Senior Loan Officer
Debie Zitzelberger, Loan Officer
Joyce Robertson, Loan Officer
Dolores Vance, Financial & Operations Manager
Betty Markey, Senior Policy Advisor
Heather Pate, Multifamily Programs Section
Manager
Janna Graham, Loan Specialist
Jo Rawlins, Recorder

I. **CALL TO ORDER:** Chair Epstein calls the February 3, 2012 meeting to order at 9:03 a.m.

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

III. **PUBLIC COMMENT:** Peter Hainley, Executive Director of CASA of Oregon, on behalf of Oregon Opportunity Network, of which he is a board member and state policy council

1 chair, thanks Margaret Van Vliet and Karen Tolvstad for meeting with both the Portland and
2 state policy groups over the last month to talk about the Consolidated Funding Cycle and ways to
3 improve the communication between them and OHCS.

4 **IV. DIRECTOR'S REPORT: Margaret Van Vliet, Director, reports the following:**

- 5 • *OHCS Reorganization.* The reorganization plan, announced this week, has gone very
6 well. Staff and external partners have a lot of questions about what it means for them.
7 For the most part, people feel good about where we are heading and understand the
8 reasons that we need to make some changes. She provides Council with a copy of the
9 reorganization presentation that was given to staff on Monday. Part of the plan will be
10 implemented immediately, and on March 1 the new leadership team will be mostly in
11 place. Julie Cody a new addition to the team, will start on March 19. She is working to
12 have a smooth transition across the board.
- 13 • *Oregon Homeownership Stabilization Initiative.* Things are going well. The new MPA-U
14 program has been launched. Counties are being rolled out in a systematic way, with half
15 the counties in the state being rolled out next week, and by March 7, rolled out to the
16 remaining counties statewide. Communication materials are available on the OHSI web
17 site, including a video that walks people through the application process, empowering
18 them to make their own judgment about whether they think they are qualified for the
19 program. Spanish translations will also be made available. Oregon continues to be a very
20 high performer, compared to our peers across the country. Oregon has provided 4,000
21 homeowners with assistance, which is more than any other state. The only state that is
22 distributing more than Oregon is California, but they have a \$2B program. There are still
23 kinks in the system to be worked out, but progress is being made.
- *Legislation.* There are some things the department is paying attention to, but not leading
the charge. The legislature is very focused on balancing the budget. House Bill 4082
would give the agency responsibility for the Court Appointed Special Advocates (CASA)
program. The Oregon Commission on Children and Families was dismantled last
session, and the programs the commission previously operated are being placed into other
agencies. OHCS operates the Oregon Volunteers! program, and since CASA at its heart
is a volunteer program, legislators and policy makers thought it would be a good fit.
While we want to be team players and be helpful to the State of Oregon, we need to
protect the agency by not taking on a liability for operating a program with no funds.
Fieldman comments that the Oregon Volunteers commission has made it very clear that
without sufficient administrative dollars to operate the program, they are not interested in
taking it on.

18 **Van Vliet** says there are several bills related to foreclosure that different members have
19 introduced, which the department will be neutral on, but is watching with interest and
20 will provide information about what we see in the single-family mortgage market and
21 what our role is and how we can be helpful in mitigating the impacts of foreclosure.
22 **Woolley** asks how the action the Attorney General is taking fits in, and how we dovetail
23 that. **Van Vliet** replies that it is not yet clear. Separate from these bills, but still part of
the arena, the AG announced this week that Oregon did agree to settle with five large
banks related to what is referred to as "robo-signing." \$200M is going to come to the
state, and there are very specific places where that money is targeted inside the
settlement. There will be about \$24M available, and we want to be helpful and want to
think about what would be an appropriate role for this agency.

1 There is some work around rural workforce housing, but for a variety of reasons we
2 believe we will be better served if we pick that up next session. There are things we can
3 do in the short run to help some of the communities in question. We are watching House
4 Bill 4038, which is an extension of the farmworker housing tax credit. The things inside
the budget that the legislature will take up have to do with giving us authority to hire the
staff needed at OHSI to apply for and then administer the new foreclosure mitigation
counseling grants and NSP3 authorization.

5 • *Financial Report.* The Private Activity Bond committee granted the department a carry-
6 forward allocation of \$311M. \$250M of that is being targeted for single family and the
7 remainder for multifamily. Single-family reservation activity was light last week. We
8 received nine reservations and had a few cancellations. We are still reserving under the
9 Rate Advantage program at 3.5%. The CFC is out, and applications are due March 30,
10 2012. There are a few changes and improvements, but the big changes are much more
likely to come next year. We had a good meeting yesterday with the Community Action
Directors of Oregon at their regular meeting. They are anxious to understand how the
reorganization fits into their role, both from the operational perspective, and a policy
perspective. We want to begin looking for a couple of dates to have a joint meeting with
CAPO to begin having those policy discussions.

11 **V. APPROVAL OF MINUTES**

12 **A. Chair Epstein** asks if there are any corrections to the December 2, 2011 Minutes.
13 Two needed amendments were pointed out: page 4 of Council's packet, line 16, "a financial
14 liability" should be amended to read "no financial liability;" and page 5 of Council's packet, line
15 15, "20012" should be amended to read "2012." The Motion was approved as amended:

16 **MOTION: Valfre moves that the Housing Council approve the
17 Minutes of the January 6, 2012 Council meeting, as amended.**

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

21 **VI. RESIDENTIAL CONSENT CALENDAR:**

22 **A. 2400 Block NE Multnomah St., Portland, OR.** Kari Cleveland, Single Family
23 Loan Specialist, says there is just one residential loan this month and asks Council if they have
any questions. There being no questions, the motion was read:

**MOTION: Fieldman moves that the Oregon State Housing Council
approve the Consent Calendar.**

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

VII. SPECIAL REPORTS:

1 A. *Preserving Manufactured Home Parks Through Resident Ownership.* **Pegge**
2 **McGuire**, Community Resources Division Administrator, briefed Council on the history of the
3 program; **Theresa Wingard**, Program Coordinator, Manufactured Communities Resource Center,
4 gave an overview of the current program to preserve manufactured home parks through resident
5 ownership, and distributed copies of her PowerPoint presentation. **Peter Hainley**, Executive
6 Director, CASA of Oregon, and **Chelsea Catto**, CASA of Oregon, described the work of CASA
7 and its partnership with OHCS. A pilot program is currently being developed to replace older
8 mobile homes with energy efficient models. Peter distributed a publication entitled *Bless This*
House, which highlights personal stories of some of the residents affected by the sale and
demolition of their manufactured home parks. **Woolley** asked for an explanation of the issue with
resale restrictions. **Catto** explained that with some of the money there is an income restriction.
Some lenders view that as a resale restriction and are wary of wanting to make single-family loans
based on that fact. For the residents in the single-family communities, if they want to sell their
home or upgrade and replace their homes, it is harder to get single-family financing. CASA has
been rejected by lenders, but have now identified one lender they are currently working with.

9 **Van Vliet** asks if they have data on the demographics about income levels of residents of the parks,
10 what percentage may be living in poverty and what that looks like, and the ages of the homes
11 themselves. She said that as the agency thinks about aligning its programs with the Governor's big
12 agenda around healthy people and healthy communities, and really addressing the root causes of
13 poverty, it could really make a strong case that a healthy living environment would be enhanced if
14 people were not forced to live in lower-quality housing. **McGuire** states that they do have quite a
15 bit of the data she is asking about, and there is an annual report that contains much of that data.
16 **Hainley** adds that there is a reporting requirement for owners, and he would like to see more data
17 reported by the owners. There are also opportunities to get more information from the Landlord
18 Tenant Coalition. **Wingard** comments that they are allowed by statute to collect any data they can.
19 Ages of the homes would be a more difficult piece to collect. Age of tenants is also difficult.
20 **McGuire** explains that there is a landlord registration, which is a mandatory registration the
21 department enforces, and they could add some items to that form. **Valfre** states that he appreciates
22 the time and effort to push this program. He has been involved in a couple of closures in
23 Washington County, and all the parks have a lot of infrastructure issues. He asks if there is some
involvement by the communities that they are in -- zoning or inspections -- or if it is considered
private property. **McGuire** responds that this is at the heart of a lot of the issues they deal with in
the program. There is a park in Redmond that DEQ has determined to be significantly out of
compliance and they want to take action against the owners. They have been working with the
department because they do not want to displace the residents and the owners will not come to the
table and fix the problem. It becomes a matter of enforcing infrastructure requirements, but the
ultimate outfall is that the residents may become homeless. Every community deals with this issue
in their own way. **Hainley** adds that there are opportunities for some local utility districts. The
breadth of the problem is huge. Private septic systems fail. **Valfre** says he believes people have a
right to clean water and septic systems that work. It seems to be a recurring theme. **Wingard** says
that many times it is private property and it is the landlord's responsibility for the improvements.
Woolley asks if there have been discussions with economic development and what the outcome of
those discussions were. **Hainley** says he spoke with Oregon Business Development and they had
some ideas, which he pursued. He found that there are some interesting arrangements between
various state agencies that are not very efficient, so it will take many other folks to figure out how
to get this to work. **Van Vliet** states that although they have not talked specifically about this, it is

1 one of the Regional Solutions Teams' opportunities to marry housing with other infrastructure
2 investments. It is on the radar screen. **Hainley** says the rural housing workgroup had come up with
3 some ideas, and were looking for some pilot projects to find out what would work best. There is a
4 large manufactured housing plant in Hermiston that can produce houses at a low cost.

3 **VIII. NEW BUSINESS:**

4 **A. Vida Lea Mobile Home Park (Leaburg, OR), Manufactured Dwelling Park**
5 **Preservation (MDPP) Grant Request.** **Debie Zitzelberger**, Loan Officer, introduces **Chelsea**
6 **Catto**, CASA of Oregon, and **Travis Blythe**, Vida Lea Cooperative Board Member. **Zitzelberger**
7 reports that Vida Lea Community Cooperative is requesting a grant award of up to \$600,000 to
8 acquire and renovate Vida Lea Mobile Home Park in Leaburg, Oregon, and gives an overview of
9 the write-up contained in Council's packet. **Fieldman** asks how close the property is to the river,
10 and if there are flood plain issues. **Karen Clearwater**, Regional Advisor to the Department, says
11 no, they are above the river and across the highway. **Fieldman** asks if there has been any
12 assessment as to the health of the trees. **Clearwater** responds that the trees are around the edges
and those that are in the park are smaller. It is a two-tiered park and the upper level has the bigger
trees. **Catto** adds that it was part of their capital needs assessment and they have money in the
budget to take care of some tree trimming. **Epstein** asks if the slight increase in rents is acceptable
to the cooperative. **Catto** says the residents voted to approve the rent increases. **Epstein** points out
that the requirement for this funding is 60/80% of the units and asks how they control that with RV
traffic. **Catto** explains that the idea is that there will not be a lot of RV traffic, and they are looking
to convert those into permanent spaces. When new residents come in they get their income
information so they can certify that they qualify. **Zitzelberger** asks if, based on her experience, she
has found that the 60/80% has been a problem. **Catto** answers no. It is nice to have the flexibility
to have a little bit of a mix, and the majority are under that.

13 **MOTION:** Woolley moves that the Oregon State Housing Council
14 approve a conditional grant award of up to \$600,000 from
15 Manufactured Dwelling Park Preservation resources to Vida Lea
Community Cooperative to acquire and renovate Vida Lea Mobile
Home Park in Leaburg, Oregon.

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

18 **B. Hyak (Seaside, OR), Predevelopment Loan Request.** **Janna Graham**, Loan
19 Specialist, introduces **Kathy Lucas**, Clatsop County Housing Authority, and **Sheila Heino**,
20 Clatsop County Housing Authority. **Graham** reports that Clatsop County Housing Authority is
21 requesting a Predevelopment Loan in the amount not to exceed \$289,750 for the acquisition of a
22 five-unit residence located in Seaside, Oregon, that will serve homeless males. She gives an
23 overview of the write-up contained in Council's packet. **Valfre** asks if they have received a
sign-off by the Fair Housing agency on this project, since it is for a single gendered group.
Graham says she did some checking into that and was told that because the four lower units are
a sole referral source from the dorm-style living on the second floor, that there would not be the
ability to have both genders in the dwelling and that does meet Fair Housing. **Van Vliet** says the
department can confirm that. **Epstein** asks if they explored getting a comparable product versus

1 new construction. **Heino** says yes. One of their board members is one of the major developers
2 and construction leaders in their county and that has been his concern. They own a small piece
3 of property in Seaside and compared that with buying this property and the difference was \$20 to
4 \$40 per square foot in development. The repairs are much less per square foot than it is to build
5 new. Another big issue in their county is access and ODOT. **Epstein** asks if the tenant base they
6 are putting in comes with any subsidies. **Heino** explains that Helping Hands is structured so that
7 community partnerships, their second hand store proceeds, and some other options, have allowed
8 the tenants to earn some kind of income within 90 days. They also are trying to put money
9 toward resident services. **Epstein** asks if the proposed program is to get the tenants to some
10 level of employment within 90 days, pay some amount of nominal rent, which helps the Housing
11 Authority service the \$50,000 loan. **Vince Chiotti**, Regional Advisor to the Department, says
12 yes. The department would not pay them for the piece of land that they own. The building is
13 exactly what is wanted for this project. Helping Hands has housing for women in the same
14 community which also gets past the Fair Housing issue.

8 **MOTION:** Fieldman moves that the Oregon State Housing Council
9 approve a Predevelopment Loan in an amount not to exceed \$289,750,
10 at an interest rate of 5% per annum, to Clatsop County Housing
11 Authority for the acquisition of a five-unit residence located in
12 Seaside, OR to be known as Hyak.

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

13 **IX. OLD BUSINESS:** None.

14 **X. DISCUSSION ITEMS:**

15 **A. *Community Engagement.*** **Karen Tolvstad**, Policy, Strategy and Communication
16 Division Administrator. **Tolvstad** reports that the overall goal of the community engagement
17 process she is organizing and moving forward with is to build the relationship stakeholders and
18 partners have with individuals in the agency into ones that inform policy. She says she feels as
19 though there is a need to do that from a big picture perspective in terms of: What is the role of
20 our agency -- with our partners on the community services side, as well as the housing side?
21 More specifically, the department is under the gun on a huge priority for the agency, which is the
22 Consolidated Funding Cycle. Council has seen the report from the LEAN process on how to
23 streamline to make it better and stronger; however, there is a view that those changes are not
enough. With the dramatic need in the community, and with resources dwindling, the CFC
process needs to be questioned. Not just the priorities, but how we implement them. It looks
like 47 applicants are coming forward for this next round and we can fund just a fraction of
those. The process is costly and time consuming on the partners' part. The first priority for the
community engagement is to be good stewards, first and foremost. Part of the community
engagement process will be putting together workgroups to work on the various issues that have
been identified. She has started working with Oregon ON and the Housing Alliance to identify
suggested participants of the workgroups. She has also asked the Regional Advisors to the
Department to make recommendations from their local regions. Another part of the process will
be to hold small community meetings with individuals. She points out that the hard decisions are

1 ours and we have tough decisions to make in terms of priorities. Recommendations will be
2 presented to Council, along with the pros and cons, and what they have heard. Then together
3 policy decisions can be made. Representatives from community action agencies will also be
4 asked to participate in the meetings, particularly those that do housing development, with the
5 focus on the multifamily housing piece first, and then branching out from there. **Woolley** asks
6 that Council be provided with a list of items to talk with stakeholders about at a high-level.
Tolvstad agrees that she will provide Council with a list. Discussion continues about the CFC
process. **Tolvstad** says one of the biggest goals in the structural changes is to ensure a clear,
transparent, policy-setting, decision-making process in order to increase the trust of our partners.
Not everyone will be happy with the choices, but they should be happy that we have an open,
transparent, informed process. **Van Vliet** says she would welcome Council members to attend
the meetings in their areas, as they have time to do so.

7 **Fieldman** states that Economic Fairness Oregon came to talk with him and were looking for the
8 agency's support on foreclosure legislation and ways to mitigate some of the issues that we are
9 dealing with. He asks if there is a process to follow and how to deal with things that other
10 groups bring to Council members. **Tolvstad** says that as an agency, we are asked not to take a
11 position on legislation. That is why Council members, not being agency personnel, can take a
role. **Fieldman** states that it is an important role for Council to be looking at as they try to
broaden their scope and influence. **Woolley** points out that Council's retreat, which has been
deferred due to waiting for new Council members, would be the logical place to have an in-depth
discussion. **Van Vliet** suggests picking a date in June, after the May confirmations.

12 **XI. REPORTS:**

13 **A. *Report of the Chair.*** **John Epstein** says there are a lot of changes going on within
14 the department and, on behalf of Council, he thanks the people that have worked with Council
15 closely. He says some will be with us going forward and that is exciting, while others will be
looking for new opportunities. In particular, he thanks Rick Crager for his interaction over the
years, the support he has given Council, and what he has done to help move Council forward.
Crager says he wants to publicly thank Council for their great work and support, and recognize
the great work of the partners, staff and Margaret, and wishes nothing but the best for everyone.

16 **Van Vliet** introduces the second of the three new administrators, Diana Koppes, who will
oversee the Business Operations Division.

17 **XII. FUTURE AGENDA ITEMS.** No new items suggested.

18 **Chair Epstein** adjourns the meeting at 11:30 a.m.

19
20

John Epstein, Chair **DATE**
Oregon State Housing Council

21

Margaret S. Van Vliet, Director **DATE**
Oregon Housing & Community Services



Date: 2/22/2012

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		STERLING SAVINGS BANK	
14		Co-Borrower		Purchase Price		Note Amount	
15		Property Address		Cost Limit		Principal Balance	
16		Hshld. Income		Appr. Value		Loan-to-Value	
17		Income Limit		Year Built		Insurance Type	
18		% of Income Limit		Living Area (Sq. Ft.)		Rate	
19		Prior Ownership Yes (Y) or No (N)		Lot Size (Sq. Ft.)		New (N) or Existing (E)	
20				Cost per Sq. Ft.		Construction Style	
14		36200 BLOCK E HISTORIC COLUMBIA RIVER HW		\$305,000	\$305,000	\$297,268	
15		CORBETT	OR 97019	\$381,645	\$305,000	\$297,268	
16		\$80,328		\$305,000	1926	97%	
17		\$100,800		\$305,000	3,396	FB	
18		79.69%		\$89.81	95,396	4.400%	
19		N		E			
20					Two Story		
2		Borrower		Lender		UMPQUA BANK	
18		Co-Borrower		Purchase Price		Note Amount	
19		Property Address		Cost Limit		Principal Balance	
20		Hshld. Income		Appr. Value		Loan-to-Value	
21		Income Limit		Year Built <td colspan="2">Insurance Type</td>		Insurance Type	
22		% of Income Limit		Living Area (Sq. Ft.)		Rate	
23		Prior Ownership Yes (Y) or No (N)		Lot Size (Sq. Ft.)		New (N) or Existing (E)	
				Cost per Sq. Ft.		Construction Style	

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

1
2
3
4 **To:** Finance Committee/State Housing Council
5 **From:** Janna Graham, Loan Specialist
6 **Date:** February 21, 2012
7 **Re:** Village East Apartments – Predevelopment Loan Request

8 **EXECUTIVE SUMMARY**

9 **Borrower:** GM Village East Apartments LLC (Guardian)
10 **Property:** Village East Apartments
6330 Main Street, Springfield, OR 97478
11 **Loan Amount:** \$764,000 (loan fee: \$7,640)
12 **Loan Term/Rate:** 2 years @ 5% Interest (\$76,400; estimated interest for full two year term)
13 **Repayment:** Future Consolidated Funding Cycle
Or HUD 221d (or similar) refinance
14 **Security Value:** “AS IS” Market Value - \$2,605,000
15 **Use of Funds:** Interim financing for acquisition of subject property-from Bankruptcy Trustee
16 **Security:** Trust Deed in second lien position on subject property (Behind First Republic Bank Loan)
17 **Guarantor:** Guardian Real Estate Services LLC
18 **Fund Availability:** \$1,145,407
19 **Finance Committee:** February 21, 2012

20 /s/
Rick Crager, Finance Committee Chair

Date: February 21, 2012

21 **Approved:**

22 /s/
Margaret Van Vliet, Director

February 21, 2012
Date

23 **RECOMMENDED MOTION:** Approve a Predevelopment Loan in the amount not to exceed \$764,000, at an interest rate of 5% per annum, to GM Village East Apartments LLC, for the acquisition of Village East Apartments, located in Springfield, Oregon; and waive the six month term for loans exceeding \$500,000; contingent on First Republic Bank loan approval.

1
2 **PREDEVELOPMENT LOAN REQUEST**

3 **Village East Apartments**

4 **Project Description:** Village East Apartments (Village East) is a 42-unit family population fully
5 subsidized Section 8 project for low income residents located in a residential area of Springfield. The
6 project has a HUD project based Section 8 contract for 100% of the 42 units. The initial HAP contract
7 has expired, and the project is currently operating under a one-year contract extension. All residents of
8 Village East currently have incomes at or below 30% of AMI. The complex consists of six 2-story
buildings containing one, two and three bedroom units and an additional single-story community
room/laundry room/leasing office. The project was built in 1981, and has 57 open parking spaces and 2
garages. The subject is a legal, non-conforming use because the existing parking at 1.4 spaces per unit is
slightly below the required 1.5 spaces per unit. The improvements can be rebuilt if destroyed.

9 The owner of Village East is currently in bankruptcy, and the trustee is looking to dispose of the property
10 as part of the settlement. Others interested in purchasing may not elect to continue the Section 8 contract.
11 This loan will assist Guardian to purchase the property and pursue funding and long term preservation
12 and an extended Section 8 contract. The purchase and Sale Agreement was entered into on September 30,
2011. Trustee has agreed to extend to a March 15th closing date contingent on proof of bank interest in
financing the purchase. Guardian received a conditional commitment letter for an acquisition loan from
First Republic Bank on 1/27/2012.

13 **Use of Funds:** OHCS predevelopment loan funds will be used in conjunction with a first mortgage loan
14 from First Republic Bank for the acquisition of this project. The purchase price is \$2,600,000. The First
15 Republic Bank loan is \$1,800,000 and has a 10 year term. Guardian Real Estate Services will provide
16 additional sources to complete the acquisition and predevelopment expenses. The contribution from
Guardian, as reflected below, includes predevelopment expenses such as: property reports, environmental
reports, appraisal, loan fees, closing costs, legal/accounting, and organizational costs.

17 Sources and Uses for the interim financing include:

18 Sources

19 First Republic Bank Loan	\$1,800,000
OHCS Predev Loan	764,000
Guardian Predev costs	<u>100,035</u>
	\$2,664,035

21 Uses

22 Acquisition	\$2,600,000
23 Development costs & Fees	<u>64,035</u>
	\$2,664,035

Potential permanent sources include:

9% LIHTC Equity	\$5,426,284
Trust Fund	200,000
Deferred Developers Fee	200,000
Cash flow during rehab	72,542
Permanent Loan w/OAHTC	<u>2,244,051</u>
	\$8,142,876

Security for Loan: The predevelopment loan request for Village East is to be secured by a second Deed of Trust on the subject property, behind the First Republic Bank first mortgage. An appraisal completed January 2012, by Jeremy Snow, of Colliers International Valuation & Advisory Services indicates an "AS IS" Market Value of \$2,605,000. OHCS's review appraiser/market analyst concurs with the Hypothetical "AS IS" Market Value. The predevelopment loan will have a combined LTV of 98.6%. A Predevelopment Loan Guarantee executed by Guardian Real Estate Services LLC will also be obtained.

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 is unable to procure these resources they will pursue a HUD 221d refinance loan or similar conventional FHA/Freddy Mac/Fannie Mae backed loan. The First Republic Bank loan has a 10 year term. With current terms and projected NOI, a 221d(4) loan could be taken out on the property to refinance the OHCS loan and pay down much of the 1st position loan. Adequate NOI in ten years would allow refinancing of remaining 1st position loan.

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.

Predevelopment Loan Program:	\$6,450,000
Less: Projects currently funded	(3,170,000)
Reserved for NOAH LOC	<u>(50,000)</u>
Available to Lend	\$3,230,000
Applications Approved:	
Riverview Terrace	(285,000)
Eliot MLK	(382,093)
Hyak	(292,500)
Camas Ridge	<u>(175,000)</u>
Available to Lend:	\$2,095,407
Applications Pending:	
Village East	(764,000)
Viking Village	<u>(950,000)</u>
Balance Remaining	\$ 381,407

1 **Borrower/Development Team Experience:** The borrowing entity will be GM Village East Apartments
2 LLC. Guardian is a for profit organization who has successfully completed, with the development team
3 of LMC and Carleton Hart, more than 10 affordable housing acquisition/rehabilitation projects in the last
4 six years. This team is effective in identifying the necessary scope of work, managing relocations and
5 delivering projects on schedule and budget. Guardian Management LLC has managed this property for
approximately two years and currently operates over 50 projects with some form of compliance
requirements in four states. Programs managed include RD, HUD, LIHTC, HOME and PDC. Guardian
manages a total of 130 properties consisting of 10,170 units, 5,067 of those units are affordable. They
presently own 30 affordable housing properties.

6 In 2010 Guardian was listed as one of the Top 50 Affordable Housing Developers by Affordable Housing
7 Finance Magazine. They were also awarded the Spirit of Portland Award by the city of Portland. This is
in recognition of making outstanding contributions to the community.

8 **Comments and Recommendations:**

- 9 * Guardian is an experienced affordable housing owner and manager.
- 10 * Village East is a preservation project with 42 units of project-based rental assistance for
11 Oregon families.
- 12 * The subject property is being required to be sold by the bankruptcy trustee. The potential is
there, that if another buyer acquires the property it could turn to market rate and be lost as
13 affordable housing.
- 14 * Preservation of project based rental assistance (HUD or RD) is a priority for the Department.
- 15 * The borrower has requested a predevelopment loan in an amount that exceeds \$500,000;
16 therefore has requested a waiver of the six month term for loans that exceed \$500,000. Due to
the fact that this project is in bankruptcy and in jeopardy of converting to market rate; and that
17 preservation is a priority for the department, I would recommend approval of the requested
Predevelopment loan and waiver of the six month term for the acquisition of Village East
Apartments by Guardian Real Estate Services LLC.

18
19 *
20
21

Janna Graham, Loan Specialist
Multifamily Housing Section

22 **Finance Committee Comments:**

23 **Vote to Approve:**

Absent:

Abstain: