

OREGON STATE HOUSING COUNCIL

December 7, 2012



*Bellrose Station, Portland, OR
(By ROSE CDC)*

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

December 7, 2012

TABLE OF CONTENTS

<u>AGENDA</u>	1
<u>APPROVAL OF MINUTES</u>	
A. Minutes of November 2, 2012 Meeting	2
<u>NEW BUSINESS</u>	
A. Lexington & Park Tower Apartments (Portland, OR)	7
B. Residential Loan Program: Single Family Loan Threshold. Approve Consent Calendar.	16



Oregon State Housing Council

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Council Members:
Jeana Woolley, Chair
Mayra Arreola
Tammy Baney
Aubre L. Dickson
Michael C. Fieldman
Zee D. Koza
Adolph "Val" Valfre, Jr.

STATE HOUSING COUNCIL MEETING

December 7, 2012

9:00 a.m.

Meeting Location:

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

AGENDA

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|-----|--|---|
| 1. | CALL TO ORDER | Jeana Woolley |
| 2. | ROLL CALL | Jeana Woolley |
| 3. | APPROVAL OF MINUTES
A. Minutes of November 2, 2012 Meeting | Jeana Woolley |
| 4. | PUBLIC COMMENT | Jeana Woolley |
| 5. | HOUSING ALLIANCE LEGISLATIVE AGENDA | Alison McIntosh |
| 6. | NEW BUSINESS
A. <i>Lexington & Park Tower Apartments</i> (Portland, OR)
Conduit Bond Financing Package Request. | Debie Zitzelberger
Jim Winkler |
| | B. <i>Residential Loan Program: Single Family Loan</i>
<i>Threshold.</i> Approve Consent Calendar. | Kari Cleveland |
| 7. | MULTIFAMILY RESOURCE ALLOCATION
REDESIGN | Margaret Van Vliet |
| 8. | GOVERNOR'S BALANCED BUDGET
A. Overview & Discussion | Margaret Van Vliet |
| 9. | REPORT OF THE CHAIR | Jeana Woolley |
| 10. | OTHER
A. Review of Future Agendas and Meeting Locations | Margaret Van Vliet |

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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.
November 2, 2012

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MEMBERS PRESENT

Jeana Woolley, Chair
Mayra Arreola
Aubre Dickson
Mike Fieldman
Zee Koza
Adolph "Val" Valfre, Jr

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MEMBERS ABSENT

Tammy Baney

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GUESTS

Terry McDonald, Executive Director, St.
Vincent De Paul Society, Lane County
Karen Litwiller, Executive Director, Oregon
Mennonite Residential Services

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STAFF PRESENT

Margaret S. Van Vliet, Director
Karen Tolystad, Policy, Strategy & Community
Engagement Division Administrator
Julie Cody, Program Delivery Administrator
Loren Shultz, Community Incentive Fund
Program Representative
Joyce Robertson, Loan Specialist
Rebecca Gray, Human Resources Manager
Karen Clearwater, Regional Advisor to the
Department
Greg Current, Executive Assistant

I. **CALL TO ORDER:** Chair Woolley calls the November 2, 2012 meeting to order at 9:10 a.m.

II. **ROLL CALL:** Chair Woolley asks for roll call. Present: Mayra Arreola, Aubre Dickson, Mike Fieldman, Adolph "Val" Valfre, Jr., Zee Koza, and Chair Jeana Woolley. Absent: Tammy Baney.

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III. **APPROVAL OF MINUTES**

Chair Woolley asks if there are any corrections to the September 7, 2012 Minutes. There being no corrections, the Motion was read:

MOTION: Zee Koza moves that the Housing Council approve the Minutes of the September 7, 2012 Council meeting.

VOTE: In a roll call vote the motion passes. Members Present: Mayra Arreola, Aubre Dickson, Mike Fieldman, Adolph "Val" Valfre, Jr., Zee Koza, and Chair Jeana Woolley.

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

- 1 • *Housing Council Retreat.* **Van Vliet** thanked Housing Council members for their
2 constructive feedback relating to challenges and opportunities for 2013. A draft
3 set of notes has been developed and will be distributed once final edits are in
4 place.
- 5 • *Legislative Days.* Another round of legislative days is set for December 10 to
6 December 12. OHCS will be speaking before the Senate “General Government,
7 Consumer and Small Business Protection” committee relating to the agency’s
8 foreclosure efforts. There will also be an update on the implementation of Senate
9 Bill 1552 and the Hardest Hit program.
- 10 • *Program Updates.* The **Multi-Family staff** is working through a large number of
11 loans and project underwriting. Most of the projects have already been through
12 the previous Consolidated Funding Cycle (CFC). They are also working very
13 diligently on their interdisciplinary efforts to remake the CFC, which involves
14 staff from all over OHCS. The **Single-Family** side of the agency continues its
15 efforts of implementing Senate Bill 1552. OHCS’s part of the implementation is
16 funding non-profits in local communities to do mediation counseling. There is not
17 currently a clear path for homeowners in those situations due to quirks in the legal
18 arena and banks not referring homeowners to mediation services. The intent is for
19 homeowners who feel they are risk to seek assistance and be directed to other
20 services as appropriate. The **OHSI (Hardest Hit)** program is fairly quiet. Almost
21 7,000 homeowners helped across the state. Oregon leads the nation in the
22 percentage of funds distributed (\$72 million). OHSI is also doing some work
23 around Senator Jeff Merkley’s refinance proposal. The main idea of this proposal
is to see if states can dedicate some of their unallocated hardest hit funds to try
piloting Senator Merkley’s refinance proposal. OHCS is working with the U.S.
Treasury, other states and Senator Merkley’s office to see if there is enough for a
pilot of this proposal.
- *Audits Update.* There are several audits currently being conducted by the
Secretary of State’s office; **Federal Compliance, Financial Standards, and
Performance**. Once final reports are crafted for each one, OHCS will make them
available to the Housing Council.
- *Consolidated Funding Cycle (CFC).* **Chair Woolley** asked when the Housing
Council may be able to see some initial information related to the next CFC. **Van
Vliet** indicated OHCS would have some fairly solid information available at the
December 7, 2012 Housing Council meeting. At the January 11, 2013 meeting,
the Housing Council will make more concrete decisions. In addition, OHCS will
bring briefings relating to the Housing Alliance and Individual Development
Accounts (IDA) Initiative.

20 V. **PUBLIC COMMENT: None.**

21 VI. **NEW BUSINESS:**

- 22 A. **Van Vliet** mentioned these two requests for council approval fall in to a category
23 the agency would like to organize better. OHCS is working on a process for these
types of requests that would be more predictable and scheduled, yet would still
allow us to respond to urgent requests in a timely fashion.
- B. *Sommerville Apartments* (Harrisburg, OR), General Housing Account Program
request and Oregon Affordable Housing Tax Credits request for acquisition and

1 rehabilitation. **Julie Cody**, Program Delivery Administrator and **Joyce**
2 **Robertson**, Loan Specialist presented this request before the council. **Cody**
3 indicated the original general partner dissolved and OHCS is currently looking at
4 maintaining these units in the community in the most efficient and affordable way
5 possible.

6 **Robertson** spoke to this project stipulating a request for \$600,000 in GHAP funds
7 for Sommerville Place Apartments. Sommerville is an OHCS portfolio project. It
8 is a struggling 28 unit family complex in Harrisburg, Oregon. The sponsor, Linn
9 County Affordable Housing dissolved and St. Vincent de Paul Society of Lane
10 County was approached by OHCS to request they acquire the property after
11 Willamette Neighborhood Housing declined to acquire the property.

12 As part of the acquisition of Sommerville Place, there are some critical needs that
13 will need to be addressed as a result of water drainage and intrusion issues. The
14 funds requested will be used to address the critical issues facing this project. In
15 addition, to maintain the financial viability of this project, \$675,000 in OAHTCs
16 has been approved by OHCS's finance committee to refinance existing OAHTC
17 debt.

18 This project is at risk of foreclosure and sale at market rate. If that were to
19 happen, OHCS would be required to repay \$450,000 in HOME funds that were
20 used for the original construction to refinance the project in 1998.

21 **Robertson** requested that the motion found on page 7 of the Housing Council
22 packet be approved to allow for the acquisition and rehabilitation of Sommerville
23 Place Apartments by St. Vincent de Paul.

24 **Chair Woolley** asked if these units were originally built or acquired in 1998.
25 **Answer:** Originally built. **Terry McDonald**, Executive Director, St. Vincent de
26 Paul Society of Lane County, spoke to St. Vincent's interest in this property since
27 Lane County Affordable Housing dissolved. One of the concerns associated with
28 this property is the Head Start facility maintained at the site location and its
29 significance to the community. The other concern stems from the fact there is no
30 other affordable housing available in the immediate area. This request would
31 address the long-term issue of water drainage and depreciation. **Valfre** voiced his
32 support of Saint Vincent's work and expressed confidence this development fits
33 well in to their portfolio. However, **Valfre** asked for **McDonald's** assessment as
34 to the exterior drainage issue and that it is properly addressed so this issue does
35 not require an additional funding request five years from now. **McDonald**
36 stipulated given the amount of funding requested in arresting further deterioration,
37 plus the projected cash flow, he assured the council there would not be a need to
38 return in the future.

39 **MOTION:** **Aubre Dickson** moves that the Housing Council approve a
40 **General Housing Account Program ("GHAP") award in the amount of**
41 **\$600,000 and \$675,000 in Oregon Affordable Housing Tax Credits**

1 **("OAHTC") for the acquisition and rehabilitation of Sommerville Place**
2 **Apartments.**

3 **VOTE: In a roll call vote the motion passes. Members Present: Mayra**
4 **Arreola, Aubre Dickson, Mike Fieldman, Adolph "Val" Valfre, Jr., Zee**
5 **Koza, and Chair Jeana Woolley.**

6 C. *20th Street* (McMinnville, OR), General Housing Account Program request for
7 acquisition and rehabilitation. **Julie Cody**, Program Delivery Administrator and
8 **Loren Shultz**, Community Incentive Fund Program Representative.

9 **Shultz** presented the 20th Street multifamily group home for developmentally
10 disabled adults in McMinnville. The 20th Street facility temporarily operates on
11 two structure-related licensing variances. The General Housing Account Program
12 (GHAP) grant would secure purchase of the home and thus cementing the future
13 of this home for these vulnerable individuals.

14 OMRS requests \$271,795 in GHAP funding for acquisition and rehabilitation of
15 an existing three bedroom ranch home. The rehabilitation includes fire sprinklers,
16 accessibility features, envelope measures, electrical, plumbing and HVAC.

17 **Karen Litwiller**, Executive Director, Oregon Mennonite Residential Services
18 (OMRS) provided background information. OMRS has operated group homes for
19 adults with developmental disabilities since 1986. Including 20th Street, OMRS
20 has a portfolio of ten group homes. OMRS reports a total of forty two residents
21 with significant medial and behavioral challenges living in these projects. Of the
22 forty two, only two residents are considered capable of being outside the homes,
23 in the community, unaccompanied by staff. All OMRS group homes previously
24 lived with aging parents who gradually lost the physical and/or financial ability to
25 provide needed care.

26 **Chair Woolley** asked what are a few of the specific issues some of these residents
27 face? **Answer:** First was a resident whose parents were no longer able to provide
28 the kind of behavior supports needed. The second resident was a 17 year old who
29 had been in five different foster homes in six months. That was in January 2012.
30 At the time of this request, her tenure at 20th Street has been the longest placement
31 the young woman has had in several years. She has told counselors that 20th Street
32 is her home now, and this is where she is staying.

33 **Koza** asked if there were/are plans to harden the facility considering the level of
34 care needed for these patients. **Answer:** Efforts have already been made in several
35 of OMRS's group homes. Plywood has been placed between drywall and steel
36 framed doors as needed. At the 20th Street home there is not a need for these
37 measures currently.

38 **MOTION: Mike Fieldman** moves that the Housing Council approve a
39 General Housing Account Program ("GHAP") award in the amount of
40 \$271,795 for the acquisition and rehabilitation of 20th Street.

1 **VOTE: In a roll call vote the motion passes. Members Present: Mayra**
2 **Arreola, Aubre Dickson, Mike Fieldman, Adolph "Val" Valfre, Jr., Zee**
3 **Koza, and Chair Jeana Woolley.**

4 **Van Vliet acknowledged Karen Clearwater, Regional Advisor to the**
5 **Department (RAD) for exceptional work in collaborating with these two partners.**

6 **VII. REPORT OF THE CHAIR: Chair Woolley reports the following:**

- 7 • *Letter to the Governor* – Incorporate the principals outlined in the letter in to the
8 meeting notes from the 2012 October Housing Council Retreat.

9 **VIII. FUTURE AGENDA ITEMS:**

- 10 • December 7, 2012 Housing Council Meeting. There may be a few financial
11 transactions requiring approval. There will be program updates and a review of
12 the Resource Allocation Plan Redesign.
- 13 • January 2013 Housing Council meeting – Switched from January 4 to January 11.

14 **Chair Woolley adjourns the meeting at 9:45 a.m. in favor of beginning a work session to**
15 **continue the work of crafting a letter to the Governor and reviewing the 2012 October Housing**
16 **Council Retreat notes.**

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Jeana Woolley, Chair	DATE	Margaret S. Van Vliet, Director	DATE
Oregon State Housing Council		Oregon Housing & Community Services.	

Lexington/Park Financing Package

Pass-Through Revenue Bond Request)
Housing Preservation Fund Grant Request)
General Housing Account Program Grant Request
Low Income Weatherization Credit Request

Executive Summary

5 Project Owner: CSP – Park Lexington Limited Partnership
6 CSP-Park Lexington GP, LLC, general partner
7 An equity fund sponsored by PNC Bank, limited partner

8 Project: Lexington Apartments
9 1125 SW 12th Avenue, Portland, OR
10 54 units
11 Park Tower Apartments
12 731 SW Salmon, Portland, OR
13 162 units

14 Description: Lexington and Park Tower are existing mixed use buildings in downtown
15 Portland. There are a combined 216 units of affordable Section 8 subsidized
16 housing occupied by seniors and disabled individuals earning at or below
17 60% AMI. Lexington is an elevator serviced building which includes a
18 library, kitchen area, community room, business area, laundry facilities, and
19 camera monitoring system. Park Tower is an elevator serviced building
20 which includes a TV lounge area, an activities room with kitchen, piano,
21 laundry facilities, and a camera security system. Both projects will request a
22 20 year HAP contract renewal upon acquisition.

23 **Pass-Through Revenue Bond Request:** **\$20,460,000 combined bond sale**
\$13,000,000 (permanent loan)
\$7,460,000 (short-term bond, aka bridge loan)

Bond Series: Housing Development Revenue Bonds
2012 Series C-1 and 2012 Series C-2

Bond Finance Charge: \$252,800 collected at closing

Underwriting Rate: 2% w/OAHTC, 20 year term, 25 year amortization

Appraised Value: *Lexington:* \$5,070,000 *Rent Restricted, Hypothetical Stabilized Value After Renovation*
Park Tower: \$17,000,000 *Rent Restricted, Hypothetical Stabilized Value After Renovation*

Perm Debt Coverage Ratio (DCR): 1.65:1 *(estimated first full year of operation)*

4% LIHTC Annual Allocation: **\$1,081,167** *(estimated equity: \$10,565,617)*
\$70,276 LIHTC Reserv. fee, collected at bond closing

Affordability Period: 60 Years
Target Population: Elderly/Disabled at or below 60% AMI

Finance Committee Meeting: Voting to Approve: 3
Voting to Decline: 0
Absent: 1

_____/ s / _____ 11/27/12
Julie V. Cody, Finance Committee Chair Date

_____/ s / _____ 11/27/12
Margaret S. Van Vliet, Director Date

[Recommended motions on next page]

RECOMMENDED MOTIONS

1
2 **BOND RECOMMENDED MOTION:** To approve a Pass-Through Revenue Bond Financing in an amount not to
3 exceed \$20,460,000 to CSP – Park Lexington Limited Partnership for the acquisition and renovation of Lexington
4 Apartments and Park Tower Apartments, subject to borrower meeting OHCS, Wells Fargo, and Portland Housing
5 Bureau underwriting and closing criteria, documentation satisfactory to legal counsel, and Treasurer approval for
6 the bond sale. Approval is contingent CSP-Park Lexington Limited Partnership and Robison Jewish Home signing
7 the Residual Receipts Escrow and Indemnity Agreement clarifying the disbursement of Residual Receipts as
8 directed by the Department and the lender and investor finalizing the scope of work and approving the cost and
9 constructability review and all anticipated sources are available at closing.

10 **HOUSING PRESERVATION RECOMMENDED MOTION:** To approve a Housing Preservation Fund grant
11 request in an amount not to exceed \$494,228 to Robison Jewish Home and the restrictive covenants assigned to
12 CSP-Park Lexington Limited Partnership for the renovation of Lexington Apartments and Park Tower Apartments
13 contingent upon the lender and investor finalizing the scope of work and approving the cost and constructability
14 review and all anticipated sources are available at closing.

15 **GENERAL HOUSING ACCOUNT PROGRAM RECOMMENDED MOTION:** To approve a General
16 Housing Account Program grant request in an amount not to exceed \$150,000 to Robison Jewish Home and the
17 restrictive covenants assigned to CSP-Park Lexington Limited Partnership for the renovation of Lexington
18 Apartments and Park Tower Apartments contingent upon the lender and investor finalizing the scope of work and
19 approving the cost and constructability review and all anticipated sources are available at closing.

20 **WEATHERIZATION RECOMMENDED MOTION:** To approve an allocation of Low Income Weatherization
21 Fund grant request in an amount not to exceed \$108,000 for Lexington and \$192,000 for Park Tower to Robison
22 Jewish Home and the restrictive covenants assigned to CSP-Park Lexington Limited Partnership for eligible
23 weatherization components contingent upon the lender and investor finalizing the scope of work and approving the
cost and constructability review and all anticipated sources are available at closing.

Key Participants/Financial Team

1 Bond Issuer: Oregon Housing and Community Services (OHCS)
 Borrower: CSP – Park Lexington Limited Partnership
 General Partner: CSP – Park Lexington GP, LLC
 2 Borrower Counsel: Doug Blomgren, Bateman Seidel
 Borrower Tax Counsel: Michelle Silver, Silver Consulting Services, LLC
 3 Co-Developer: James Winkler, Winkler Development Corporation
 Management Agent: Harsch Investment Properties
 4 Bond Counsel: Orrick, Herrington & Sutcliffe LLP
 Financial Advisor: Caine Mitter & Associates Inc.
 5 Trustee: Wells Fargo Bank
 Lender/Bond Purchaser: Wells Fargo Bank
 6 Lender Counsel: Miller Nash
 Secondary Lender: Portland Housing Bureau
 Architect: LRS Architects
 7 General Contractor: R & H Construction Company
 Tax Credit Investor: PNC Real Estate
 8

Building Information

9	Total Number of Units	216 units
	Total Number of Affordable Rental Units	216 units (-0- manager's unit in each project)
10	Total Number of Accessible Rental Units	11 units
	Total Number of Adaptable Rental Units	205 units
11	Gross Building Square Footage:	Lexington: 24,723 Park Tower: 102,156
12	Residential Square Footage:	Lexington: 20,107 Park Tower: 59,766
13	Commercial Space Square Footage:	Lexington: -0- Park Tower: 8,700.
14	Buildings:	Lexington: 1 5-story building w/basement Park Tower: 1 11-story building w/ground floor commercial and basement.
15	Year Built:	Lexington: 1910, renovated 1982 Park Tower: 1926, renovated 1982
16	Remaining Economic Life After Renovation:	Lexington: 60 years Park Tower: 70 years
17	Serviced by Elevator:	Lexington: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A Park Tower: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
	Construction Type:	<input type="checkbox"/> New Construc. <input checked="" type="checkbox"/> Acq/Rehab
18	Currently Occupied:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
19	Parking:	Lexington and Park Tower have no off-street parking. Zoning does not require any parking spaces. Most existing residents utilize public transportation.
20	Community Amenities:	The downtown area has excellent access to senior services which are essential to the resident population at both properties. Hospitals are located within 4 miles of the property. Both are located in walkable neighborhoods with easy access to public transportation.
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OHCS Reviews

1	OHCS Subsidy Layering	<input checked="" type="checkbox"/> Acceptable Date: <u>11/26/12</u>
	OHCS Architectural Review:	<input type="checkbox"/> Acceptable Date: <u>N/A for Conduit/4%</u>
2	OHCS Management Agent Review	<input checked="" type="checkbox"/> Acceptable Date: <u>10/31/12</u>
3	OHCS Reviewed Resident Services	<input checked="" type="checkbox"/> Acceptable Date: <u>10/31/12</u> Appropriate supportive services must be available to residents with special needs. Services shall not be a condition of occupancy. A Resident Services Plan, formulated specific to the individual residents' needs, is provided by the property owner. The Plan is reviewed and approved by OHCS and monitored for compliance.
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7	Fair Housing	The Owner agrees that the Department, qualified tenants, and appropriate third parties will be eligible to enforce the IRC entitlements with respect to the Project for the Affordability Period as provided by the Fair Housing Act, with respect to minimum accessibility, adaptability and prohibition of discrimination. Ethnicity data collection is limited to HOME projects only.
8		
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10	Meets Allowable Zoning Criteria:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A Lexington: RXd-Central Residential Park Tower: CXd-Central Commercial Both are legal conforming uses:
11	Environmental Reports Received/Reviewed	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No A Phase I report for Lexington Apartments was prepared by GRI and dated August 17, 2012. The assessment disclosed evidence of a potential heating oil tank below the sidewalk and recommends a geophysical survey. The survey confirmed the presence of a UST. The UST was removed and a Certificate of Decommissioning filed on 9/26/12. A Phase I report for Park Tower was prepared by GRI and dated July 3, 2012. The assessment disclosed no evidence of recognized environmental conditions.
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17	Geotechnical Report Received/Reviewed	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A Existing building. No excavation.
18	Realistic Development Schedule	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Construction begins: <u>12/20/12</u> Construction completed: <u>12/01/13</u> Placed in Service <u>12/31/13</u> Perm Financing Close <u>03/15/14</u>
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Market Information

Review of Market Analysis completed by Mike McHam, Oregon State Certified General Appraiser, Oregon Housing and Community Services, on November 2, 2012 for Lexington and November 1, 2012 for Park Tower.

1	Appraisal Completed By:	Colliers International Valuation & Advisory Services		
2	Effective Date:	August 28, 2012		
3	OHCS Market Analysis Acceptable:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
4	Rents 10% Below Market	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A HUD HAP
		Contract controls rents		
	Lender Review/Meets Underwriting Criteria	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	
	Investor Review/Meets Underwriting Criteria	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

Primary Market Area

- 11.2 square miles bound by Fremont Street to the North, 33rd Avenue and 39th Avenue to the East, Powell Boulevard and I-405 to the South, and Goose Hollow and the NW District neighborhoods to the West.

Population

- The market area had a 2010 population of 2,255,276, which is projected to grow to 2,412,000 by 2015.
- Within a one-mile radius, the number of households is expected to grow at an annual 2.3% over the next five years.
- The downtown Portland area has a high percentage of renter-occupied households at 75.1% which drops to 44.3% within a 3-mile radius of the property.
- The appraiser did not include data for the senior population that would normally be expected. However, the properties locations, history and current/forecast market conditions would support concluding a feasible market for senior tenants.

Income

- The MSA median household income for 2010 was \$61,823.
- Median income is well above the remainder of Oregon and 13.6% higher than the United States at \$54,442.

Employment

- The top three employers in the metro area are Intel (15,636), Providence Health Care (14,089) and Oregon Health and Science University (12,000).
- MSA unemployment stood at 6.0% in 2008, increased to 10.8% in 2009 and as of May 2012, decreased to 7.7%.
- Employment figures indicate the economy is on a slow, positive upswing with a projected growth rate in employment of slightly less than 1.0% for the next ten years.

Supply

- Significant new supply has been added to the downtown Portland submarket since 2008, both through construction and conversion.
- A significant amount of both market and affordable supply is presently in the pipeline as proposed or under construction.
- Multi-family building permits have declined significantly since a peak in 2007. Data for 2011 and 2012 to date demonstrate improvement over prior years in both Portland and Multnomah County.

Demand

- The downtown submarket conventional apartment vacancy currently stands at 3.5% for seasoned product and 4.1% for new construction. Comparables indicate 3.2% conventional and zero (-0%) in restricted rental properties.
- Lexington's current occupancy is 98% and Park Tower's current vacancy is at 1.2%
- Rents are increasing and concessions have all but disappeared from the submarket.
- Wait lists range from eight (8) months to four (4) years. Both properties report 3-6 months for seniors and two years for disabled.
- The project is anticipated to continue competing well in the downtown market.

Services

- Park Tower and Lexington Apartments have a robust services program to meet the needs of its elderly and disabled residents. Their services target the social, health, mental, spiritual and emotional needs through activities, educational and nutritional programming and services.

Lender's Appraisal Analysis

A complete appraisal report by Colliers International Valuation & Advisory Services was completed with an effective date of August 28, 2012. Concluded values are presented below:

Valuation	Interest Appraised	Date	Value
As Is w/Restricted Rents Lexington Park Tower	Fee Simple	8/28/12	\$4,070,000
		8/28/12	<u>\$16,710,000</u>
		8/28/12	\$20,780,000
Hypothetical Stabilized Value After Renovation w/Restricted Rents Lexington Park Tower	Fee Simple	8/28/12	\$5,070,000
		8/28/12	<u>\$17,000,000</u>
		8/28/12	\$22,070,000
Hypothetical Stabilized Value w/Restricted Rents + favorable financing + tax credit value Lexington Park Tower	Fee Simple	8/28/12	\$9,180,000
		8/28/12	<u>\$27,700,000</u>
		8/28/12	\$36,880,000

For construction purposes, Wells Fargo is relying on the Hypothetical Stabilized Value with Restricted Rents plus Favorable Financing and Tax Credit Value, resulting in a 55.48% LTV and acceptable to the Bank. For the permanent loan, Wells Fargo is relying on the Hypothetical Stabilized Value with Restricted Rents plus Favorable Financing and Tax Credit Value, resulting in a 35.25% LTV and acceptable to the Bank. After review of the appraisals, the Bank considers the planned renovations will reflect a comprehensive rehabilitation increasing appeal and functionality of the properties and extending the properties' economic lives. Post rehab, projects will be of average/good condition. The projects' designs are appropriate for the target population.

Development & Financing Team

Borrowing Entity	CSP – Park Lexington Limited Partnership
General Partner	CSP – Park Lexington GP LLC (managing member is Robinson Jewish Home dba Cedar Sinai Park)
In Good Standing w/OHCS	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Construction/Permanent Lender	Wells Fargo Bank
Credit Underwriting Approved	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date: 11/19/2012, contingent on cost & constructability review
Equity Investor	PNC Real Estate
Credit Underwriting Approved	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: Expected 11/26/2012 contingent on plan and cost review
Other Funding Sources Approved PHB City Council Approval	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Date: Expected 12/5/12

Financing Structure

Tax Exempt Bonds: Wells Fargo Bank will purchase tax exempt bonds in two tranches, up to \$20,460,000, to be issued by the State of Oregon through its Housing and Community Services Department (OHCS). The total bond sale will be split between Park Tower Apartments in an amount not to exceed \$15,000,000 and Lexington Apartment in an amount not to exceed \$5,460,000. Upon meeting the conditions required for permanent financing, the construction loan will convert to a permanent loan in an amount not to exceed \$13,000,000 (Park Tower loan not to exceed \$10,050,000 and Lexington loan not to exceed \$2,950,000). The construction (bridge) loan has a term of 15 months; interest only, and will convert to permanent financing when the rehabilitation work is complete, the completed work is found to be acceptable to the lender, and all closing conditions have been met. At conversion, the permanent loan will have a 20 year term with a 25 year amortization. Conversion conditions are estimated to be met on or before March 15, 2014. The applicable interest rate for the permanent loan shall be

locked at bond sale closing (construction loan closing). The interest rate for permanent financing is estimated to be 6%; with OAHTC applied the permanent interest rate for 20 years is estimated to be 2%.

There will be one payment from equity contribution funds that pays off the short-term bond (the “bridge” loan) after renovation is complete. The long-term bond will convert to permanent financing.

Tax Credit Equity: The chart below summarizes the proposed pay-in schedule of PNC Real Estate’s equity contributions with funding conditions. The pay-in schedule will be finalized shortly before the bond sale and construction loan closing when the investor is admitted to the Partnership. Assumptions include a price per credit of 97.73% and an estimated total equity pay-in of \$10,565,617 for the 4% LIHTC. In addition to the 4% LIHTC, the project is has received approval for approximately \$3,249,864 in Historical Tax Credit equity. Because PNC is the investor for both the 4% LIHTC and Historical tax credits, the chart below represents a combined equity pay-in schedule.

Equity Installment	Estimated Date	Amt. Funded	Funding Conditions
1	12/15/12	\$2,763,096	Admission/Bond Closing
2	4/5/13	\$690,774	50% Const. Completion
3	10/5/13	\$1,381,548	Construction Completion
4	1/5/14	\$7,598,515	Stabilized Occupancy
5	4/5/14	1,381,548	8609
Total		\$13,815,481	

Secondary Financing – Portland Housing Bureau: The Portland Housing Bureau (“PHB”) will provide a \$3,500,000 Tax Incentive Fund (TIF) loan and a CDBG loan of \$2,626,181 at 0% interest during the rehabilitation period and 1% during the permanent loan period, with interest accrual during the first 12 years of the permanent period or until the deferred development fee is paid off. PHB will receive 50% of excess cash flow starting in the 12th year of the permanent loan period or after the deferred development fee is fully repaid.

Combined Estimated Sources and Uses

	Total	Park	Lexington
Permanent Sources			
Wells Fargo Permanent Loan	\$13,000,000	\$10,050,000	\$2,950,000
LIHTC (4%) Equity	\$10,565,617	\$7,783,796	\$2,781,821
Historic Tax Credit	\$3,249,864	\$2,246,144	\$1,003,720
Housing Preservation Grant (tax exempt)	\$51,666	\$51,666	\$0
Housing Preservation Grant (taxable)	\$442,622	\$442,622	\$0
Weatherization Grant	\$300,000	\$192,000	\$108,000
Residual Receipts (estimate)	\$4,650,757	\$2,951,756	\$1,699,001
PHB Loan (TIF funds)	\$3,500,000	\$3,500,000	\$0
Enterprise Green Grant	\$19,000	\$19,000	\$0
CDBG	\$2,626,181	\$1,482,181	\$1,144,000
Deferred Developers Fee	\$1,909,740	\$1,436,322	\$473,418
Cashflow During Construction	\$225,000	\$150,000	\$75,000
Fee Waiver	\$100,000	\$100,000	\$0
TOTAL FUNDING SOURCES	\$40,790,447		
Uses			
Acquisition	\$20,945,000		
Construction	\$9,960,674		
Development Costs	\$9,884,773		
TOTAL USES	\$40,790,447		

Cash Flow Analysis:

- Wells Fargo reviewed both the Appraiser and Borrower's proforma and is recommending a slightly modified version of both to be conservative.
- After renovation, the project will continue to serve elderly and disabled tenants with incomes at or below 60% of area median income.
- The maximum median income levels are based on the median family income published by HUD. Rental income assumptions are based on the rent comparable study (RCS) completed by the owner and submitted to HUD on an annual basis. HUD approves the rents based on the RCS.
- The chart below shows the maximum LIHTC Program rents, HUD approved rents for the properties (RCS), and market rate rents.

Unit Type	No. Units	% Median Income	Maximum Rent at 60% (LIHTC)	HUD Approved Rents (RCS)	Market Rents (Market)	Difference Developer Rents & Mkt Rents	% Difference Dev Rents & Mkt Rents
Lexington:							
Studio	26	60%	\$776	\$935	\$800	(\$135)	117%
Studio	27	60%	\$776	\$935	\$825	(\$110)	113%
1 Bdrm	1	60%	\$821	\$1,152	\$1,025	(\$127)	112%
Park Tower:							
Studio	45	60%	\$776	\$944	\$850	(\$94)	111%
Studio	93	60%	\$776	\$944	\$890	(\$54)	106%
Studio	2	60%	\$776	\$944	\$1,000	\$56	94%
1 Bdrm	18	60%	\$821	\$1,045	\$1,000	(\$45)	105%
1 Bdrm	4	60%	\$821	\$1,045	\$1,075	\$30	97%
Total Units	216						

As a preservation property, HAP rents are allowed to be above LIHTC Max. Rents.

- Typically in LIHTC transactions, rents must provide a reasonable gap between restricted and market rents to ensure overall success and marketability of the project (usually 10%). However, as subsidized properties the rents are allowed to be above the maximum 60% AMI rents.
- The chart above shows that the borrower's proposed rents are above market rate rents, but the LIHTC Program allows HAP subsidized rents to be above LIHTC maximum rents. The owner must submit an annual RCS HUD and provide justification for the rent levels to HUD. HUD reviews and approves the rents on an annual basis. The rents shown in the table above are HUD approved rents for these properties.

Lender's Projected Annual Income & Expenses (First Full Year of Operation 2013-2014)

Gross Rental Income:	\$1,809,840
Vacancy	(\$124,557)
Section 8 Incremental Income	\$660,444
Other Income:	\$20,865
Commercial Income	\$79,832
Adjusted Gross Income	\$2,446,424
Operating Expenses: (\$6,285 p/u)	(\$1,357,575)
Net Operating Income	\$1,088,849
Primary Debt Service: \$13,000,000 @ 2% 25 yrs	(\$661,213)
Net Cash Flow	\$427,636
Primary Debt Service Coverage Ratio (DSCR)	1.65

Note: The interest rate is an estimate. The actual interest rate will be set at bond sale closing.

Issuer Information

1	Bond Series:	Housing Development Revenue Bonds 2012 Series C-1 & C-2
	TEFRA Hearing Date:	November 30, 2012
2	Bond Finance Charge:	\$252,800 Collected at closing
	Bond Purchaser:	Wells Fargo Bank
	Bond Closing Date:	December 19, 2012
3	Term of Bonds:	20 year term / 25 year amortization
4		<i>Interest only during 15 mo construction (15 mo initial term on</i>
5		<i>Construction Bond with the option to extend the term up to two</i>
6		<i>additional 3-mo periods). From Conversion Date, the</i>
		<i>Permanent Bond has an initial term of 20 years with principal</i>
		<i>and interest due from the Conversion Date based on a 25 year</i>
		<i>amortization with the option to extend for one additional 5 year</i>
		<i>period.</i>
7	Bond Documents In Substantially Final Form	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Bond documents are estimated to be in substantially final form the week of December 17, 2012.

Department Risk/Mitigating Factors

9 Meets Issuer's Guidelines for Bond Proceeds Yes No Date: November 26, 2012

- 10 • OHCS and the State of Oregon are protected from financial risk in a Pass-Through Revenue Bond Financing because the State does not credit enhance nor guarantee the bonds. The Department's bond documents reflect the pass-through of financial responsibility and bond liability to the lender, trustee and bondholder(s).
- 11 • Wells Fargo Bank has conservatively underwritten this transaction. Approval was recommended based on the material strengths including prime location, public support, limited lease-up risk, the above-market rents and Section 8 contract expiring shortly before loan maturity were adequately mitigated, the Bank's positive experience with the sponsor, and the projection that the projects will perform well in the marketplace.
- 12 • The development and financing teams are very experienced in packaging and managing successful tax-exempt bond coupled with 4% LIHTC financed projects.
- 13 • The City of Portland, through its Portland Housing Bureau, has a substantial financial and public purpose commitment to see this project through renovation completion and funding has been approved by City Council.

16 I recommend approval of the motions found on page 2 of this report.

/ s /	/ s /
18 <u>Debie Zitzelberger, Senior Loan Officer</u> Multifamily Finance and Resources Section	<u>Carol Kowash, Tax Credit Programs Representative</u> Multifamily Finance and Resources Section

19 On 11/27/12, Finance Committee reviewed the proposed OHCS funding requests. They discussed the lender and investor approvals have a substantive contingency of completing the final scope of work and costing reviews. Based on the Loan Officer's conversations with the lender and investor, Committee members were comfortable approving the funding requests contingent upon the lender and investor finalizing the scope of work, approving the cost and constructability, and that all anticipated sources would be available at closing.



Date: 11/29/2012

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.

<u>Borrower</u>		<u>Lender</u>	PACIFIC RESIDENTIAL MORTGAGE	
<u>Co-Borrower</u>				
<u>Property Address</u>	4800 BLOCK OLD DILLARD RD EUGENE OR 97405	<u>Purchase Price</u>	\$256,000	<u>Note Amount</u> \$251,363
		<u>Cost Limit</u>	\$313,290	<u>Principal Balance</u> \$251,363
		<u>Appr. Value</u>	\$256,000	
		<u>Year Built</u>	1950	
<u>Hshld. Income</u>	\$68,148	<u>Living Area (Sq. Ft.)</u>	1,642	<u>Loan-to-Value</u> 97%
<u>Income Limit</u>	\$70,080	<u>Lot Size (Sq. Ft.)</u>	31,798	<u>Insurance Type</u> FB
<u>% of Income Limit</u>	97.24%	<u>Cost per Sq. Ft.</u>	\$155.91	<u>Rate</u> 4.000%
<u>Prior Ownership Yes (Y) or No (N)</u>	N	<u>New (N) or Existing (E)</u>	E	
		<u>Construction Style</u>	One Story	

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