

September 29, 2016

Board of County Commissioners  
Clackamas County

Members of the Board:

Approval of a Memo of Understanding and Term Sheet between the Housing Authority of Clackamas County (HACC) and Pedcor Investments, LLC for the Development of a Multifamily Housing Project

<b>Purpose/Outcomes</b>	Construction of a 212 unit affordable housing project on Otty Road
<b>Dollar Amount and Fiscal Impact</b>	\$29,5014,141
<b>Funding Source(s)</b>	Private Activity Bond \$27,501,141 HACC Disposition Funds Loan \$ 1,100,000 HOME Loan \$ 900,000
<b>Duration</b>	9-29-2016 through 8-15-2017
<b>Previous Board Action</b>	The Board reviewed and approved the concept of the MOU on July 5 <sup>th</sup> , 2016
<b>Strategic Plan Alignment</b>	Ensure safe, healthy and secure communities Sustainable and Affordable Housing
<b>Contact Person</b>	Chuck Robbins, HACC Executive Director (503) 650-5666
<b>Contract Number</b>	N/A

**BACKGROUND:**

The Clackamas County Housing Authority (HACC) a Division of the Health, Housing & Human Services Department requests the approval of a Memo of Understanding (MOU) and associated Terms Sheet with Pedcor Investments, LLC. This MOU defines the preliminary deal points and provisions requested in order to move forward in the process of developing a multifamily affordable housing complex at 8810 & 8850 Otty Road in Happy Valley.

There are two important aspects for this stage of the process:

- The MOU as structured is not binding.
- The Terms, as discussed in the attached term sheet, would be the terms used if the County, through HACC, agrees to a binding relationship with Pedcor regarding the proposed project.
- If HACC and Pedcor do not arrive at a mutually accepted, binding agreement the terms are not in effect.

## The Project

The project will consist of six structures. Each is four stories and wood framed with an elevator servicing each building. The project is centrally located with easy access to services and within short walking distance of the MAX Green Line as well as several TriMet bus stops.

The project will contain 212 new units of affordable housing which includes:

New Units of Affordable Housing	
Size	Number of Units
1 Bedroom/1 Bath	104
2 Bedroom/2 Bath	100
3 Bedroom/2 Bath	8

## Project Rents

The project holds rents to 60% of the Area Median Income (AMI) for all units. Current median income is \$58,800 for a household of two. A couple that currently makes \$30,900 will be able to afford a one bedroom unit or a two bedroom if they have children. The chart below compares current market rents to project rents.

Household Size	AMI Household Income	Current market rent	Income at 60% AMI	Project Rent with Utilities
1	\$51,500	\$1,063	\$30,900	\$760
2	\$58,800	\$1,242	\$35,280	\$909
3	\$66,200	\$1,371	\$39,720	\$1,044

These units are required to remain affordable for a period of 60 years

## Project Risk

The financing structure of this project imposes minimal risk to the County and HACC because the developer is responsible for:

- Guaranteeing completion of construction and achieving stabilization (e.g. lease up, minimum revenue targets and debt coverage ratio); and
- Bond financing will be insured by a HUDs 221(d) loan guarantee program therefore in the event of a default debt service payments will be made by HUD. Because these are revenue bonds there is no recourse to the County in the event of a default.

## Partnership

PEDCOR is proposing to partner with HACC in this development. The attached Memorandum of Understanding (MOU) lays the groundwork for this partnership. While there are no binding contractual obligations it does provide a scope of work for each party and provides PEDCOR with the assurance that HACC intends to work with PEDCOR on the next steps in predevelopment. This includes:

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- HACC’s willingness to be designated as a General Partner member allowing the property to qualify for property tax exemption. In return, PEDCOR would compensate HACC with 25% of the project developer fee and annual cash flow (upfront = \$258,000 & annual cash flow = \$86,000). In addition HACC acting as the general manager is responsible for filing the annual tax exemption status and would receive an annual fee of \$5,000 for this purpose. The County’s support of PEDCOR’s application for 4% Low-Income Housing Tax Credits
- The County’s consideration of PEDCOR’s application for a reservation of tax-exempt Private Activity Bonds to be issued by HACC.
- The County’s consideration of a PEDCOR application for HOME Funds and HACC Disposition funds.

**Financial Impacts**

The total amount of this Project is \$60,457,401. The financial impacts to HACC include:

- \$30,000,000 in Private Activity Bonds - this is an approximation and includes HACC’s costs for issuing the bond and a fee for acting as the issuer.
- \$ 1,100,000 in HACC Disposition Funds
- \$ 900,000 in Federal HOME Funds

The balance of the funding will come from these sources:

4% Low Income Housing Tax Credit	\$23,375,000
Deferred Developers Fee	\$4,813,432
Rental Income	\$2,767,828

This MOU has been reviewed and approved by Clackamas County Counsel.

**RECOMMENDATION:**

Staff recommends the Board approve the attached MOU and Terms Sheet. Additionally, staff recommends the Board authorizes Richard Swift, H3S Director to sign on behalf of the Housing Authority of Clackamas County

Respectfully submitted,

Richard Swift, Director  
Health, Housing and Human Services