

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF FOR THE PURPOSE OF) RESOLUTION NO. 19-4991
APPROVING AN INTERGOVERNMENTAL)
AGREEMENT WITH HOUSING AUTHORITY OF)
CLACKAMAS COUNTY TO PROVIDE AFFORDABLE) Introduced by Chief Operating Officer
HOUSING BOND FUNDING TO ACQUIRE REAL) Martha Bennett in concurrence with
PROPERTY) Council President Lynn Peterson

WHEREAS, on June 7, 2018, the Metro Council adopted Resolution No. 18-4898, "For the Purpose of Referring to the Metro Area Voters a Ballot Measure Authorizing General Obligation Bond Indebtedness in an Amount Not to Exceed \$652 Million to Fund Affordable Housing; and Setting Forth the Official Intent to the Metro Council to Reimburse Certain Expenditures Out of the Proceeds of Said Bonds Upon Issuance," approving, certifying and referred by the Metro Council to the Metro Area voters on the November 6, 2018 General Election as Ballot Measure 26-199 ("Affordable Housing Bond Measure"); and

WHEREAS, at the General Election held on November 6, 2018, the Metro Area voters approved the Affordable Housing Bond Measure providing Metro with the authority under the laws of the State of Oregon and the Metro Charter to issue bonds and other obligations payable from ad valorem property taxes for the purpose of financing and identifying funds to be used for affordable housing; and

WHEREAS, on January 31, 2019, the Metro Council adopted Resolution No. 19-4975, adopting the Metro Housing Bond Measure Program Work Plan (the "Work Plan") to serve as a framework for the Metro Housing Bond implementation activities, providing that each local jurisdiction implementer create a plan outlining strategies for achieving its allocated share of unit production targets (the "Local Implementation Strategies") and requiring consideration and approval by the Metro Council of said strategies; and

WHEREAS, the staff report supporting Metro Council Resolution No. 19-4975 contemplated the likelihood that certain implementing jurisdictions would bring forward projects for funding in fiscal year 2019, prior to the completion of Local Implementation Strategies (the "Phase I Projects"), such that Metro consideration and approval of said Phase I Projects would need to occur outside the parameters of the Work Plan; and

WHEREAS, the Housing Authority of Clackamas County ("HACC") has requested \$2.7 million in Affordable Housing Bond Measure funding to acquire certain real property in the City of Gladstone that it intends to use to create 45 single-room occupancy (SRO) units providing long term supportive housing for individuals exiting homelessness; and

WHEREAS, Metro staff believes that HACC's Phase I Project will contribute to the County's unit production targets set forth in the Work Plan and HACC has committed to align the future project with all elements of its forthcoming Local Implementation Strategy, including strategies to advance racial equity;

WHEREAS, Metro staff has negotiated the terms and conditions under which the requested Affordable Housing Bond Measure funding will be provided to HACC, which terms and conditions are set forth in the proposed intergovernmental agreement attached hereto as Exhibit A; now therefore

BE IT RESOLVED that the Metro Council:

Approves the Housing Authority of Clackamas County's request for Metro Affordable Housing Bond Measure funding and authorizes the Metro Chief Operating Officer to enter into an intergovernmental agreement with HACC substantially in the form attached hereto as Exhibit A, or as otherwise approved by the Office of Metro Attorney.

ADOPTED by the Metro Council this 2nd day of May, 2019.



Lynn Peterson, Council President

Approved as to Form:



Nathan A. S. Sykes, Acting Metro Attorney



600 NE Grand Ave.
Portland, OR 97232-2736
(503) 797-1700

Intergovernmental Agreement

Housing Bond Measure Phase I

Metro Contract No. XXXXX

THIS INTERGOVERNMENTAL AGREEMENT (“Agreement”) is between Metro, a metropolitan service district organized under the laws of the State of Oregon and the Metro Charter, located at 600 N.E. Grand Avenue, Portland, Oregon 97232-2736, and the Housing Authority of Clackamas County (“Local Implementation Partner”), located at 13930 Gain Street, Oregon City, Oregon 97045 and is dated effective as of the last day of signature set forth below (the “Effective Date”).

RECITALS

A. The electors of Metro approved Ballot Measure 26-199 on November 6, 2018 (the “Bond Measure”), authorizing Metro to issue \$652.8 million in general obligation bonds to fund affordable housing (the “Bonds”).

B. On January 31, 2019, the Metro Council adopted Resolution No. 19-4956, approving the Metro Affordable Housing Bond Measure Program Work Plan (the “Work Plan”) which, among other things, allows Metro to distribute a portion of the proceeds of the Bonds (the “Bond Proceeds”) to eligible local government affordable housing implementation partners.

C. Local Implementation Partner is a participating local government partner potentially eligible to receive Bond Proceeds under the Work Plan.

D. In accordance with the Work Plan, Local Implementation Partner is in the process of completing its Local Implementation Strategy, and anticipates it will be approximately five months before Local Implementation Partner has completed this strategy and is eligible to receive Bond Proceeds under the Work Plan.

E. Local Implementation Partner has identified an opportunity to acquire certain real property and improvements in the City of Gladstone, which Local Implementation Partner intends to rehabilitate to create 45 single-room occupancy (SRO) units providing long-term supportive housing.

F. In an effort to advance this opportunity without delay, Local Implementation Partner desires to use Bond Proceeds to acquire the Gladstone property prior to Local Implementation Partner’s completion of its Local Implementation Strategy.

G. The parties desire to enter into this Agreement to provide the terms and conditions under which Metro will provide advance Bond Proceeds to Local Implementation Partner to use for property acquisition.

AGREEMENT

1. Purpose

The purpose of this Agreement is to provide Bond Proceeds to Local Implementation Partner for it to use to acquire certain real property commonly described as 18000 SE Webster Road, Gladstone, Oregon, and legally described in Exhibit A attached to this Agreement (the “Property”). Following acquisition, Local Implementation Partner plans to enter into a development and disposition agreement with a third-party (the “Project Developer”) to redevelop the Property into affordable housing that supports veterans, seniors, and the disabled who are experiencing homelessness so they may transition to long-term supportive housing (the “Project”). The Project is more fully described in Exhibit B attached to this Agreement.

2. Metro Funding and Eligible Uses

Subject to Local Implementation Partner’s full and complete performance under this Agreement, including without limitation, the Conditions Precedent to funding set forth below in Section 3, Metro will disburse to Local Implementation Partner Bond Proceeds in the amount not to exceed \$2.7 million (the “Project Funds”). Local Implementation Partner may use the Project Funds, and any investment earnings thereon, only for the Property acquisition costs set forth in the “Permitted Acquisition Costs List” attached hereto as Exhibit C. Investment earning on the Project funds may only be expended on costs set forth in the Permitted Acquisition Costs List.

3. Conditions Precedent to Funding

The conditions precedent to disbursement (the “Conditions Precedent”) of the Project Funds set forth on attached Exhibit D must be satisfied prior to Metro’s obligation to provide the Project Funds to Local Implementation Partner. These Conditions Precedent to disbursement are solely for Metro’s benefit, and Metro will have the sole right and discretion to waive by written notice any of the conditions.

4. Affordable Housing Restrictive Covenant

Contemporaneously with Local Implementation Partner’s acquisition of fee title to the Property, Local Implementation Partner will cause to be recorded a fully executed and acknowledged Affordable Housing Restrictive Covenant, substantially in the form attached hereto as Exhibit E (the “Covenant”). The Covenant will be executed and acknowledged by Metro and Local Implementation Partner and recorded in the official deed records of Clackamas County, free and clear of all liens and encumbrances, except for the permitted exceptions agreed to by Metro. If

for any reason Local Implementation Partner fails to record the Covenant, then Metro may, at its sole option and upon written notice to Local Implementation Partner, terminate this Agreement, in which case any Project Funds delivered to Local Implementation Partner shall be immediately due and payable by Local Implementation Partner to Metro. The parties to this Agreement acknowledge and agree that upon the closing of the financing of the Project, Local Implementation Partner and the Project developer will execute, deliver and record a restrictive covenant imposing long-term affordability restrictions on the Project in form and substance acceptable to Metro, at which time Metro will release the Covenant so that it is removed from title.

5. Failure to Acquire; Failure to Redevelop

a) By accepting the Project Funds, Local Implementation Partner agrees to use best efforts to diligently acquire the Property and develop the Property to support the affordable housing program as described in the attached Exhibit B. If Local Implementation Partner fails to acquire the Property within thirty (30) days after the Effective Date, unless Metro otherwise directs in writing, the Project Funds, including any interest earned thereon shall be immediately due and payable to Metro by Local Implementation Partner.

b) If Local Implementation Partner acquires the Property but thereafter is unable to proceed with the development and financing of the Project or to commence construction support to the Project described in the attached Exhibit B on or before three (3) years following the Effective Date, Local Implementation Partner will immediately repay Metro the amount of the Project Funds, at which time Metro will release the Covenant recorded against the Property.

c) Local Implementation Partner acknowledges and expressly affirms its repayment obligations set forth in this section even if failure to acquire or redevelop the Property is through no fault of Local Implementation Partner. The obligations to repay include, without limitation, the obligation to return any Project Funds that Local Implementation Partner may have already obligated or spent on purposes approved and set forth on Exhibit C.

6. General Obligation Bonds

a) Local Implementation Partner acknowledges that the Project Funds are proceeds derived from the sale of voter-approved general obligation bonds that are to be repaid using ad valorem property taxes exempt from the limitations of Article XI, Sections 11 and 11b of the Oregon Constitution. Local Implementation Partner covenants and agrees that it will take no actions that would impact the validity of the Bonds or cause Metro not to be able to levy and collect the real property taxes imposed to repay these bonds, which are exempt from

Oregon's constitutional property tax limitations. Local Implementation Partner further covenants and agrees the Project Funds will be used only to pay for or reimburse costs that are of a type that is properly chargeable to a capital account (or would be so chargeable with a proper election) to comply with the Oregon Constitution and other applicable laws with respect to the permitted expenditure of general obligation bond proceeds. Local Implementation Partner will take all reasonable measures to ensure that Bond Proceeds are expended consistent with the purposes of the Work Plan.

b) If Local Implementation Partner breaches the foregoing covenants, Local Implementation Partner will immediately undertake whatever remedies or other action may be necessary to cure the default and to compensate Metro for any loss it may suffer as a result thereof, including, without limitation, repayment to Metro of the Project Funds.

7. Right to Withhold payments

Metro may withhold payments to Local Implementation Partner as necessary, in Metro's reasonable opinion, to protect Metro against any loss, damage or claim which may result from Local Implementation Partner's performance or failure to perform under this Agreement.

8. Funding Recognition

Local Implementation Partner must publically recognize Metro and use of Metro's Bond proceeds in any publications, media presentations, or other presentations referencing the Property or the Project produced by or at the direction of Local Implementation Partner, including, without limitation, any on-site signage. Local Implementation Partner will also take all reasonable measures to require the Project Developer to recognize Metro and use of Metro's Bond proceeds in connection to any publications, media presentations, or other presentations referencing the Property or the Project. Local Implementation Partner will provide Metro with thirty (30) days' notice of any event recognizing, celebrating or commemorating any ground-breaking, completion, ribbon cutting or opening of an affordable housing development of the Property, and an opportunity to participate. Local Implementation Partner shall ensure that Metro will be officially recognized for its contribution to Project funding at any such event, and provide a speaking opportunity for the Metro elected official representing the district in which the Property is located, if such opportunities are provided to other third parties.

9. Notice of Project Risk

Local Implementation Partner must inform Metro immediately of any actual or potential problems or defects that present potential risk to the Project moving forward.

10. Termination

(a) Metro and Local Implementation Partner may jointly terminate all or part of this Agreement based upon a determination that such action is in the public interest. Termination under this provision will be effective upon ten (10) days' written notice of termination issued by Metro subject to that mutual agreement. In the event of a joint termination, Local Implementation Partner will reimburse Metro for all funds distributed to Local Implementation Partner under this Agreement, as well as any earnings thereon.

(b) Metro may terminate this Agreement at any time during the term if Metro reasonably determines that Local Implementation Partner has failed to comply with any provision of this Agreement and is in default hereunder. Metro will promptly document such default and notify Local Implementation Partner in writing of such determination. Local Implementation Partner will have thirty (30) days after receipt of written notice to cure any default. If the default cannot be cured within thirty (30) days, Local Implementation Partner will not be in default so long as it reasonably pursues with all due diligence to cure the default. Local Implementation Partner will be liable to Metro for all reasonable costs and damages incurred by Metro as a result of and in documentation of the default. In the event of termination of this Agreement pursuant to Section 5 or 6, Local Implementation Partner will reimburse Metro for all funds distributed to Local Implementation Partner under this Agreement, as well as any earnings thereon.

11. Local Implementation Partner Reporting Requirements

(a) Beginning with the disbursement of the Project Funds, and continuing each calendar quarter thereafter until the Property is acquired, Local Implementation Partner will provide a report to Metro on or before the 15th day after the end of the immediately preceding calendar quarter containing the information described in this paragraph. Local Implementation Partner's first report will be due on or before October 15, 2019. Each report will contain: (i) an itemized list of Local Implementation Partner's expenditure of the Project Funds (and interest earnings thereon) through the end of the applicable calendar quarter detailing each entity to whom moneys were directly paid by Local Implementation Partner and the amount paid, (ii) information on Local Implementation Partner's progress in completing the Property acquisition against Local Implementation Partner's established timelines or deadlines, and (iii) a copy of Local

Implementation Partner's itemized financial report of income and expenses for the acquisition of the Property to date.

(b) Promptly after acquisition of the property and in no event later than the expiration date of this Agreement, Local Implementation Partner will furnish Metro with a final report on the Property acquisition. The final report will contain a compilation related to the acquisition of the Property of the same information as provided in each quarterly report on Local Implementation Partner's expenditure of the Project Funds (and interest earnings thereon) and Local Implementation Partner's final itemized financial report of income and expenses for the Property acquisition.

(c) Local Implementation Partner will provide to Metro any other additional reports as Metro may reasonably request from time to time.

12. Audits, Inspections and Retention of Records

Local Implementation Partner will keep proper books of account and records on all activities associated with the expenditure of the Project Funds disbursed by Metro under this Agreement. Local Implementation Partner will maintain these books of account and records in accordance with generally accepted accounting principles and will retain the books of account and records at least until the later of (a) six (6) years from the disbursement of the Project Funds to Local Implementation Partner or (b) the date that any dispute or controversy arising from this Agreement is resolved. Local Implementation Partner will permit Metro and its duly authorized representatives, upon prior written notice, to inspect its properties, all work done, labor performed and materials furnished during normal business hours, and to review and make excerpts and transcripts of its books of account and records with respect to the receipt and disbursement of the Project Funds received from Metro. Access to these books of account and records is not limited to the required retention period. Metro's authorized representatives will have access to records upon reasonable notice at any reasonable time for as long as the records are maintained. Metro expects the Bonds financing the Project Funds to be outstanding until approximately May of 2039. Local Implementation Partner will maintain copies of invoices and other records demonstrative of the expenditures of the Project Funds by Local Implementation Partner through May of 2042, on the date that is three (3) years from the maturity date of the Bonds.

13. Notices and Parties' Representatives

Any notices permitted or required by this Agreement will be addressed to the other party's representative(s) designated in this Section of this Agreement and will be deemed provided (a)

on the date they are personally delivered, (b) on the date they are sent via facsimile, or (c) on the third day after they are deposited in the United States mail, postage fully prepaid, by certified mail return receipt requested. Either party may change its representative(s) and the contact information for its representative(s) by providing notice in compliance with this Section of this Agreement.

Metro:

Emily Lieb

600 NE Grand Ave.

Portland, OR 97232

503-797-1921

Emily.Lieb@oregonmetro.gov

Local Implementation Partner:

Housing Authority of Clackamas County

13930 Gain Street

Oregon City, Oregon 97045

ATTN: _____

14. State and Local Law Compliance

Local Implementation Partner must comply with all applicable federal, state, and local laws, regulations, executive orders and ordinances applicable to its acquisition and ownership of the Property, including future construction and development of the Property. By accepting the Project Funds, Local Implementation Partner agrees to use the Property solely for lawful purposes that comply with the Covenant.

15. Discrimination Prohibited

No recipient or proposed recipient of any services or other assistance under the provisions of this Agreement or any program related to this Agreement may be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with the funds made available through this Agreement on the grounds of race, color, or national origin, 42 U.S.C. §2000d (Title VI), or on the grounds of religion, sex, ancestry, age, or disability as that term is defined in the Americans with Disabilities Act. For purposes of this section, "program or activity" is defined as any function conducted by an identifiable administrative unit of Local Implementation Partner receiving funds pursuant to this Agreement.

16. Insurance; Indemnification

(a) Metro is self-insured for general liability insurance and workers' compensation insurance coverage and is responsible for the wages and benefits of its respective employees performing any work or services related to this Agreement. Local Implementation Partner is responsible for the wages and benefits of its respective employees performing any work or services related to

this Agreement and has the following types of insurance, covering Local Implementation Partner, its employees, subcontractors and agents:

- i. ISO (Insurance Services Office) Approved Commercial General Liability policy, written on an occurrence basis, with limits not less than \$1,000,000 per occurrence. The policy includes coverage for bodily injury, death, property damage, personal injury, products/completed operations, and contractual liability assumed under this Agreement;
- ii. Automobile insurance with coverage for bodily injury and property damage and with limits not less than minimum of \$1,000,000 per accident or combined single limit; and
- iii. Workers' Compensation insurance meeting Oregon statutory requirements including Employer's Liability with limits not less than \$1,000,000 per accident or disease.

(b) Subject to the limitations and conditions of the Oregon Tort Claims Act, ORS chapter 30 and Article XI, Section 10 of the Oregon Constitution, Local Implementation Partner will defend, indemnify and hold harmless, Metro from and against any and all liabilities, claims, demands, damages, actions, costs, penalties, losses and expenses (including any attorney's fees in defense of Metro or any attorney's fees incurred in enforcing this provision) on account of personal injury, death, or any damage to or loss of property or revenues arising out of or in any way connected with its performance of this Agreement, or resulting in whole or in part from any act, omission, negligence, fault or violation of law or ordinance by Local Implementation Partner, its employees, agents, sub-contractors, directors or officers.

(c) In no event will either party be liable for special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this Agreement or for any failure of performance related to delivery of the Project Funds for this Agreement, however caused, whether or not arising from a party's sole, joint or concurrent negligence.

17. Governing Law

This Agreement will be governed in accordance with the laws of the State of Oregon, without resort to any jurisdiction's conflicts of laws, rules, and doctrines. Any litigation between the parties that arises out of or relates to the performance of this Agreement will occur in the Multnomah County Circuit Court.

18. No Third Party Beneficiaries

Local Implementation Partner and Metro are the only parties to this Agreement and are the only parties entitled to enforce its terms and the sole beneficiaries hereof. Nothing in this Agreement gives, is intended to give, or will be construed to give or provide any benefit or right, whether

directly, indirectly, or otherwise, to third persons any greater than the right and benefits enjoyed by the general public.

19. Relationship of Parties

Nothing in this Agreement nor any acts of the parties hereunder shall be deemed or construed by the parties, or by any third person, to create the relationship of principal and agent, or of partnership, or of joint venture or any association between any Local Implementation Partner and Metro. Furthermore, Metro will not be considered the owner, contractor or the developer of the Property. This Agreement is not intended to be a contract that provides for the development or construction of the Property, either directly with a construction contractor or through a developer. Metro specifically waives any provision contained in this Agreement, to the extent it is construed to provide Metro the right to manage, direct or control the developer, general contractor or the subcontractors. The rights and duties of the developer, the general contractor and the subcontractors are the subject of a separate contract or contracts with Local Implementation Partner to which Metro is not a party.

20. Assignment; Merger; Entire Agreement

This Agreement is binding on each party, its successors, assigns, and legal representatives and may not, under any circumstance, be assigned or transferred by Local Implementation Partner without Metro's written consent. This Agreement and attached exhibit(s) constitute the entire agreement between the parties on the subject matter hereof. There are no understandings, agreements, or representations, oral or written, not specified herein regarding this Agreement. The failure to enforce any provision of this Agreement does not constitute a waiver by Metro of that or any other provision. No waiver, consent, modification or change of terms of this Agreement will bind either party unless it is in writing and signed by both parties and all necessary approvals have been obtained. Such waiver, consent, modification or change, if made, will be effective only in the specific instance and for the specific purpose given. The failure of a party to enforce any provision of this Agreement will not constitute a waiver by that party of that provision, or of any other provision.

21. Further Assurances

Each of the Parties will execute and deliver any and all additional papers, documents, and other assurances, and will do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder and to carry out the intent and agreements of the parties hereto.

22. Counterparts

This Agreement may be executed in any number of counterparts, each of which will be an original, but all of which will constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

METRO

LOCAL IMPLEMENTATION PARTNER

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

Date: _____

Date: _____

- Exhibit A: The Property
- Exhibit B: Affordable Housing Redevelopment Project Description
- Exhibit C: Permitted Acquisition Costs List
- Exhibit D: Conditions Precedent to Funding
- Exhibit E: Affordable Housing Restrictive Covenant



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Exhibit A – The Property

Exhibit B – Affordable Housing Redevelopment Project Description



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Exhibit C – Permitted Acquisition Costs List



Metro

600 NE Grand Ave.
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Exhibit D – Conditions Precedent to Funding



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Exhibit E – Affordable Housing Restrictive Covenant



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

IN CONSIDERATION OF RESOLUTION NO. 19-4991, FOR THE PURPOSE OF APPROVING AN INTERGOVERNMENTAL AGREEMENT WITH HOUSING AUTHORITY OF CLACKAMAS COUNTY TO PROVIDE AFFORDABLE HOUSING BOND FUNDING TO ACQUIRE REAL PROPERTY

Date: April 19, 2019
Department: Planning & Development
Meeting Date: May 2, 2019

Prepared by: Emily Lieb, 503-797-1921,
emily.lieb@oregonmetro.gov
Presenter(s) (if applicable): Emily Lieb
Length: 15 min

ISSUE STATEMENT

The Housing Authority of Clackamas County (“HACC”) has requested up to \$2.7 million in Metro Housing Bond funding for the acquisition of 18000 Webster Road in Gladstone, the (“Property”), including \$2.5 million to acquire the site plus up to \$200,000 in additional due diligence and closing costs. HACC intends to rehabilitate the building to create 45 single-room occupancy (SRO) units providing permanent supportive housing for individuals exiting homelessness.

To finance the rehabilitation, HACC anticipates leveraging 45 project-based Section 8 vouchers, a permanent loan, and additional Metro Housing bond funding estimated around \$4.2 million. HACC recently selected an architecture firm, expects to engage a general contractor soon after acquiring the property and close on construction financing in late 2019, with a goal of having the building ready for occupancy by early 2021.

ACTION REQUESTED

Adopt a resolution approving an intergovernmental agreement with Housing Authority of Clackamas County (HACC) to provide up to \$2.7 million in affordable housing bond funding to acquire real property.

IDENTIFIED POLICY OUTCOMES

Based on the conceptual development program provided by HACC staff, the project would deliver 5.5 percent of the County’s overall unit production target, 13.5 percent of the County’s target of units affordable at 30 percent of AMI, and zero percent of the City’s family-sized unit target. Including the acquisition cost of not to exceed \$2.7 million and anticipated future Housing Bond funding request of around \$4.2 million, the Gladstone site would utilize \$6.9 million in Metro Bond Funds, or 5.9 percent of Clackamas County’s allocation of Bond funds.

POLICY QUESTION(S)

Is the proposed location and preliminary project concept in alignment with the bond unit production targets and other outcomes described in Council's approved Housing Bond Framework adopted by the Metro Council in June 2018?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

- Authorize acquisition funding by adopting Resolution No 19-4991. This will result in a release of up to \$2.7 million in funding to HACC to acquire the site for the purpose of rehabilitation to create affordable housing. Further funding for project rehabilitation will be conditional on demonstration of financial feasibility, compliance with bond requirements, and consistency with Clackamas County's forthcoming Local Implementation Strategy.
- Do not authorize acquisition funding. This could create project delays and risks that HACC will not be able to secure the property for an affordable housing project consistent with the Metro Housing Bond Framework.

STAFF RECOMMENDATIONS

Staff recommends adoption of Resolution No. 19-4991.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

The Housing Authority of Clackamas County (HACC) is actively working on a Local Implementation Strategy for consideration by Metro Council in summer 2019.

The proposed authorization of acquisition funding for Clackamas County's Phase I project is based on numerous policies previously adopted by the Metro Council, including but not limited to:

- Resolution 19-4956, adopting the Housing Bond Program Work Plan
- Ordinance 19-1430, amending Metro Code Chapter 2.19 to establish the Metro Affordable Housing Bond Community Oversight Committee
- Resolution No. 18-4895, adopting the Initial Housing Bond Framework for implementation of the regional affordable housing bond
- Resolution No. 18-4898, referring the affordable housing bond measure to Metro District voters
- Ordinance No. 18-1423, determining that Affordable Housing is a matter of metropolitan concern and undertaking an affordable housing function

Staff consulted with two volunteer members of the Housing Bond Community Oversight Committee prior to finalizing the staff recommendation for this Phase I property acquisition. Committee members concurred with staff's recommendations.

Staff is not aware of any opposition to HACC's acquisition of the Gladstone property. HACC staff have consulted with staff and elected leaders in the City of Gladstone, who have expressed strong support.

If Metro Council approves a funding for the acquisition, next steps for site development will include:

- May 2019: Property acquisition with IGA and temporary regulatory agreement
- Spring/Summer 2019: Selection of general contractor
- Summer/Fall 2019: Community engagement
- Winter 2019: Final project proposal, including financing plan
- Winter 2019: Rehabilitation construction begins
- Winter/Spring 2021: Lease up

BACKGROUND

Staff previously discussed the purpose of Phase I projects with the Council at a work session on Dec. 11, 2018 and prior to approval of Resolution 19-4956 adopting the Housing Bond Program Work Plan on January 31, 2019.

ATTACHMENTS

Staff report: *Clackamas County Phase I Property Acquisition: 18000 Webster Road, Gladstone, Oregon.*

Exhibit A to Staff Report for Resolution 19-4991: Gladstone Acquisition
Resolution No. 19-4991

Exhibit A to Resolution 19-4991: Draft Housing Authority of Clackamas County IGA

[For work session:]

- Is legislation required for Council action? Yes No
- If yes, is draft legislation attached? Yes No
- What other materials are you presenting today? None

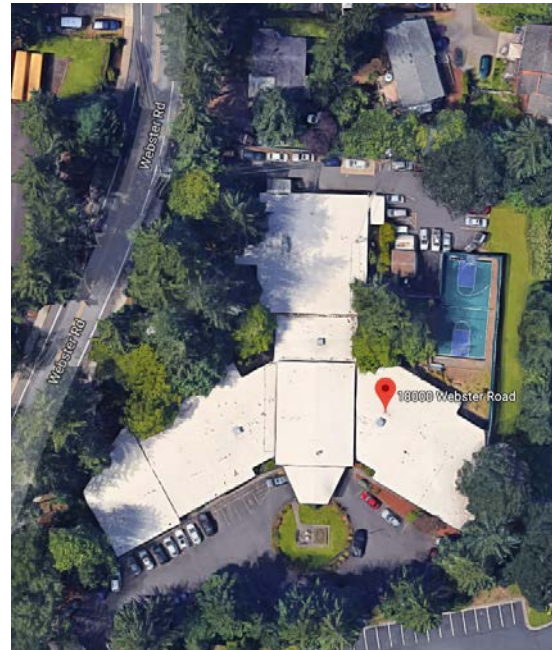


Clackamas County Phase I Property Acquisition 18000 Webster Road, Gladstone, Oregon

Project Overview

The Housing Authority of Clackamas County (“HACC”) has requested a not to exceed amount of \$2.7 million in Metro Housing Bond funding for the acquisition of 18000 Webster Road in Gladstone, the (“Site”). This includes a \$2.50 million purchase price plus up to \$200,000 in additional due diligence and acquisition costs subject to Metro approval.

The Site comprises 2.21 acres and an existing building estimated to be between 27,000-31,000 square feet. The building was constructed in 1967 as an assisted living facility for seniors and people living with disabilities and was later converted to provide housing for juveniles with chronic mental health issues. It has been vacant since 2017.



HACC intends to acquire the property from Northwest Behavioral Health and then rehabilitate the building to create 45 single-room occupancy (“SRO”) units providing Permanent Supportive Housing. To finance the future rehabilitation effort HACC expects to leverage project-based Section 8 vouchers, 4% Low Income Housing Tax Credits (LIHTC), a permanent loan, and an additional anticipated \$4.2 million of Metro Housing Bond funding. HACC recently selected an architecture firm and expects to engage a general contractor soon after acquiring the property and to close on its construction financing in late 2019.

HACC is submitting the acquisition of 18000 Webster Road to Metro as a “Phase 1” project. Eligible implementation jurisdictions for the Metro Housing Bond have been invited to submit up to one “Phase 1” project for consideration between March and June 2019, prior to completion of a full Local Implementation Strategy. Because the project is seeking site acquisition funding prior to completion of a full Local Implementation Strategy, Metro Council action is requested to approve funding authorization for this acquisition.

Within the funding distribution framework approved by Metro Council (see *Exhibit B* of the Affordable Housing Bond Program Work Plan), Clackamas County is eligible to administer \$116.19 million in project funding to support affordable housing projects that align with Bond Program goals. HACC staff are actively working to develop a Local Implementation Strategy for consideration

by the Housing Bond Community Oversight Committee in August 2019 and Metro Council in September 2019.

Background

HACC identified the 18000 Webster Road building because of its recently vacant status and existing configuration of single room occupancy (“SRO”) units. Currently there are no SRO units in Clackamas County. HACC sees this housing type as particularly well suited to serve veterans, seniors, and people living with disabilities who are experiencing homelessness transition to safe supportive housing. HACC intends to operate the site using a Permanent Supportive Housing service model, with health and wellness clinics on site.

Site



Neighborhood

The site is 2.21 acres and located within a single family neighborhood. A Mormon temple abuts the property to the immediate south and a Baptist church is located immediately to the west of the site. Single family homes are to the north and west. Gladstone Nature Park, a 10-acre wooded park with nature paths is 500 feet to the south on Webster Road. A Safeway grocery store is located 0.8 miles to the south.

The 31 bus directly serves the site and provides service north to Clackamas Town Center and the Green Line MAX and south to Oregon City. Throughout the day the 31 bus provides service with approximately 30 minute headways.

Zoning - The project is located within a SFR-6 zone which permits single family homes as well as certain institutional uses including “residential care” facilities. HACC staff believe the proposed use of the building as SRO housing with supportive services will be allowed by the City of Gladstone as either an as of-right or conditional use; however, Clackamas County will not be able to make a formal land use application until after it secures the site. In the event that Clackamas County is unable to secure land use approval to use the building for affordable housing, Metro’s proposed intergovernmental agreement (“IGA”) will require the County to repay the bond funds to Metro.

Appraisal - An appraisal engaged by HACC and provided to Metro supports the proposed acquisition price of \$2.50 million.

Building

The building was constructed in 1967 as a senior assisted living and memory care facility and later adapted to serve juveniles facing chronic mental health issues. It is a single-story building that currently has 47 private rooms with either shared or private toilets. Shower facilities are located in four separate rooms. Common amenities include a commercial kitchen, tenant laundry room, staff break room, a common lounge, a public restroom, and several private offices. The site also features an outdoor patio and a sports court.

Capital Needs - A capital needs assessment engaged by Clackamas County identified \$5,750 in immediate required repairs and \$656,491 in repairs required within twelve months. In addition to these identified repairs, the report recommended further investigation to evaluate the need to replace the electrical distribution panels, sprinkler heads, and galvanized steel piping, and to evaluate the condition of the roof. HACC has budgeted \$5,913,000 for renovation costs and expects to be able to address all significant building deficiencies within this budget.

Hazardous Materials - A hazardous material screening for the building reviewed potential risks from asbestos, lead based paint, and radon. The screening identified asbestos-containing materials in the sheet floor covering, ceiling materials, pipe insulation, wall board, sink undercoating in a staff locker room, and the stucco building exterior. These items will be either removed or abated as part of the building rehabilitation. All samples of paint tested below the limit of detection for lead content. Testing for radon found levels below EPA standards for risk to human health.

Seismic Risk - A seismic risk assessment engaged by Clackamas County determined that the wood frame structure had a low risk of damage in a seismic event.

Development Team

HACC recently selected Carleton Hart Architecture as the architect for the site through a competitive RFP process. Carleton Hart is a Portland based firm and has designed a number of affordable housing projects across the region, including The Barcelona in Beaverton, The Knoll in Tigard, and Woody Guthrie in SE Portland.

HACC expects to competitively solicit a general contractor once the rehabilitation scope is defined. Metro will have the opportunity to review the development team at the time that Clackamas County seeks funding approval for the rehabilitation work.

Project Financing

Project financing is at a very early stage. The building rehabilitation scope of work has not been developed and a general contractor has not yet been selected.

HACC staff have provided a preliminary estimated total development cost of approximately \$10.85 million, reflecting a per unit cost of \$241,048 and a per gross square foot cost of \$374 based on an estimated building size of 29,000 square feet. The proposed developer fee of \$625,000 represents 5.8 percent of total costs and is within Oregon Housing and Community Service limitations.

Projected sources for the project include \$2.45 million in 4 percent Low Income Housing Tax Credits (LIHTC), \$6.89 million in Metro Regional Bond funds (including the \$2.57 million requested for the site acquisition), and \$1.5 million in permanent debt. HACC intends to allocate project based vouchers to support all 45 units.

18000 Webster Road Preliminary Financing

Uses	Total
Site and Due Diligence	\$2,700,000
Construction Costs	\$5,913,250
Development Costs	\$523,000
General Fees	\$414,000
Financing Fees	\$261,009
Construction Interest	\$207,100
Contingency	\$100,000
Lease Up Costs	\$103,841
Developer Fee	\$625,000
Total Uses	\$10,847,200

Sources	Total
Limited Partner Equity (4% LIHTC)	\$2,453,312
Metro Regional Housing Bond	\$6,891,888
Permanent Loan	\$1,502,000
Total Sources	\$10,847,200

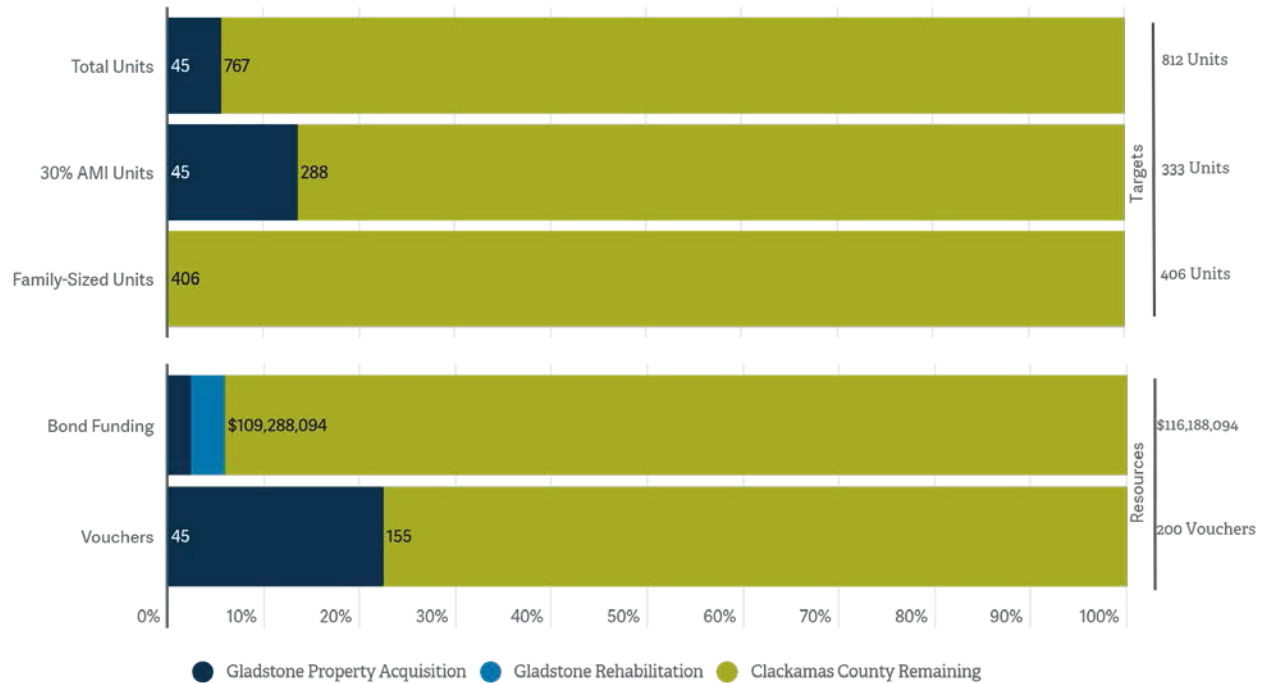
Alignment with Local Implementation Strategy

While Clackamas County's Local Implementation Strategy is not yet available, the proposed project appears to be in alignment with the unit production targets. Further information will be needed prior to final funding authorization for the rehabilitation to confirm consistency of the project with local implementation strategy requirements related to advancing racial equity and incorporating community engagement to shape project outcomes to meet the needs of future residents.

Contribution to Unit Production Targets

Including both the current request for acquisition funding and the anticipated future request for rehabilitation funds, the project would utilize \$6.89 million in Metro Bond Funds and 45 project based rental assistance vouchers. Overall, the project would utilize 5.9 percent of Clackamas County's allocation of Bond funds while delivering 5.5 percent of the County's overall unit production target, 13.5 percent of the County's target of units affordable at 30 percent of AMI, and zero percent of the City's family-sized unit target.

Production Targets & Resources



Advancing Racial Equity

In addition to expectations related to Unit Production Targets, Metro’s Housing Bond Work Plan provides guidance regarding strategies to advance racial equity. The preliminary project concept for the site addresses Local Implementation Strategy requirements related to advancing racial equity in the following ways:

- The project location aligns with preliminary local policy direction related to investing in mixed income neighborhoods.
- The project concept is focused on low-barrier housing for individuals experiencing homelessness, which disproportionately impacts people of color. HACC intends to contract a third-party service provider to operate the building as supportive housing with on-site health and wellness services.
- As providers of public housing, HACC has a track record of serving individuals with high barriers. On average, residents in HACC’s public housing units earn less than \$11,000 a year. Twenty-eight percent of residents are living with disabilities.
- The final project proposal will demonstrate alignment with equity in contracting strategies described in Clackamas County’s forthcoming Local Implementation Strategy. HACC staff have a preliminary recommendation for a 10% minimum and 15% aspirational MWESB goal.

Community Engagement

Metro's Housing Bond Work Plan calls for ongoing engagement of historically marginalized communities to shape project outcomes. HACC has contracted the Community Alliance of Tenants and the Institute for Portland Metropolitan Studies to develop a community engagement plan for the Gladstone project using technical assistance funding from Metro. Outreach will be focused on reaching communities of color and historically marginalized community members in Gladstone. A summary of engagement activities and outcomes, including a description of how community engagement has shaped project planning or will shape project outcomes, will be submitted prior to full funding authorization.

Alignment with Site Acquisition Parameters

In addition to contribution to the Unit Production Targets and alignment with the Local Implementation Strategy, Section 7.4 of the Housing Bond Program Work Plan includes criteria for property acquisitions. Staff conclude that the Project meets all of these criteria, as summarized below.

The property is owned by a willing seller.

HACC has an option agreement to purchase the site from the seller.

An appraised value has been obtained in accordance with applicable Uniform Standards of Professional Appraisal Practice (USPAP) standards. In general, the purchase price should not exceed 10 percent over appraised value. However, exceptions may be made at the discretion of the Metro COO if it can be demonstrated that the site presents unique opportunities to advance the Unit Production Targets and Guiding Principles.

A third party appraisal prepared to USPAP standards by Colliers International and engaged by HACC has been provided to Metro and supports the proposed acquisition price.

The property consists of a development-ready site, with zoned capacity to support the preliminary development concept, road access, utility connections, buildable soils, and mitigation plan for any environmental conditions. The requirement for zoned capacity, utility connections, and other infrastructure improvements may be waived in cases where an approved plan provides for needed improvements and such improvements are expected within two years.

Staff believe the site is development-ready; however, local land use approval to use the building as SRO housing with supportive services will need to be requested following the acquisition of the site. In the event that HACC is unable to secure land use approval to use the building for affordable housing, Metro's proposed IGA will require the County to repay the bond funds to Metro.

Next Steps

If the Project receives funding, the anticipated timeline of next steps includes:

- May 2019: IGA and regulatory agreement execution and property acquisition
- Spring/Summer 2019: Selection of general contractor
- Summer/Fall 2019: Community engagement
- Winter 2019: Final project proposal, including financing plan
- Early 2021: Lease up

If HACC fails to secure financing for the rehabilitation project within three years of the execution of the IGA, the County will be obligated to repay acquisition funds to Metro.

Staff Findings and Recommendations

Findings

Key staff findings include:

- Requested Metro Housing Bond funding is proportionate to the Gladstone SRO project's contribution toward unit production targets. Overall, the project would utilize 5.9 percent of Clackamas County's allocation of Bond funds while delivering 5.5 percent of the County's overall unit production target, 13.5 percent of the County's target of units affordable at 30 percent of AMI, and zero percent of the City's family-sized unit target.
- Additional information related to strategies for advancing racial equity and community engagement outcomes will be needed prior to final funding authorization to confirm consistency of the project with Clackamas County's Local Implementation Strategy.

Recommendations

Staff recommends that the Metro Council take action to authorize the COO to approve an intergovernmental agreement providing up to \$2.7 million in funding for the acquisition of the project site and reimbursement of preliminary due diligence costs. Funding authorization for the rehabilitation will be conditioned on demonstration of project feasibility and consistency with Clackamas County's forthcoming Local Implementation Strategy.