

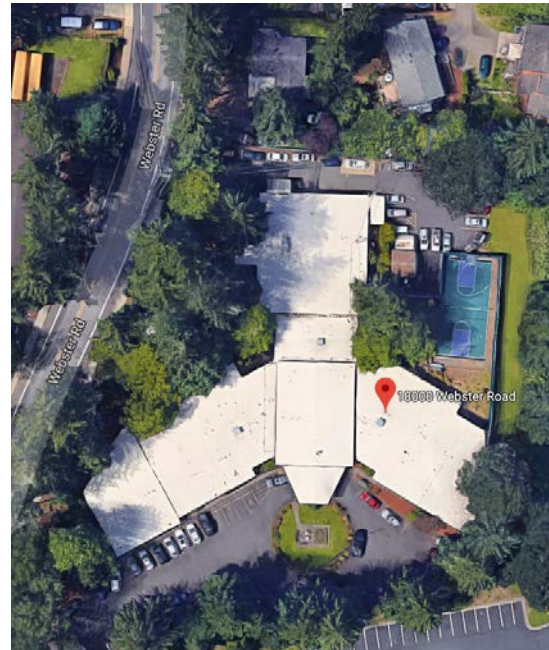


# Clackamas County Phase I Property Acquisition 18000 Webster Road, Gladstone, Oregon

## 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
<b>Total Uses</b>	<b>\$10,847,200</b>

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

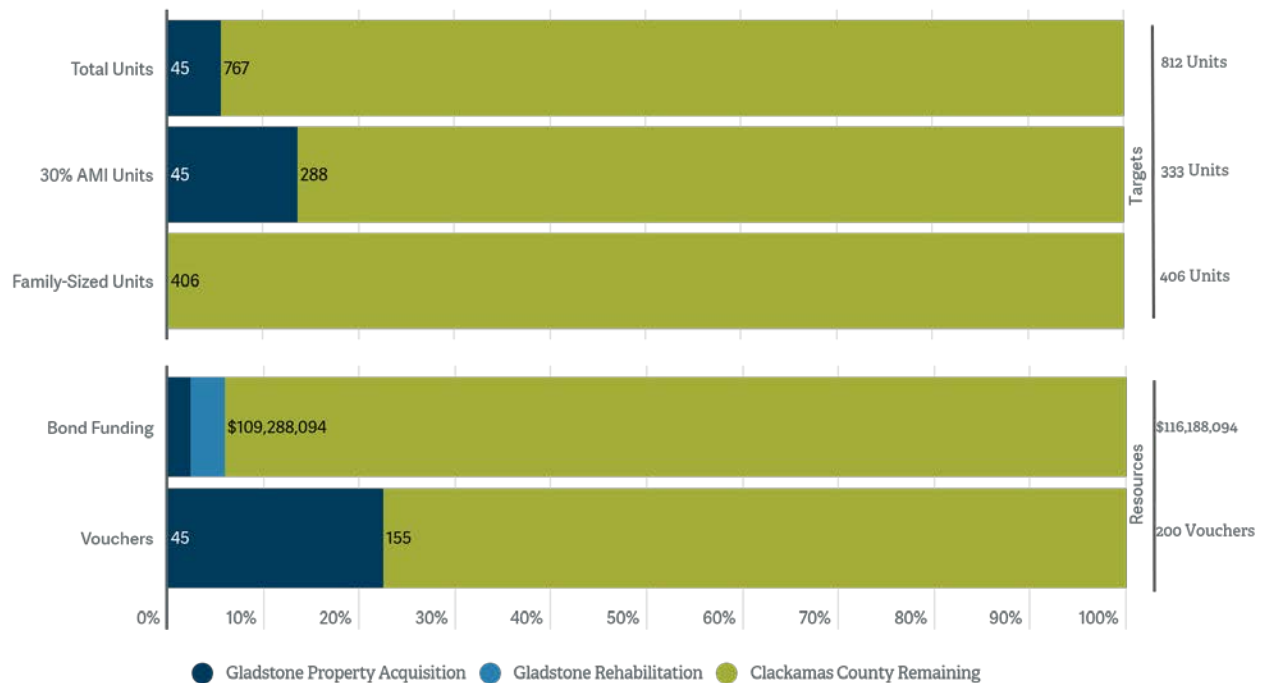
## Alignment with Local Implementation Strategy

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.