



# CITY OF SALEM

585 Liberty St SE  
Salem, OR 97301

## Staff Report

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File #: 16-406

Version: 1

Date: 12/5/2016

Item #: 3.3a.

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**TO:** Chair and Housing Authority Commissioners

**THROUGH:** Steve Powers, Executive Director

**FROM:** Andrew Wilch, Administrator

**SUBJECT:**

Authorizing the Executive Director to enter into a Purchase and Sale Agreement to purchase the Yaquina Hall.

Ward(s): All Wards

Commissioners(s): All Commissioners

Neighborhood(s): All Neighborhoods

**ISSUE:**

Shall the Board of Commissioners authorize the Executive Director or designee to enter into a Purchase and Sale Agreement, with the Oregon Department of Administration Services (DAS), to acquire the Yaquina Hall property and building, situated in the North Campus of the Oregon State Hospital, for the purpose of creating affordable housing?

**RECOMMENDATION:**

Authorize the Executive Director or designee to enter into a Purchase and Sale Agreement, with the Oregon Department of Administration Services (DAS), to acquire the Yaquina Hall property and building, situated in the North Campus of the Oregon State Hospital, for the purpose of creating affordable housing.

**SUMMARY AND BACKGROUND:**

In 2005, The State of Oregon acting through the Oregon Health Authority and along with consultant KMD Architect, determined that the current facilities at the Salem Campus of the Oregon State Hospital, inclusive of the North Campus area, was inadequate, cost prohibitive to renovate and generally obsolete for the original use for hospital services. In 2011, through interest of the legislators, the Department of Administrative Services (DAS) began involvement in planning at North Campus to reposition the properties to a higher and best use.

In September of 2015, DAS contacted the Housing Authority of the City of Salem (SHA) to see if SHA was interested in buying the Yaquina Hall at North Campus property. At this same time with increasing housing rental costs particularly effecting housing affordability for low and moderate income renters, the Housing Authority Board of Commissioners with support from the Salem Housing Advisory Committee, directed the Housing Administrator, in conjunction with the Executive Director, to address the growing deficit of affordable rental housing for low and moderate income Seniors, Disabled and Families by pursuing the development of affordable housing on the North Campus of the State Hospital, and elsewhere within the City and the Housing authority's area of operations.

## **FACTS AND FINDINGS:**

Staff has briefed the Commissioners on March 28, 2016, June 6, 2016, July 11, 2016, and September 12, 2016 on opportunity sites, especially the Yaquina Hall at North Campus property. Staff provided detail related to general pricing of land, due-diligence, financial viability, and the market ability to attract investors.

Staff has focused specifically on identifying and modeling financial sources for the renovation work, construction and permanent loans. Attachment 3 provides three baseline financial components: Sources and Uses of funds, Project Rents and Income, and Operating Expense and Debt. The major sources of financing staff will target includes: Low Income Housing Tax Credits, Historic Tax Credits, State funds from both Oregon Housing and Oregon Health, CDBG Federal funds through the City of Salem and a permanent loan of about 1.5 million.

In addition, staff has completed or reviewed due-diligence reports to understand the complexity of the property, as noted below:

### Due-Diligence/Feasibility assessment:

- Architect/engineer inspections, assessment and scope of work.
- Hazmat/Abatement scope verified and subject to DAS certification at completion.
- North Campus Phase 1 and Phase 2 ESA, no addition action.
- Viable financial strategy cross-referenced with refined Architect estimate.
- Land use/partition under control of COS.
- Understand Historic property obligation.
- Contracted for Owners Representative/Project Manager.

Deal Terms:

- Purchase Price: \$522,280,
- Earnest Money, refundable, credited to purchase price,
- State to complete asbestos and hazardous material remediation prior to closing,
- SHA has 45 days from execution of agreement to perform any due diligence and terminate the agreement (Review Deadline),
- State is required to complete a subdivision and final plat to create a legal lot for the property, and
- Closing to occur within 30 days of either the Review Deadline, or recording of the Final Plat for the property, whichever comes last.

Andrew Wilch  
Administrator

Attachments:

1. Purchase and Sale Agreement and Aerial Photo of Property
2. Hazardous Materials Abatement Plan
3. Yaquina Draft Sources and uses

11/29/2016