



CITY OF SALEM

585 Liberty St SE
Salem, OR 97301

Staff Report

File #: 19-503

Version: 1

Date: 11/12/2019

Item #: 3.3b.

TO: Chair and Housing Authority Commissioners

THROUGH: Steve Powers, Executive Director

FROM: Nicole Utz, Administrator

SUBJECT:

Rehabilitation of the Brush College and Meadowlark properties

Ward(s): All Wards

Commissioners(s): All Commissioners

Neighborhood(s): All Neighborhoods

Result Area(s): Safe Community; Welcoming and Livable Community.

ISSUE:

Shall the Salem Housing Authority Commission:

1. Adopt Resolution No. 2255 authorizing the Executive Director to take all actions necessary to close on project financing for the rehabilitation of a 54-unit scattered site multi-family rental housing project known as the Brush College and Meadowlark properties (Project);
2. Convert the public housing units in the Project pursuant to the United State Department of Housing and Urban Development's (HUD) Rental Assistance Demonstration (RAD) program; and
3. Have the Project acquired by a limited partnership with Salem Housing Authority serving as the managing general partner and the sponsor and guarantor of the Project?

RECOMMENDATION:

1. Adopt Resolution No. 2255 authorizing the Executive Director to take all actions necessary to close on project financing for the rehabilitation of a 54-unit scattered site multi-family rental housing project known as the Brush College and Meadowlark properties (Project);
2. Convert the public housing units in the Project to Project Based Rental Assistance (PBRA) pursuant to HUD's RAD program; and

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3. Have the Project acquired by a limited partnership with the Salem Housing Authority (SHA) serving as the managing general partner and the sponsor and guarantor of the Project.

SUMMARY:

The properties are located at 1560 - 1598 Brush College Road NW, Salem, OR 97304 (Brush College) and 4921 - 4979 Sunnyside Road SE, Salem, OR 97302 (Meadowlark).

The SHA formed a partnership known as Salem Housing Preservation 9 Percent Limited Partnership, an Oregon limited partnership ("Partnership"), to carry out the Project. The SHA is the general partner and Salem Affordable Housing LLC is the sole initial limited partner.

By selling the property to the Partnership, the Project will obtain a Low-Income Housing Tax Credit ("LIHTC") investment in the Partnership of approximately \$8,881,761 from U.S. Bancorp Community Development Housing Corporation.

SHA is hiring one dedicated team member solely focused on the tenant relocation and will work with each individual family through their temporary displacement. Once this conversion is complete, SHA will be able to continue offering these subsidized units to our community and maintain its capital needs for decades to come.

FACTS AND FINDINGS:

HUD requires all properties to meet financial sustainability goals prior to conversion. SHA's Project finance plan was approved by HUD on October 17, 2019. This plan includes commitments from all funding sources and SHA's construction plans, timelines, milestones, and plan for tenant relocation.

SHA will work with HUD and the other financing partners through the RAD conversion and anticipated loan closing. Upon closing, the properties will be released from their public housing declarations of trust and will become privately-owned affordable housing subject to long term use agreements under the Section 8 and LIHTC programs.

SHA and its management team is working through the RAD conversion with the Housing Development Center ("HDC"). HDC is SHA's full-service development consultant and project manager. HDC has a dedicated team working with SHA on the Project. The project team also includes architects, general contractors, and mechanics working through all details of the planned rehabilitation.

BACKGROUND:

The Housing Authority Board of Commissioners has adopted Resolution No. 2225 accepting 9% LIHTC funds, and authorizing SHA to solicit for investors; and Resolution 2243 authorizing the

formation of a limited partnership to serve as owners for the Project.

SHA is participating in HUD's RAD program. RAD allows for public housing properties to take on private debt in conjunction with other funding sources to make much-needed repairs. HUD works with Public Housing Authorities to review required reserve set-asides, capital needs, and an overall financial plan for each property so that properties can be financially sustainable long-term on their own. Following a RAD conversion, properties will replace HUD Section 9 funding with PBRA under the Section 8 Program

Nicole Utz
Housing Administrator

Attachments:

1. Resolution No. 2255