



Rural Housing Preservation Case Studies

Enterprise Pacific Northwest Rural Rental Housing Preservation Academy

April 28, 2021

Rob Prasch, Network for Oregon Affordable Housing





- ❖ Certified nonprofit community development financial institution (CDFI)
- ❖ Formed in 1990 by Oregon banks to finance multi-family affordable housing
- ❖ \$280 million in loan capital administered across several loan programs
- ❖ Loan types offered include permanent, short-term acquisition, predevelopment, and tax-exempt bonds
- ❖ Affordable housing advocacy and policy including Preservation of affordable rental housing and manufactured housing





Oregon Housing Preservation Project

- ❖ Formed in 2007 to develop strategies to preserve affordable housing
- ❖ Partners include OHCS, the City of Portland, HUD, Rural Development and stakeholders from the public, nonprofit, and private sectors
- ❖ Philanthropy played a critical role, particularly Meyer Memorial Trust
- ❖ The OHPP Steering Committee established program goals and adopted strategies to respond to the threat of losing thousands of affordable homes
- ❖ Pursue a legislative agenda and advocate for dedicated preservation funding





Two Case Studies

Nyssa Court Apartments, Nyssa Oregon, 7-unit HUD Section 8

Kristy Rodriguez, Exec Director, Housing Authority of Malheur and Harney County

Clayton Crowhurst, Housing Developer, Northwest Housing Alternatives

Two Rivers Apartments, Winston and St Helens Oregon, 58 total units, Rural Development

Shelly Cullin, Director of Development, Chrisman Development Inc.





Oregon Prioritizes Preservation

Robust policy framework includes legislation and significant public resources

Broad stakeholder base of non-profits, for-profits, housing agencies and legislators

Since 2007:

- ❖ OHCS has invested \$260 million in soft resources to preserve 15,000 units
- ❖ Tax credit equity invested exceeds \$700 million
- ❖ Estimated value of long-term subsidy contract extensions exceed \$1.6 billion





Oregon Prioritizes Preservation

- ❖ Preservation projects compete in 3-6 OHCS funding rounds annually
- ❖ OHCS maintains a 25% set aside for preservation projects in the 9% LIHTC NOFA
- ❖ Offers gap financing for 4% bond transactions through annual NOFA
- ❖ \$ Millions in gap resources: General Housing Account Program (Doc Recording Fee), Trust Fund, Wx funds, HOME (non-PJ), Permanent Supportive Housing funds
- ❖ Oregon Affordable Housing Tax Credit (OAHTC)





Oregon Preserves Rural Preservation

85 Rural Development properties preserved (2,397 units with RA)

67 rural properties with HUD Project-based Section 8 preserved

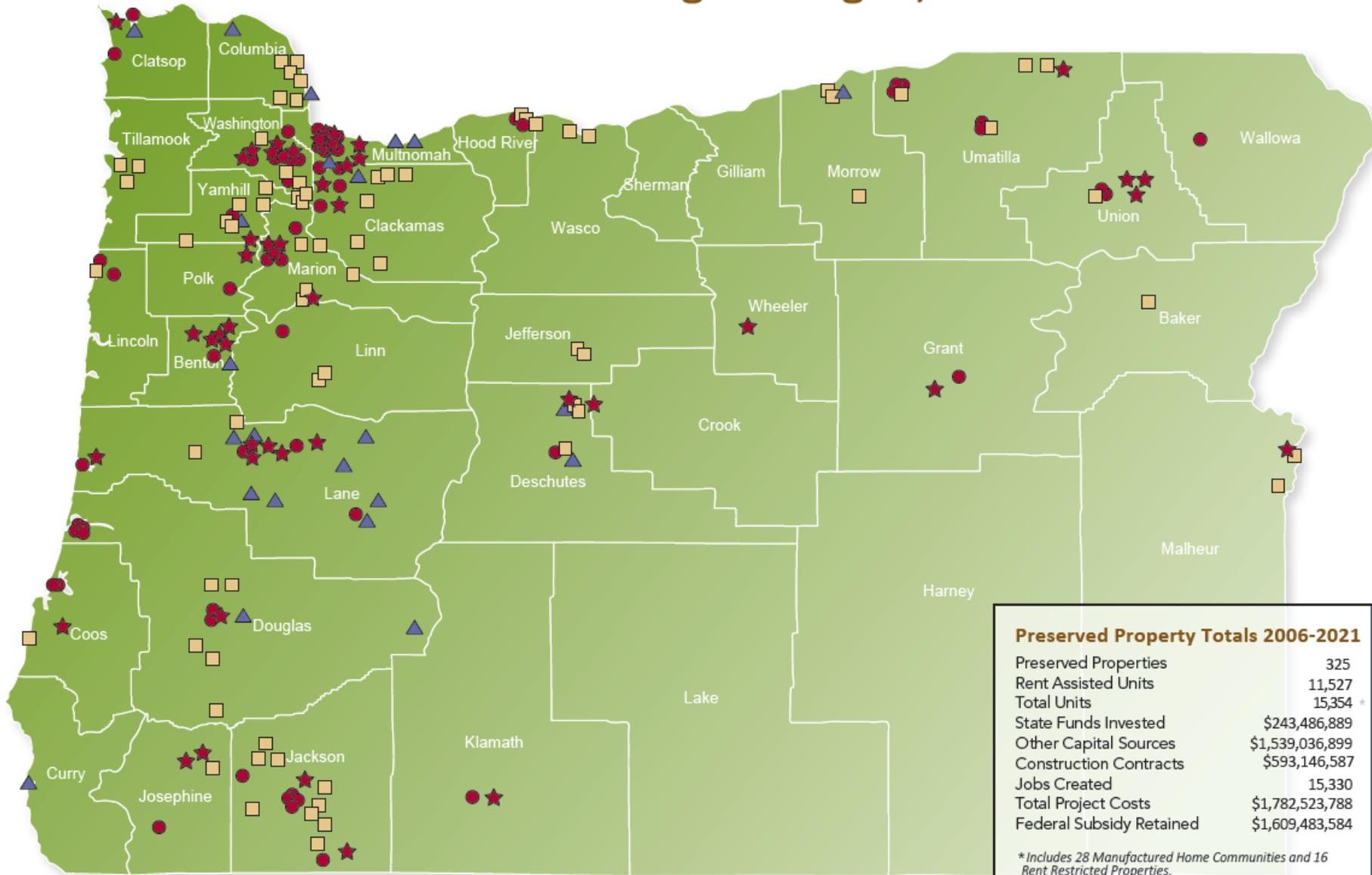
98 Oregon cities and towns have a project that has been preserved since 2007

59% of the preserved properties are in communities with populations under 35,000

34% of the preserved properties are in communities with populations under 10,000



Preserved Housing in Oregon, 2006-2020



Preserved Property Totals 2006-2021	
Preserved Properties	325
Rent Assisted Units	11,527
Total Units	15,354 *
State Funds Invested	\$243,486,889
Other Capital Sources	\$1,539,036,899
Construction Contracts	\$593,146,587
Jobs Created	15,330
Total Project Costs	\$1,782,523,788
Federal Subsidy Retained	\$1,609,483,584

* Includes 28 Manufactured Home Communities and 16 Rent Restricted Properties.

Totals include estimates for projects funded but not yet closed.

★ HUD Section 8 New Funding ● No New Funding ■ Rural Development 515 ▲ Manufactured Housing Community

As of March 2021 - Includes projects funded after July 2006.



The Oregon Affordable Housing Tax Credit – A Unique Resource

A state income tax credit that produces lower rents for affordable housing projects

Banks reduce interest rates on loans for affordable housing by 4% and claim a state income tax credit equal to the lost interest income caused by the lower rate

Property owners agree to pass 100% of interest savings to low-income tenants in the form of reduced rents (Pass-Through requirement)

Preservation projects are exempt from the Pass-Through requirement which allows for larger loans reducing the need for other public gap resources!



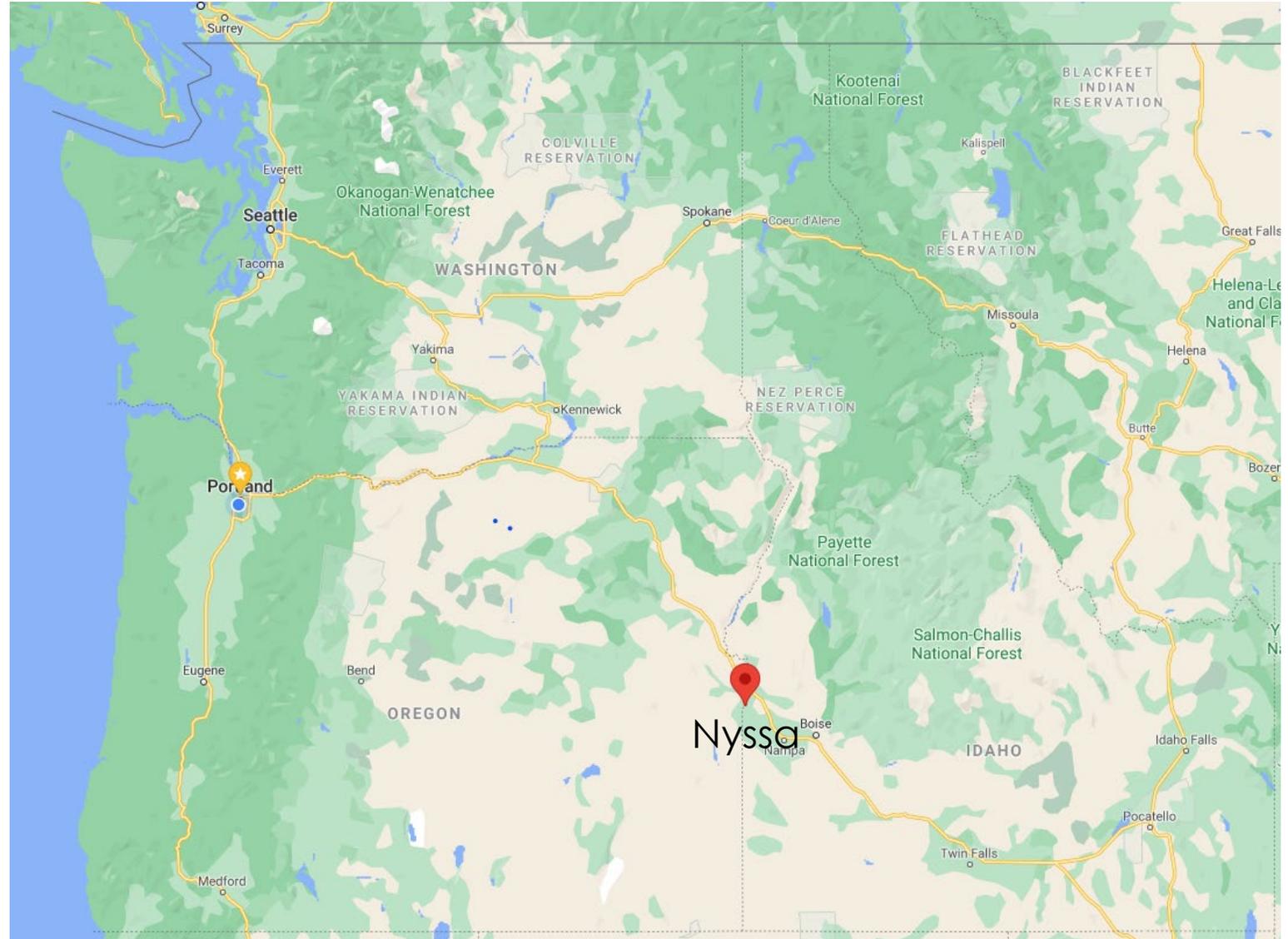


1002 BOWER AVENUE

Nysa Court
APARTMENTS

Nyssa Court Apartments, Nyssa Oregon

7-unit, family project with
HUD Project-Based Section 8
2-Step transaction - HAMHC
purchased in 2019 with
NOAH Predev loan
Perm resources awarded in
OHCS 2020 NOFA – GHAP and
OAHTC
Collaboration with Northwest
Housing Alternatives provides
efficiencies and capacity
building



NYSSA COURT APARTMENTS FINANCING STRUCTURE

Permanent Lender: Network for Oregon Affordable Housing

Predev/Construction Lender: Network for Oregon Affordable Housing

PROJECT FINANCING

SOURCES:		USES:	
Predev/Acquisition Loan			
General Housing Account Program	\$1,150,000	Acquisition	\$84,891
Perm Loan w/OAHTC NOAH	\$575,000	Construction	\$1,264,598
Sponsor Capital Contribution	\$30,000	Development	\$530,511
Deferred Development Fee	\$125,000		
TOTAL SOURCES:	\$1,880,000	TOTAL USES:	\$1,880,000

NYSSA COURT APARTMENTS INCOME/EXPENSES

RESIDENTIAL INCOME AND EXPENSES			
HUD Rent Schedule	\$/Unit: Net	# Units	\$/Year
3 Bd / 1 Ba	\$1,011	7	\$84,924
Potential HUD Rental Income			\$84,924
Other Income			
Laundry			\$800
Deposits on Turnover			\$200
Other subsidy (OCAF)			\$2,516
Total Other Income			\$3,516
RESIDENTIAL GROSS INCOME			\$88,440
Less Vacancy Loss @5%			(\$4,422)
TOTAL EFFECTIVE GROSS INCOME			\$84,018

RESIDENTIAL EXPENSES	% EGI	\$/Unit	\$/Year
Total Operating Expense	0.65708539	7886.71	\$55,207
NET OPERATING INCOME			\$28,811

Loan	Amount	Note Rate	P&I
Debt Service OAHTC	\$ 575,000	1.00%	\$22,193
CASHFLOW			\$6,618

OAHTC for Preservation

OAHTC RENT REDUCTION CALCULATION

OAHTC Payment Calculated Monthly

Project Name: Nyssa Court

Pro Forma Type: Initial Application

	WITH OAHTC		W/O OAHTC
Loan amount:	\$575,000		\$575,000
Interest rate:	1.0000%		5.00%
Number of years to amortize:	30		30
Monthly payment amount:	\$1,849.43		\$3,086.72
Number of years tax credits taken:	20		
Interest rate reduction:	4.00%	interest rate reduction could be 4% or less	
Total tax credit allowed:	\$318,685		
Number of units:	7	number of units using OAHTC	
Rent reduction unit/month:	\$190		
Annual rent pass through:	\$15,960		

Required OAHTC Annual Pass Through	\$190	\$15,960
Actual OAHTC Annual Pass Through	\$0	\$0
Amount over/under required pass through	-\$190	(\$15,960)

If a positive number, then pass through is sufficient.

Two Rivers Apartments



Winston, Oregon



St Helens, Oregon

Two Rivers Apartments, Winston and St Helens, OR

Two-project, Rural Development bond transaction by Chrisman Development Inc.

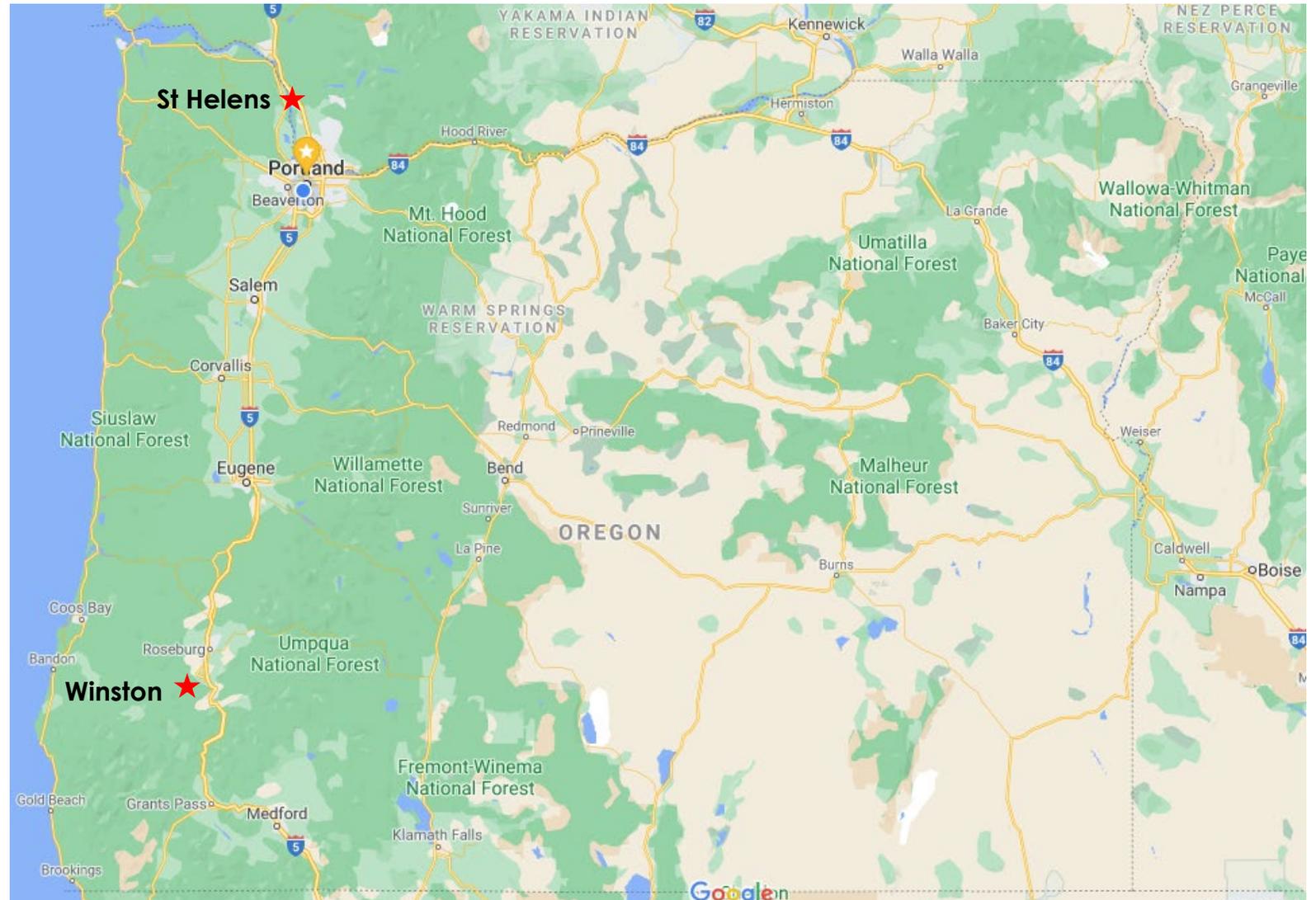
58 total units, 39 units with RA OHCS funding awarded in 2017

Preservation Gap NOFA

Housing Preservation Funds, OAHTC, 4% LIHTC, Conduit Bond

Construction completion, perm loan conversion 2020

New RD 515 loan provided



TWO RIVERS APARTMENTS FINANCING STRUCTURE

Construction Lender: Umpqua Bank

Permanent Lender: Network for Oregon Affordable Housing
Rural Development (515 Loan Assumption)

Equity Investor: PNC Real Estate

PROJECT FINANCING

SOURCES:		USES:	
OHCS Sources:			
Tax Exempt Bonds (Short Term)	\$5,300,000	Acquisition	\$1,988,735
Short Term Use of Bonds	(\$5,300,000)	Construction	\$5,656,078
4% LIHTC Equity	\$2,903,058	Development	\$2,759,665
OHCS Housing Preservation Funds	\$4,350,000		
Non-OHCS Sources:			
Perm Loan w/OAHTC NOAH	\$1,375,000		
Perm Loan w/o OAHTC NOAH	\$463,000		
RD Loan	\$958,747		
Deferred Developer Fee	\$81,029		
Reserves and Project Cash Flow	\$173,267		
Project Accounts	\$93,679		
Energy Trust of Oregon	\$6,698		
TOTAL SOURCES:	\$10,404,478	TOTAL USES:	\$10,404,478

TWO RIVERS OPERATING PRO FORMA

RESIDENTIAL INCOME AND EXPENSE ANALYSIS			
INCOME	\$/Unit: Net	# Units	\$/Year
1 Bd / 1 Ba	561	8	53,856
2 Bd / 1 Ba	675	14	113,400
3 Bd / 1 Ba	747	12	107,568
1 Bd / 1 Ba	780	1	9,360
2 Bd / 1 Ba	940	19	214,320
3 Bd / 1 Ba	1080	4	51,840
Potential Rental Income		58	\$550,344
Total Other Income			\$5,250
Vacancy/Credit Loss	7.00%		-\$38,892
RESIDENTIAL EFFECTIVE GROSS INCOME			\$516,702
TOTAL EFFECTIVE GROSS INCOME			\$516,702

RESIDENTIAL EXPENSES	% EGI	\$/Unit	\$/Year
Total Operating Expense	67%	\$ 5,927	\$343,764
NET OPERATING INCOME			\$172,938

LOAN INFORMATION			
NET OPERATING INCOME			\$172,938
Debt Service (Blended)			\$92,651
	Loan Amount	Note Rate	P&I
	OAHTC \$ 1,375,000	1.86%	(\$59,839)
	Non-OAHTC \$ 463,000	5.86%	(\$32,813)
	Total \$ 1,838,000	2.97%	(\$92,651)
Cashflow			\$80,287
Cashflow/Unit/Annum			\$1,384
Break-even Occupancy Level			79%

Residential Debt Coverage Ratio	
Residential DCR on NOAH's Debt	1.87
Total Residential DSCR (all debt)	1.47

Thank you!

Contacts:

Rob Prasch, robp@noah-housing.org, 503 501-5688, 503 896-0969 cell

Shelly Cullin, shelly@chrismandm.com, 503-559-4771

Kristy Rodriguez, kristyrodriquez@cableone.net, 541-889-9661 ext. 111

Clayton Crowhurst, crowhurst@nwhousing.org, (503) 654-1007 x 106



Preserved Rural Development Assisted Housing in Oregon, 2006-2020



Preserved Rural Development Property Totals 2006-2020	
Properties	85
Rent Assisted Units	2,397
Total Units	2,976
State Funds Invested	\$65,513,266
Other Capital Sources	\$242,312,444
Construction Contracts	\$131,155,306
Jobs Created	5,002
Total Project Costs	\$352,334,577
Federal Subsidy Retained	\$353,838,844
Average Resident Household Income	\$12,208

Totals include estimates for projects not yet closed

As of August 2020 Includes projects funded after July 2006.

Sunnyside Manor Apartments II
Sunnyside, Washington

Project Sponsor:

Spokane Housing Ventures
Dave Roberts, Senior Developer

Project Developer:

Isabel Garcia, Housing Developer
Office of Rural and Farmworker Housing

Case Study

Sunnyside Manor II Apartments

- Placed in Service 3-24-1988
- Located in Sunnyside, Yakima County, WA near medical care clinics, Sunnyside Hospital, Sunnyside Senior Citizen Community Center, Parks, downtown, farmers market, grocery stores, etc.
- 12 Units
- Ten 1BR, 1BA
- Two 2BR, 1BA
- One ADA unit
- Four multi-family low-rise, single story buildings



Sunnyside Manor II Apartments

- Entered prepayment in 2017
- PSA with Seller in 2018
- 5th Addendum Expires 6/30/21
- 4 units with Rental Assistance (R/A)
- Serves Elderly (62 and over) and people with disabilities (need not be 62 or over) at 50% or less of AMI
- Rehab will bring property into compliance with USDA RD
- As a result of transfer, tenant rents will not increase
- Tenants will not be at risk of losing safe, affordable housing



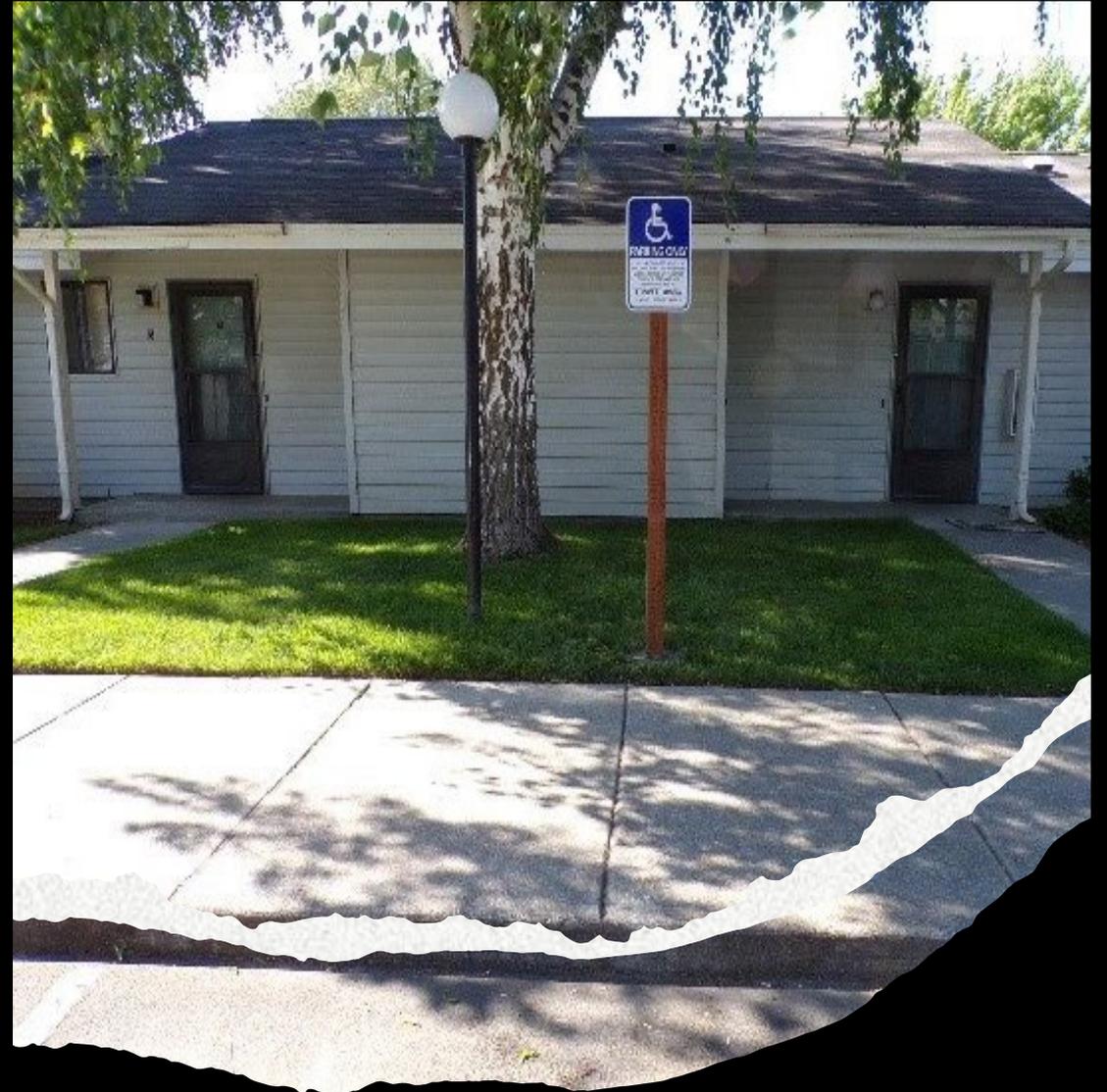


Funding Sources in Acquisition/Rehab

Federal Home Loan Bank of Des Moines Affordable Housing Program Grant	\$480,000
USDA RD Debt Balance Assumption	\$127,202
Washington State Housing Trust Fund Affordability Preservation Program (APP Loan)	\$1,080,860
Enterprise Community Partners	\$30,000
Current Total Development Cost	\$1,718,062

Key Technical Issues

- Sponsor/Developer Risk
- RD Process
- Scope of Work vs. CNA
- Soft Debt Ineligibility
- Competitive bid waiver
- HOME funding contracting
- Additional environmental requirements, Meth Testing
- Acquisition tied to Transfer process
- Relocation costs
- Evergreen Project Plan requirement



Questions?

Contact
Information

S P O K A N E
Housing Ventures

Giving people a place to call home®

- Dave Roberts
- daver@spokanehousingventures.org
- 509-800-8538

- Isabel Garcia
- Isabelg@orfh.org
- 509-248-7014 X 104



A photograph of Harbor View Apartments in Friday Harbor, WA. The image shows a multi-story apartment building with balconies. In the foreground, there is a paved ramp with a metal handrail and a yellow tactile strip. To the right, a blue sign on a post reads "RESERVED PARKING" with a wheelchair icon and "ONE DISABLED PARKING PERNO. RESERVED" below it. The background includes trees and a stone wall.

Case Study

Harbor View Apartments

Friday Harbor, WA

Project Sponsor: **Opportunity Council**

Project Developer: **Office of Rural and Farmworker Housing**

Harbor View Apartments

- Placed in Service 1-2-1985
- Located on an Island (Friday Harbor, WA)
- 20 Units, including 1 manager unit
- 2 two-story buildings
- Twelve 1BR, 1BA
- Eight 2BR, 1BA
- One ADA Unit





Harbor View Apartments

- Initially 6 units with Rental Assistance (R/A)
- Serves individuals and small families under 50% of Area Median Income (AMI)
- Entered prepayment in 2017
- As a result of transfer, tenant rents will not increase

Greg Winter,
Executive Director,
Opportunity Council

Bellingham, WA

Funding Sources in Acquisition/Rehab

- USDA Debt Deferral
- USDA Subsidized loan
- Washington State Housing Trust Fund Subsidized loan
- San Juan County Grant
- ORFH Preservation Revolving Loan Fund
- Federal Home Loan Bank of Des Moines Affordable Housing Program Grant
- Washington State Department of Commerce Weatherization Grant
- Current TDC of \$3.1 million





Key Technical Issues

- Scope of Work vs CNA
- Soft Debt Ineligibility
- Challenges of remote location
- Initial bid over budget
- Competitive bid waiver
- Mold and rot uncovered during construction

A photograph of a house with a gabled roof under renovation. Two workers are on the roof, and the word "Questions?" is overlaid in the center. The house has light-colored vertical siding and a dark roofline. The foreground is filled with tall, dry grass and some green foliage. The background shows trees and a clear sky.

Questions?