PORTLAND HOUSING BUREAU
INVESTMENT COMMITTEE
RECOMMENDATION & APPROVAL FORM

Meeting Date: **4-19-12**

☐ **THIS IS AN INFORMATIONAL ITEM ONLY – NO ACTION NEEDED**

Project Name: Beyer Court Apartments

Business/Owner Name: Rose Community Development Corporation

Address/URA: 9305 SE Harold Street City: Portland Zip Code: 97206

Presenter: John Marshall Extension: 3232

ACTION REQUESTED:

1. **Fund $140,125 as a subordinate Equity Gap Contribution to partially rehab the Beyer Court Apartments.**
2. **Delegate Assistant Director authority to make non financial modifications with concurrence from the City Attorney.**

The exceptions/special requests are found on Page 5; ; and
If requested action includes approval of a tax abatement on the project (if within a URA), this is considered a "special request" which requires an affirmative statement in the write-up that either the City's Debt Manager or PHB's Finance & Accounting Manager reviewed the abatement and has determined it is not in conflict with any existing bond covenants.

THERE ARE NO EXCEPTIONS TO PHB GUIDELINES Program Mgr Initials ________

PROCESS REQUIREMENTS:

FEDERAL FUNDS ELIGIBLE, IF PROJECT INCLUDES FEDERAL FUNDS

X **TIF ELIGIBLE, IF PROJECT INCLUDES TIF FUNDING**

☐ **NEW CONTRACT OR CONTRACT AMENDMENT REQUIRED**

☐ **COUNCIL ORDINANCE REQUIRED**

☐ **CON PLAN AMENDMENT REQUIRED**

x **BUDGET AMENDMENT FORM REQUIRED** (if not included in current year budget or if reallocating budgeted funds)

Manager Signature approving process requirements: Jacob

Investment Committee Members – Initial for recommendation *(4 members required before sending forward)*

☐ **Approval Recommended**– move forward for Director's signature

☐ **No Approval Recommended at this time**

☐ **Defer to Next Meeting** – Amendments/Corrections to be completed – return to Presenter

________ Jacob Fox, Deputy Director (Chair)

________ Alissa Mahar, Business Operations Manager

________ Jonas Biery, City Debt Manager

________ Tony Barnes, PDC Budget Officer

________ Kate Allen, Senior Policy Advisor

________ Daniel Ledezma, EPiC Director

Director Signature: ______________________________

Traci Manning, PHB Director

Distribution: Finance, HDF

PORTLAND HOUSING BUREAU
INTERNAL MEMORANDUM

DATE: April 19, 2012

TO: PHB Housing Investment Committee

FROM: John Marshall for HDF

SUBJECT: Increased Funding to Complete Rehabilitation of Beyer Court Apartments with 14 affordable family housing units.

ACTION REQUESTED:

1. Approve new rehabilitation funding of $140,125 to Rose Community Development Corporation (Rose) to repair the 14 unit apartment project called Beyer Court Apartments. $140,125 to be funded as subordinate Equity Gap Contribution using Lents Town Center URA tax increment funding, FY 2011-2012.
2. Delegate any further modifications which do not require additional funding to Assistant Director with City Attorney concurrence.
3. Extend the Rehabilitation Period of the existing Combined Equity Gap Contribution Agreement (LN# 38109-99) for six months to have a maturity the same as the new $140,125 subordinate Equity Gap Contribution.

Executive Summary:

The **Beyer Court Apartments** (the "Project") funding rehabilitates an existing fully occupied affordable housing project that has severe moisture issues. During the rehab of the Project following the PHB closing in December 2011, additional damage was discovered. The damage was much greater than Forensic Building Consultants, the third party inspection service that conducted invasive envelope investigation, initially projected. The damage came primarily from dry rot and sewer discharge that became evident after large sections of the siding were removed and the crawl spaces were inspected at all three buildings. Damage to drywall, studs, and joists was so significant that residents in ten of the Project's fourteen units will have to be temporarily relocated. The net effect is the total development cost is increased by $202,125, a 55% increase from the original budget.

Rose is forgoing its entire developer fee, contributing additional portfolio reserves, and raising additional funds from Weatherization grants. PHB is being asked to fund the gap, which amounts to $140,193 to rehabilitate the affordable housing. PHB is reviewing its budgets to reallocate the timing of funding projects and expects to have the final solution resolved by this Friday. It is suggested that the additional funding be made as a subordinate Equity Gap Contribution.

The existing combined Equity Gap Contribution has a defined Rehabilitation Period that expired April 30, 2011. The rehab will take longer to complete. It should be extended for six months.

Project Description:
Beyer Court Apartments is a 14 unit, apartment project that provides much-needed affordable housing to families earning between 0% to 60% of Median Family Income (MFI) in southeast Portland. It was built in 1969. It is located at 9305 SE Harold Street between SE 92nd Avenue and Interstate 205 in the Lents Town Center Urban Renewal District. The Project's three buildings on a 4/5's acre parcel wrap around a central lawn. All units are two-bedrooms. It is three blocks from the Lents Plaza Town Center mixed use affordable housing development. The Project has 11,200 square feet of building area, a laundry room, and surface parking. It also has easy access to public transportation with a bus stop in front and the Green Line light rail station is seven blocks southeast.

The Project was partially rehabbed at acquisition and $286,756 of additional City funding was added in 2002 to finish the rehab. PHB approved funding of an additional $330,872 on September 15, 2011 based upon invasive testing by Forensics Building Consultants and a scope of work reviewed and approved by PHB staff.

Proposed Rehab:
The additional rehab will cover change orders approved to repair additional exterior siding, increased building permits, siding upgrades, and repairs to address dry rot, and black water damage. The repairs include substantial increases of framing replacement (studs and joists that have dry rot), framing at the windows, asbestos tests/abatement, sheathing, insulation, weather protection, black water disposal and mitigation, drain work, subflooring, underlayment, interior repairs, increased trash and hauling, kitchen cabinet repairs, drywall, additional painting, and new piping for a majority of the new bathtubs.

Approximately $4,400 of the initial $25,000 contingency has not been used. The amount of construction work to be completed is approximately $270,000. Although the risk of unexpected events is reduced because issues usually occur in the beginning of rehab projects, it is recommended that an additional $20,000 contingency be included in case other unforeseen repairs must be made. There will be a 7.4 % contingency for the remaining work. It is also suggested that PHB retain all funds that are not disbursed rather than utilizing the normal cost saving split that is 75% to the borrower and 25% to PHB for hard costs.

Tax Increment Funding:
No change.

Unit Mix and Affordability:
No change.

Public Benefits Addressed:
No change.

Prevailing Wages:
No change, Davis Bacon wages do not apply.

Compliance:
Because no federal funds are being proposed, federal compliance issues are not applicable. The budget item for the relocation is increased from $1,000 to $10,645 because 10 of 14 units will have temporary relocation. Compliance staff has reviewed the budget and are requesting Rose's full relocation plan.

Construction Costs:
Hard cost rehab costs total $44.00/sf or approximately $36,769 per unit. This is reasonable for rehab costs in Portland considering the scope of the rehab.

Environmental Issues:
N/A. This is an existing property owned by Rose so no new Phase 1 was required. Rose will meet hazardous waste protocols if they are required.

MWESB:
PHB policy requires 20% MWESB participation based on the total investment for hard costs. Rose estimates reaching this participation goal.

DEVELOPMENT TEAM:
No change.

Property Tax Exemption:
No change.

Financial Structure:
PHB will provide $140,125 of new funding for the rehab of the Project in the form of a new subordinate Equity Gap Contribution. Rose will contribute its entire Project Management /Developer Fee of $27,068 plus an additional $25,000 of Project replacement reserves, and bring in $10,000 of Weatherization grants for flooring, attic insulation, and exterior doors.

No change in the September 2011 operating analysis that was based upon previous project operations. It included 2% rent growth, 3% operating expense growth, and utilization of Oregon On recommendations for Asset Management and Resident Services expenses. No substantive change in the existing debt structure from the September 15, 2011 funding approval. There is a minor pay down of the principal on the conventional debt due to amortized payments from Rose.

Staff recommends elimination of the excess cash flow repayment obligation in the new Equity Gap Contribution as was approved in September 15, 2011 for the increase in the existing Equity Gap Contribution. This is based on the same logic (to fund the new pro forma expenses –Asset Management and Resident Services and to accumulate greater reserves for future repairs that are expected since the property is more than 40 years old). In addition, the Project will have lower available replacement reserves with Rose is contributing an additional $25,000 of replacement reserves.

Rehab Financing

PHB New Funding as a subordinate Equity Gap Contribution	$ 140,125
Replacement Reserves from Rose	$ 25,000
Weatherization Grants	$ 10,000
Rose Contribution of Project Management/Developer Fee	$ 27,068
Total	**$ 202,193**

PHB Financing – not to exceed $140,125 of new funding.

PHB Structure – New Equity Gap Contribution:

Borrower:	Rose Community Development Corporation
Funding Amount:	$140,125 of new funding
Interest Rate:	N/A
Term:	Rehabilitation Period: 6 months. Permanent Term: After completion of the Rehabilitation Period through the affordability period.
Repayment:	None.
Collateral:	Equity Gap Contribution subordinate to all existing financing
Guarantors:	N/A
Cost Savings:	100% to PHB for Hard and Soft Costs.

DISBURSEMENTS: The PHB funding will be on a disbursement basis. PHB will withhold 5% of construction draws as a retainage.

CHANGE ORDERS: Change orders are $5,000 per occurrence and $25,000 cumulative.

DEVELOPER FEE: The project management fee of $27,068 is being contributed to fund the project cost increase. Rose will receive no developer fee, which is an exception to PHB guidelines.

SPONSOR EQUITY: Sponsor equity in the project totals cash contributions of replacement reserves of totaling $60,518. It is also forgoing the Project Management/Developer Fee. Rose's direct contribution is substantially higher than the 2% PHB guideline threshold.

REPLACEMENT RESERVES: No change of the replacement reserves which are currently approximately $400 per unit per year. After the additional contribution of replacement reserves the project will have approximately $17,200 in replacement reserves remaining.

LOAN TO VALUE:
N/A, under $250,000 of new funding.

Reserves:
- Hard cost contingency is $20,000 (7.4% of remaining direct construction costs).
- The remaining replacement reserves will be over $17,200 or $1,229 per unit. No change in the annual replacement reserves that were funded at funded at $400 per unit per year in the December 2011 closing.

Specific Risks:
- Construction risk; careful construction monitoring will manage the budget.

Mitigating Factors:
- Staff believes the development budget as currently presented is adequate. The Project scope of work has been thoroughly reviewed by PHB's Construction Coordinator.
- The budget contains an additional $20,000 contingency plus $4,400 existing contingency. This is approximately 7.4% of the remaining hard costs.
- Careful construction monitoring by Staff will help mitigate the risk of increased costs during the rehabilitation period.
- The revenue for the Project is conservatively underwritten. Operating expense costs are in line with other projects of this type. They also incorporate Oregon On's suggested increased allowances for asset management and resident services that increase operating expenses by $600 per unit. The repayment obligation to PHB for 50% of the Excess Cash Flow is eliminated.
- Rose has a good track record managing the services needed at this Project.

Conditions FOR Closing:
- The Borrower must provide all requested due diligence documentation including but not limited to final budgets, and final plans and specification prior to closing.
- The Borrower must agree to any additional terms and conditions that PHB may require once additional documentation has been reviewed.
- All legal agreements are subject to City Attorney approval.
- Change orders shall be acceptable to PHB prior to closing.
- Undisbursed funds are retained by PHB.
- Borrower shall provide satisfactory borrower's resolution.
- Subordination agreement acceptable to PHB from Key Bank
- Relocation plan satisfactory to PHB prior to closing of new funding.

Exceptions to Guidelines:
- All cost saving to PHB
- No repayment obligations for Equity Gap Contribution
- No developer fee for the owner.

Sources and Uses:
The following chart outlines the Project's rehab budget and sources of funding:

	Sept 2011	April 2012	Total
USES:			
DIRECT COSTS			
Rehab Costs	$ 275,689	194,184	469,773
Contingency	25,000	20,000	45,000
Total Direct Costs	**300,589**	**214,184**	**514,773**
DEVELOPMENT COSTS			
Forensic Consulting Services	30,000	8,400	38,400
Rose Project Management Fee	27,068	-27,068	0
Insurance during Construction	733	224	957
Relocation	1,000	9,645	10,645
Legal	1,000	-1,000	0
Engineering	5,000	-1,192	3,808
Soft Cost Contingency	1,000	-1,000	0
Total Indirect Costs	**65,801**	**-11,991**	**53,510**
Total Project Costs	**366,390**	**202,193**	**568,583**
SOURCES			
PHB Equity Gap Contribution	$330,872	140,125	470,997
ROSE Replacement Reserves	35,518	25,000	60,518
Weatherization Grant		10,000	10,000
ROSE Contribution of Project Management Fee		27,068	27,068
Total Sources	**$366,390**	**202,193**	**568,583**

Recommendation:
PHB staff has reviewed the Project pro forma and recommends that the Housing Investment Committee approve a funding under the terms outlined above. Delegate any further modifications which do not require additional funding to Assistant Director with City Attorney concurrence.

Exhibits:
Pro formas
PHB Housing Investment Committee Report from Sept 15, 2011

PROJECT COST ANALYSIS

April 19, 2012

Beyer Court Apartments
Rose CDC

9305 SE Harold Street	**Sep-11** **Original Scope**	**Apr-12** **Color Plus Blackwater Dryrot**	**Total**	**Total**	Unit 14	% of total	GBA Per sf **11,700**
ACQUISITION COSTS							
Land Acquisition	0	0	0				
Appraisal	0	0	0				
Legal Expense	0	0	0				
Title insurance	0	0	0				
ACQUISITION TOTAL	0	0	0	0	-	0%	-
DIRECT CONSTRUCTION COSTS							
Rehab - (Roofing/siding,/blackwater/exterior painting)	275,589	194,184	469,773				
Rose - Microbial Growth Remediation/Contingency	25,000	20,000	45,000				
DIRECT CONSTRUCTION TOTAL	300,589	214,184	514,773	514,773	36,770	91%	44
INDIRECT DEVELOPMENT COSTS							
Building Permits	0	0	0				
Insurance During Construction	733	224	957				
Forensic Consulting Services	30,000	8,400	38,400				
Engineering	5,000	(1,192)	3,808				
Legal	1,000	(1,000)	0				
Project Management @ 9%	27,068	**(27,068)**	0		1,933	0%	2
Relocation	1,000	**9,645**	10,645				
Soft Cost Contingency	1,000	(1,000)	0				
TOTAL INDIRECT DEVELOPMENT COSTS	65,801	(11,991)	53,810	53,810	3,844	9%	5
TOTAL PROJECT COSTS	**366,390**	**202,193**	**568,583**	**568,583**	40,613	100%	49

USES			
Acquisition Costs	0	0	0
Construction Costs	300,589	214,184	514,773
Development Costs	65,801	(11,991)	53,810
TOTAL USES	**366,390**	**202,193**	**568,583**

SOURCES	Sep-11	Apr-12	Permanent
PHB TIF	330,872	140,125	470,997
Rose Project Management Fee/Developer Fee		27,068	27,068
Weatherization Grants		10,000	10,000
Rose Reserves	35,518	25,000	60,518
TOTAL SOURCES	**366,390**	**202,193**	**568,583**

SURPLUS/(GAP)	**0**	**0**	**0**

INCOME AND EXPENSE ANALYSIS

Beyer Court Apartments

April 19, 2012

Net Rent

HOUSING	Units	Ave sf	$/unit	$/Month	$/Year
2 BR @ 30% MFI	4	800	365	1,460	17,520
2 BR @ 50% MFI	5	800	686	3,430	41,160
2 BR @ (PBA Section 8) 60% MFI	5	800	717	3,585	43,020
Potential Rental Income	14			8,475	101,700
Vacancy/Credit Loss			5.0%	(424)	(5,085)
Effective Rental Income				8,051	**96,615**
Other Income (Laundry/Deposits)	0				2,500
Net EGI				8,051	**99,115**
NET REVENUE				8,051	**99,115**

EXPENSES		% EGI	$/Unit	$/Year
Management Fee	6.6%	6.6%	468	6,552
On Site Management Manager's Salary		8.2%	580	8,125
On Site Rent Free Unit		1.2%	86	1,200
Repair/Maintenance		7.6%	536	7,500
Landscape Maintenance		2.8%	201	2,820
Decorating		0.2%	14	200
Painting		1.0%	71	1,000
Office/Telephone		1.4%	99	1,380
General Maint/Maint payroll		3.4%	243	3,400
Payroll taxes/workers comp		1.7%	121	1,700
Miscellaneous taxes, permits		0.1%	4	50
Miscellaneous operating		0.1%	7	100
Legal & Accounting		0.9%	61	852
Utilities		14.5%	1,029	14,400
Insurance		1.5%	107	1,491
Cleaning Contract		1.5%	104	1,450
Exterminating		0.5%	32	450
Resident Services		**4.2%**	**300**	**4,200**
Rose Asset Management		**4.2%**	**300**	**4,200**
Replacement Reserve		5.7%	400	5,600
Bad Debt		1.2%	86	1,200
TOTAL OPERATING EXPENSES		68.5%	4,848	67,870
NOI		31.5%	2,232	**31,245**

DEBT SERVICE ANALYSIS - Stabilized Year

Principal--Key Bank	**379,260.00**
Interest Rate	4.79%
Amortization Schedule	30
Annual Debt Service	**23,846**
Total Debt Coverage	**1.31**

PHB- HDSL (HOME)	**85,000.00**
Interest Rate	3.00%
Amortization Schedule (years)	30
Annual Debt Service	**4,300**
Debt Coverage Ratio-combined	**1.11**

PHB EGC (Combined HOME/CDBG/TIF)	**966,658.71**
Interest Rate	0.00%
Amortization Schedule (years)	N/A
Annual Debt Service	0
Debt Coverage Ratio-combined	

New PHB EGC (TIF)	**140,125.00**
Interest Rate	0.00%
Amortization Schedule (years)	N/A
Annual Debt Service	0
Debt Coverage Ratio-combined	

Operating Cash Flows/Beyer Court Apartments Restructure																
Permanent Year Period			1	2	3	4	5	6	7	8	9	10	11	12	13	14
Years start Oct 2011		Stabilized Yr	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	%Change										OAHTCs expire	PHB Debt Service Restarts				
Effective Rental Income	2.00%	96,615	98,547	100,518	102,529	104,579	106,671	108,804	110,980	113,200	115,464	117,773	120,129	122,531	124,982	127,481
Other Income	2.00%	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988	3,047	3,108	3,171	3,234	3,299
Residential Net EGI	0.00%	99,115	101,097	103,119	105,182	107,285	109,431	111,620	113,852	116,129	118,452	120,821	123,237	125,702	128,216	130,780
Net Revenue		99,115	101,097	103,119	105,182	107,285	109,431	111,620	113,852	116,129	118,452	120,821	123,237	125,702	128,216	130,780
Expenses																
Management Fee	6.61%	6,552	6,749	6,951	7,160	7,374	7,596	7,823	8,058	8,300	8,549	8,805	9,070	9,342	9,622	9,910
Other Expenses	3.00%	55,718	57,390	59,111	60,885	62,711	64,592	66,530	68,526	70,582	72,699	74,880	77,127	79,441	81,824	84,278
Reserves	4.00%	5,600	5,824	6,057	6,299	6,551	6,813	7,086	7,369	7,664	7,971	8,289	8,621	8,966	9,324	9,697
Total Expenses		67,870	69,962	72,119	74,343	76,637	79,001	81,439	83,953	86,546	89,219	91,975	94,817	97,748	100,770	103,886
NOI		31,245	31,135	31,000	30,838	30,649	30,430	30,180	29,899	29,583	29,233	28,846	28,420	27,954	27,446	26,894
Key Bank																
Beginning Balance			286,322	276,186	265,565	254,435	242,772	230,551	217,744	204,325	194,782	184,571	181,904	179,050	175,996	172,729
Interest	4.79%		13,710	13,224	12,716	12,183	11,624	11,039	10,426	14,303	13,635	12,920	12,733	12,533	12,320	12,091
Repayments	12	(23,846)	(23,846)	(23,846)	(23,846)	(23,846)	(23,846)	(23,846)	(23,846)	(23,846)	(23,846)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)
Ending Balance			276,186	265,565	254,435	242,772	230,551	217,744	204,325	194,782	184,571	181,904	179,050	175,996	172,729	169,233
Cash Flow		7,399	7,290	7,154	6,993	6,803	6,584	6,334	6,053	5,738	5,387	13,259	12,833	12,367	11,859	11,307
DCR-1st Mortgage		1.31	1.31	1.30	1.29	1.29	1.28	1.27	1.25	1.24	1.23	1.85	1.82	1.79	1.76	1.73
PHB - HDSL																
Beginning Balance	76,025		76,025	76,025	76,025	76,025	76,025	76,025	76,025	76,025	76,025	76,025	74,460	72,848	71,187	69,477
Interest	3.00%											2,281	2,234	2,185	2,136	2,084
Repayments	12	0										(3,846)	(3,846)	(3,846)	(3,846)	(3,846)
Ending Balance			76,025	76,025	76,025	76,025	76,025	76,025	76,025	76,025	76,025	74,460	72,848	71,187	69,477	67,715
Net Cash Flow			7,290	7,154	6,993	6,803	6,584	6,334	6,053	5,738	5,387	9,413	8,987	8,521	8,013	7,461
DCR - Overall		1.31	1.31	1.30	1.29	1.29	1.28	1.27	1.25	1.24	1.23	1.48	1.46	1.44	1.41	1.38
PHB EGC																
Beginning Balance	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659
Interest	0.00%		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Repayments		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance			966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659
PHB NEW EGC (TIF)																
Beginning Balance	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125
Interest	0.00%		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service Repayments	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance			140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125
			7,290	7,154	6,993	6,803	6,584	6,334	6,053	5,738	5,387	9,413	8,987	8,521	8,013	7,461

Operating Cash Flows/B											
Permanent Year Period		15	16	17	18	19	20	21	22	23	24
Years start Oct 2011		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue	%Change										
Effective Rental Income	2.00%	130,031	132,632	135,284	137,990	140,750	143,565	146,436	149,365	152,352	155,399
Other Income	2.00%	3,365	3,432	3,501	3,571	3,642	3,715	3,789	3,865	3,942	4,021
Residential Net EGI	0.00%	133,396	136,064	138,785	141,561	144,392	147,280	150,225	153,230	156,294	159,420
Net Revenue		133,396	136,064	138,785	141,561	144,392	147,280	150,225	153,230	156,294	159,420
Expenses											
Management Fee	6.61%	10,208	10,514	10,829	11,154	11,489	11,834	12,189	12,554	12,931	13,319
Other Expenses	3.00%	86,807	89,411	92,093	94,856	97,702	100,633	103,652	106,761	109,964	113,263
Reserves	4.00%	10,085	10,489	10,908	11,345	11,798	12,270	12,761	13,272	13,802	14,355
Total Expenses		107,100	110,414	113,831	117,355	120,989	124,737	128,602	132,587	136,698	140,937
NOI		26,296	25,650	24,954	24,206	23,403	22,543	21,624	20,642	19,597	18,484
Key Bank											
Beginning Balance		169,233	165,492	161,490	157,207	152,625	147,721	142,475	136,861	130,854	124,427
Interest	4.79%	11,846	11,584	11,304	11,004	10,684	10,340	9,973	9,580	9,160	8,710
Repayments	12	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)
Ending Balance		165,492	161,490	157,207	152,625	147,721	142,475	136,861	130,854	124,427	117,550
Cash Flow		10,709	10,063	9,367	8,619	7,816	6,956	6,037	5,055	4,010	2,897
DCR-1st Mortgage		1.69	1.65	1.60	1.55	1.50	1.45	1.39	1.32	1.26	1.19
PHB - HDSL											
Beginning Balance	76,025	67,715	65,901	64,032	62,106	60,124	58,081	55,978	53,811	51,579	49,281
Interest	3.00%	2,031	1,977	1,921	1,863	1,804	1,742	1,679	1,614	1,547	1,478
Repayments	12	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)
Ending Balance		65,901	64,032	62,106	60,124	58,081	55,978	53,811	51,579	49,281	46,913
Net Cash Flow		6,863	6,217	5,521	4,773	3,970	3,110	2,191	1,209	164	(949)
DCR - Overall		1.35	1.32	1.28	1.25	1.20	1.16	1.11	1.06	1.01	0.95
PHB EGC											
Beginning Balance	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659
Interest	0.00%	0	0	0	0	0	0	0	0	0	0
Repayments		0	0	0	0	0	0	0	0	0	0
Ending Balance		966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659	966,659
PHB NEW EGC (TIF)											
Beginning Balance	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125
Interest	0.00%	0	0	0	0	0	0	0	0	0	0
Debt Service Repayments	12	0	0	0	0	0	0	0	0	0	0
Ending Balance		140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125	140,125
		6,863	6,217	5,521	4,773	3,970	3,110	2,191	1,209	164	(949)

PORTLAND HOUSING BUREAU
INVESTMENT COMMITTEE
RECOMMENDATION & APPROVAL FORM

Meeting Date: 9-15-11

☐ THIS IS AN INFORMATIONAL ITEM ONLY – NO ACTION NEEDED

Project Name: Beyer Court Apartments

Business/Owner Name: Rose Community Development Corp.

Address/URA: 9305 SE Harold Street City: Portland Zip Code: 97206

Presenter: John D. Marshall Extension: 3232

ACTION REQUESTED:

1. **Approve $330,872 Lents URA TIF FY 2011-12 increase of Equity Gap Contribution to rehab Beyer Court Apts;**
2. **Modify funding documents; and**
3. **Grant Assistant Director/Housing Manager authority for non financial modifications with City Attorney concurrence.**

The exceptions/special requests are found on Page; 9; and
If requested action includes approval of a tax abatement on the project, this is considered a "special request" which requires an affirmative statement in the write-up that either the City's Debt Manager or PHB's Finance & Accounting Manager reviewed the abatement and has determined it is not in conflict with any existing bond covenants.

x THERE ARE NO EXCEPTIONS TO PHB GUIDELINES Program Mgr Initials ________

PROCESS REQUIREMENTS:

☐ FEDERAL FUNDS ELIGIBLE, IF PROJECT INCLUDES FEDERAL FUNDS
x TIF ELIGIBLE, IF PROJECT INCLUDES TIF FUNDING
☐ NEW CONTRACT OR CONTRACT AMENDMENT REQUIRED
☐ COUNCIL ORDINANCE REQUIRED
☐ CON PLAN AMENDMENT REQUIRED
☐ BUDGET AMENDMENT FORM REQUIRED (if not included in current year budget or if reallocating budgeted funds)

Manager Signature approving process requirements: Komi P. Kalevor

Investment Committee Members – Initial for recommendation *(4 members required before sending forward)*

✓ **Approval Recommended**– move forward for Director's signature
☐ **No Approval Recommended at this time**
☐ **Defer to Next Meeting** – Amendments/Corrections to be completed – return to Presenter

KPK Komi Kalevor, Senior Program Manager (Chair)
JF Jacob Fox, Assistant Housing Director (2nd Chair)
AM Alissa Mahar, Business Operations Manager
JB Jonas Biery, City Debt Manager
TB ~~Julie Cody, PDC Chief Financial Officer~~ Tony Barnes Deputy Mgr
KA Kate Allen, Program Manager
DL Daniel Ledezma, Housing Policy Manager

Director Signature: [signature]

Conditions:
1. Additional info about Asset Mgmt Dept @ Rose
2. Additional info about Resident Services Dept @ Rose & Resident Services Plan @ property

Distribution: Finance, HDF

PORTLAND HOUSING BUREAU
INTERNAL MEMORANDUM

DATE: September 15, 2011

TO: PHB Investment Committee

FROM: John Marshall for HDF

SUBJECT: Rehabilitation of Beyer Court Apartments with 14 affordable family housing units.

ACTION REQUESTED:

1. Approve new rehabilitation funding of $330,872 to Rose Community Development Corp (Rose) to repair the 14 unit apartment project called Beyer Court Apartments. $330,872 to be funded as an increase of the Equity Gap Contribution (PHB Loan # 38109-99) using Lents Town Center URA tax increment funding, FY 2011-2012.
2. Modify funding documents reducing the HOME affordability period from 60 years to 15 years from the date of the HOME funding in 1998.
3. Record a new 60 year regulatory agreement from the date of the current funding.
4. Eliminate the Excess Cash Flow repayment to PHB in the Housing Development Subordinate Loan (HDSL) Note and the Equity Gap Contribution.
5. Defer payments without interest accrual on the HDSL Note until January 2021.
6. Future debt service for the HDSL starting January 1, 2021 will be based upon re-amortizing the existing principal balance of the HDSL a 3% interest rate, and a 30 year term from January 1, 2021.
7. Extend the maturity date on the trust deed until December 1, 2050.

Executive Summary:
The **Beyer Court Apartments** (the "Project") funding rehabilitates a property that has severe moisture issues. The property was partially rehabbed after its acquisition in 1998 and again in 2002 after the City funding was restructured. It currently has significant building envelope issues attributable to exterior siding and roof problems that have caused moisture damage. Rose engaged Forensic Consultants to complete an invasive study and to recommend a scope of work for corrective repairs. The proposed rehab will salvage an affordable housing Project that is at significant risk.

Staff also recommends the PHB funding be restructured to incorporate a greater cushion for project operating fluctuations, which is a goal of PHB and Oregon On, the owners operating group that is proposing revised operating parameters.

Project Description:
Beyer Court Apartments is a 14 unit, apartment project that provides much-needed affordable housing to families earning between 0% to 60% of Median Family Income (MFI) in southeast Portland. It was built in the late 70's. It is located at 9305 SE Harold Street between SE 92nd Avenue and Interstate 205 in the Lents Town Center Urban Renewal District. The Project's three buildings on a 4/5's acre parcel wrap around a central lawn. All units are two-bedrooms. It is three blocks from the Lents Plaza Town Center mixed use affordable housing development. The Project has 11,200 square feet of building area, a laundry room, and surface parking. It also has easy access to public transportation with a bus stop in front and the Green Line light rail station is seven blocks southeast.

There is a $379,260 first mortgage from Key Bank with a current balance of $295,934.78 as of September 2011. Oregon Affordable Housing Tax Credits reduce the debt service by 3.8% to $23,846 per year. PHB has two subordinate fundings:

1. $85,000 amortizing loan, and
2. $644,800 Equity Gap Contribution.

Loan Number	%	Type	Source	Current Principal Balance as of 9/12/11	Collateral	Payment
38108-99	3	HDSL	HOME	$ 76,025.16	Trust Deed	$4,300 /year + Cash Flow Slit
38109-99	0	EGC	HOME & CDBG	$635,786.71	EGC	Cash Flow Split
Total PHB Funding				$711,811.87		

Project Background:
The Project was partially rehabbed at acquisition and $286,756 of additional City funding was added in 2002 to finish the rehab. The PDC 2002 funding also restructured the debt providing a greater cushion by using operating expenses 39% higher than the initial underwriting, increasing replacement reserves from $250 per unit to $350 per unit, lowering debt service from $10,334 to $4,300 per year, and using a 1.33 DCR for the reduced amortized repayments starting five years later in 2007. Approximately $110,000 of the loan was also converted to the cash flow dependent Equity Gap Contribution. The Project maintained a high occupancy afterwards, has had positive cash flow every year, and has made several Excess Cash Flow payments. However, exterior siding issues surfaced in 2008. Rose subsequently requested new funding to replace the roof and exterior siding.

The Project was awarded funding in the 2009 NOFA. The funding was used to fill a financing gap for Rose's 40 - unit Bellrose Station acquisition /rehab that is nearing completion. In 2010 Rose contracted Forensic Building Consultants to conduct an invasive building envelope investigation and to develop a detailed scope of work. PHB and HDC staff also inspected the property during a capital needs study of the City's affordable housing portfolio.

PHB issued a Reservation of Funds on February 11, 2011 setting aside $330,872 for the Project subject to due diligence and financial structuring.

The PHB Construction Coordinator has reviewed the current scope of work. The rehab work has been bid out and the costs are included in the rehab budget. The targeted closing date is early October. Rose projects construction finish within 60 days.

Proposed Rehab:
Rose will remove and dispose of all existing wood lap siding, wood trim, brick veneer, weather resistant barrier (WRB), flashing and cladding components covering the exterior walls. The old materials will be replaced with fiber-cement lap siding, fiber-cement trim, WRB, flashing and cladding components covering the exterior walls. Wood sheathing, framing members and wood components that are affected by water damage, deterioration, microbial growth and/or other nonconforming conditions will be treated or replaced. Damaged existing flange-mounted vinyl windows and sliding glass doors (SGD) will be removed and disposed of. New flange-mounted vinyl windows and SGD using corrosion-resistant fasteners at window locations and corrosion-resistant metal sill pans with back and side end dams at SGD's will be installed.

All damaged existing asphalt shingles, flashing components and underlayment will be removed, disposed of and new components will be installed. All existing gutters and downspouts will be repaired or replaced.

All exterior façade elements will be painted upon project completion. Fallen insulation and ground cover (vapor retarder) in crawlspaces will be restored and replaced. Exterior lighting will be repaired or replaced as needed. Ductwork for ventilation will be mechanically repaired or replaced as needed.

A 10% hard cost contingency is included in the budget because historically rehabs have experienced significant cost increases. This covers allowances for 50% sheathing replacement, 25% framing replacement, 50% insulation replacement, and interior repairs. A $25,000 allowance is added for microbial growth remediation.

Tax Increment Funding:
The PHB funding for the rehab is tax increment (Lents Town Center URA), which must be used for blight removal according to ORS 457. The Project will meet this criterion because it is severely deteriorated. More than 90% of the PHB tax increment funding is projected to be used for rehab hard costs.

Unit Mix and Affordability:
All units will remain affordable for the term of the existing funding, which is September 30, 2058. The unit breakdown and the MFI to be served are listed below. Note, five of the fourteen units carry Section 8 Project Based Assistance.

Unit Type	% MFI	# of Units	**Average Unit Size** *(square feet)*	Anticipated Unit Net Monthly Revenue
Two BR	30%	4	800	$366
Two BR	50%	5	800	$676
Two BR (Currently Sect 8)	60%	5	800	$730
Total		14		

Note, the HOME Restrictive Agreement and Declaration incorrectly has a 60 year affordability period. It should be modified to correctly require a 15 year affordability period from the date of the initial HOME funding in 1998, which means the Project has approximately two more years of HOME compliance. This reduces PHB monitoring in years 16-60, which will be a savings for the City. A standard regulatory agreement restricting rents for 60 years starting from the date of the current funding must be created and recorded.

Public Benefits Addressed:
The Project meets several of the City's and Lents Town Center urban renewal goals for housing development:

1. Preserve existing housing stock in the Lents URA and improvement of the project's compatibility with the neighborhood.
2. Provide stable affordable housing for households with the greatest need.
3. 100% of the units are family sized at 2 or more bedrooms.
4. The Project is expected to exceed the PHB business equity goals by a significant margin.

Predevelopment Loan:
There is no predevelopment loan.

Prevailing Wages:
Davis Bacon wages do not apply because federal funds are not involved. Prevailing wages do not apply because the Project is not owned by a public agency, it serves tenants at 60% MFI or below, the improvements are under five stories, and there is no commercial use, which meets the conditions to qualify under the affordable housing exemption.

Compliance:
Because no federal funds are being proposed, federal compliance issues are not applicable. The HUD Environmental Review is not required. The budget item for the relocation is $1,000 (in case window repairs may require a short term temporary move). Very little relocation is expected with exterior siding and the roof being the primary focus of repairs.

Construction Costs:
Hard construction costs total $26.84/sf or approximately $21,471 per unit. This is reasonable for rehab costs in Portland considering the scope of the rehab.

Environmental Issues:
N/A. This is an existing property owned by Rose so no new Phase 1 testing was required. Rose will meet any hazardous waste protocols if they are required.

MWESB:
PHB policy requires 20% MWESB participation based on the total investment for hard costs. Rose estimates reaching this participation goal.

DEVELOPMENT TEAM:

- *Owner-* Rose will own the Project. Rose has built or rehabbed more than 395 affordable rental or ownership units including six multi-family acquisition rehabs.
- Financial Consultant: N/A. Rose staff.
- General Contractor: Horizon Restoration
- Construction Manager: Mike Masat – Rose Housing Director with 24 years of real estate/construction oversight.
- Architect: N/A.
- Attorney: TBD
- Property Management: Cascade Property Management Inc. is a full service property management firm which manages more than 6,968 affordable housing units.

Property Tax Exemption:
The Project will qualify for the affordable housing exemption under Section 3.101 of the Portland City Code because it serves residents under 60% MFI and it is owned by a nonprofit.

Financial Structure:
PHB will provide $330,872 of new funding for the rehab of the Project in the form of an increase of the existing Equity Gap Contribution which creates a new balance of $966,658.71. Rose will contribute $35,518 of Project replacement reserves. This is approximately 10% of the total rehab budget, which is substantially above the average for affordable housing developments funded by PHB. After this contribution is made, the Project will have approximately $42,200 in replacement reserves remaining.

The Project's debt structure includes private debt from Key Bank with an interest rate lowered by 3.8% through Oregon Affordable Housing Tax Credits (OAHTCs) for 20 years resulting in $23,486 annual debt service. PHB has a small amortizing loan with debt service at $4,300 per year, and there is a 50% of Excess Cash Flow repayment obligation after a 1.15 DCR.

Staff recommends giving the Property greater operating cushion as was done in the previous PDC 2002 restructure. Pro forma operating expenses are increased by $600 per unit or $8,400 per year (Operating Analysis on page 6) as has been suggested in ongoing discussions with the Oregon On. This means the Project, which had previously been able to make amortized debt service payments to Key Bank and PHB and Excess Cash Flow payments, will no longer be considered able to repay PHB.

Consequently, it is suggested that the PHB amortizing debt service payments be deferred without interest accrual through 2020 when the senior debt will be refinanced because of the expiration of the OAHTCs. The senior principal will be substantially lower so the refinanced conventional debt service should also be lower. Re-amortizing the existing PHB balance based upon a 30 year term avoids creating a balloon payment in 2036 and reduces the PHB debt service payments, which provides greater cushion when the PHB principal payments restart. Also, it is recommended that the Excess Cash Flow payments to PHB be eliminated on both the HDSL Note and the Equity Gap Contribution. These accommodations will enable the Project to fund the new pro forma expenses and to accumulate greater reserves for future repairs that are expected since the property is more than 40 years old.

Rehab Financing

PHB New Funding as an Increase of the Equity Gap Contribution	$ 330,872
Replacement Reserves from Rose	$ 35,518
Total	**$ 366,390**

PHB Financing – not to exceed $330,872 of new funding.

PHB Structure – Increase of the existing Equity Gap Contribution:

Borrower:	Rose Community Development Corp
Funding Amount:	$330,872 of new funding
Interest Rate:	N/A
	Rehabilitation Period: 6 months.
Term:	Permanent Term: After completion of the Rehabilitation Period through the affordability period.
Repayment:	None.
Collateral:	Equity Gap Contribution
Guarantors:	N/A
Cost Savings:	Standard 75% to Sponsor -25% to PHB for Hard Cost Items; 100% to PHB for Soft Costs;

PHB Structure – Restructure of Housing Development Subordinate Loan:

Borrower:	Rose Community Development Corp
Funding Amount:	No new funds for the HDSL. The current loan balance is $76,025.71 but the principal may decline depending upon the number of debt service payments that are made before the restructure closes.
Interest Rate:	3%, no interest accrual during deferral period which lasts through 12/31/2020. 3% for future debt service payments after re-amortization in January 2021.
Term:	Permanent Term: 30 years starting January 2021
Repayment:	Deferred and no interest accrual from loan closing until January 2021. At that point debt service begins based upon a re-amortization using the principal balance at that date, 3% interest, and a 30 year amortization period.

Collateral:	Trust Deed
Guarantors:	N/A
Cost Savings:	No Change

DISBURSEMENTS: The PHB funding will be on a disbursement basis. PHB will withhold 5% of construction draws as a retainage.

CHANGE ORDERS: Change orders are $5,000 per occurrence and $25,000 cumulative.

DEVELOPER FEE: Capitalized project management fee (currently forecast at $27,068) is 9.4%, of the construction cost or 8% of the total budget, which is at the lower end of the current PHB guidelines for a project of this size (8-12%) and complexity. The fee will be released 35% at closing, 55% during rehab, and 10% of the fee is retained as an additional project contingency. It is released upon satisfactory PHB project closeout.

SPONSOR EQUITY: Sponsor equity in the project totals $35,518 or approximately 10% of Project costs.

REPLACEMENT RESERVES: No change of the replacement reserves which are currently approximately $400 per unit per year and were documented to increase at 4% annually because of the condition of the property when it was restructured in 2002. It should not be changed at this time because of the age of the property and the number of rehabs the project has needed.

Operating Analysis:
The pro forma shows the income with rents at the restricted rent levels. The revenue is increased at 2% annually. A 5% vacancy rate is used, which is standard for affordable housing underwriting even though the normal occupancy in the PHB funded portfolio is much higher. The operating expenses are based upon the performance of Beyer Court and other Rose acquisition rehabs. Although Rose did not make a request to incorporate recommendations from Oregon On, it is suggested that an additional $300 per unit for asset management and $300 per unit for resident services be added to the revised pro forma. This $600 per unit cost increases the Project's operating expenses to $4,848 per unit. The Project's operating expenses are increased at 3% annually. The current pro forma operating expenses are 131% higher than the initial pro forma at $2,500 per unit in 1998 and 71% higher than the $3,391 per unit utilized in the 2002 restructure pro forma.

Utilizing the revised operating expenses adjusts the senior loan Debt Service Coverage (DCR) ratio from an actual 1.66 to 1.31 in the first year of the revised pro forma. It is 1.26 DCR in 2020 the final year of the OAHTCs subsidy. Deferring and modifying the PHB debt service, plus eliminating the Excess Cash Flow repayment obligation improves cash flow to Rose to approximately $7,400 in the first year of operation and cumulatively $65,600 until the PHB debt service restarts in 2021.

Market Analysis:
Not applicable because the project is fully occupied. It is expected that all of the tenants will likely remain at the property once the renovations have been completed.

LOAN TO VALUE:
A new appraisal should be waived because the new funding will be structured as an increase of the Equity Gap Contribution rather than as debt. Also, the cost of an appraisal is estimated to be $5,000 which would reduce the amount available for rehab.

Reserves:
- Hard cost contingency is $25,643 (10% of direct construction costs) plus a $25,000 allowance for microbial growth remediation.
- Soft cost contingency is $1,000 (1.5% of total soft costs).
- The remaining replacement reserves will be over $40,200 or $2,871 per unit. Annual replacement reserves are funded at $400 per unit per year increasing at 4% per year.

Specific Risks:
- Moderate construction risk; careful construction monitoring will manage the budget.

Mitigating Factors:
- Staff believes the development budget as currently presented is adequate. The rehab has been bid out and the project scope of work has been thoroughly reviewed by PHB's Construction Coordinator.
- The budget contains $25,643 or approximately 10% for contingency plus a $25,000 allowance for microbial growth remediation.
- Careful construction monitoring by Staff will help mitigate the risk of increased costs during the rehabilitation period.
- Rose has completed several successful rehabs during the last four years.
- Cash portion of Developer Fee is funded 35% at closing, 55% during rehab, and 10% upon completion which makes the unpaid developer fee a potential source of funding during construction.
- The budget contains $1,000 or 1.5% of soft cost contingency.
- The revenue for the Project is conservatively underwritten. Operating expense costs are in line with other projects of this type. They also incorporate Oregon On's suggested increased allowances for asset management and resident services that increase operating expenses by $600 per unit. The repayment obligation to PHB for 50% of the Excess Cash Flow is eliminated and the amortizing debt service is deferred until 2021 after the senior debt is refinanced.
- Rose has a good track record managing the services needed at this Project.

Conditions FOR Closing:
- The Borrower must provide all requested due diligence documentation including but not limited to final budgets, and final plans and specification prior to closing.
- The Borrower must agree to any additional terms and conditions that PHB may require once additional documentation has been reviewed.
- All legal agreements are subject to City Attorney approval.

- Final construction contract acceptable to PHB prior to closing.
- Hard cost savings if applicable may be applied to PHB approved add backs.
- Borrower shall provide satisfactory borrower's resolution.
- Subordination agreement acceptable to PHB from Key Bank

Exceptions to Guidelines:

- The requirement for an appraisal for funding more than $250,000 should be waived because the funding is being added to the EGC.

Sources and Uses:

The following chart outlines the Project's rehab budget and sources of funding:

USES:	
DIRECT COSTS	
Rehab Costs	$ 249,946
Microbial Growth Remediation	25,000
Contingency @ 10%	25,643
Total Direct Costs	**300,589**
DEVELOPMENT COSTS	
Forensic Consulting Services	30,000
Rose Project Management Fee	27,068
Insurance during Construction	733
Relocation	1,000
Legal	1,000
Engineering	5,000
Soft Cost Contingency	1,000
Total Indirect Costs	**65,801**
Total Project Costs	**366,390**
SOURCES	
PHB Equity Gap	$330,872
ROSE Reserves	35,518
Total Sources	**$366,390**

Recommendation:

PHB staff has reviewed the Project pro forma and recommends that the Investment Committee approve a funding under the terms outlined above. Delegate any further modifications which do not require additional funding to Assistant Director and Housing Manager with City Attorney concurrence.

Exhibits:
Pro formas
Loan Committee Report for 2002 Additional Funding and Restructure

PROJECT COST ANALYSIS

September 15, 2011

Beyer Court Apartments
Rose CDC

9305 SE Harold Street				Total	Unit 14	% of total	GBA Per sf 11,200
ACQUISITION COSTS							
Land Acquisition			0				
Appraisal			0				
Legal Expense			0				
Title insurance			0				
ACQUISITION TOTAL			0	0	-	0%	-
DIRECT CONSTRUCTION COSTS							
Rehab - (Roofing, siding, and exterior painting)			249,946				
Microbial Growth Remediation			25,000				
Construction Contingency			25,643				
DIRECT CONSTRUCTION TOTAL			300,589	300,589	21,471	82%	27
INDIRECT DEVELOPMENT COSTS							
Building Permits			0				
Insurance During Construction			733				
Forensic Consulting Services			30,000				
Engineering			5,000				
Legal			1,000				
Project Management @ 9%			27,068		-	8%	-
Relocation			1,000				
Soft Cost Contingency			1,000				
TOTAL INDIRECT DEVELOPMENT COSTS			65,801	65,801	4,700	18%	6
TOTAL PROJECT COSTS			366,390	366,390	26,171	100%	33

USES			
Acquisition Costs			0
Construction Costs			300,589
Development Costs			65,801
TOTAL USES			366,390

SOURCES	Construction		Permanent
PDC TIF	330,872		330,872
Rose Reserves	35,518		35,518
TOTAL SOURCES	366,390		366,390
SURPLUS/(GAP)	(0)		(0)

Exhibit 1.A.

INCOME AND EXPENSE ANALYSIS

Beyer Court Apartments

September 15, 2011

		Ave	Net Rent		
HOUSING	Units	sf	$/unit	$/Month	$/Year
2 BR @ 30% MFI	4	820	365	1,460	17,520
2 BR @ 50% MFI	5	820	686	3,430	41,160
2 BR @ (PBA Section 8) 60% MFI	5	820	717	3,585	43,020
Potential Rental Income	14			8,475	101,700
Vacancy/Credit Loss			5.0%	(424)	(5,085)
Effective Rental Income				8,051	96,615
Other Income (Laundry/Deposits)	0				2,500
Net EGI				8,051	99,115
NET REVENUE				8,051	99,115

EXPENSES		% EGI	$/Unit	$/Year
Management Fee	6.6%	6.6%	468	6,552
On Site Management Manager's Salary		8.2%	580	8,125
On Site Rent Free Unit		1.2%	86	1,200
Repair/Maintenance		7.6%	536	7,500
Landscape Maintenance		2.8%	201	2,820
Decorating		0.2%	14	200
Painting		1.0%	71	1,000
Office/Telephone		1.4%	99	1,380
General Maint/Maint payroll		3.4%	243	3,400
Payroll taxes/workers comp		1.7%	121	1,700
Miscellaneous taxes, permits		0.1%	4	50
Miscellaneous operating		0.1%	7	100
Legal & Accounting		0.9%	61	852
Utilities		14.5%	1,029	14,400
Insurance		1.5%	107	1,491
Cleaning Contract		1.5%	104	1,450
Exterminating		0.5%	32	450
Resident Services		4.2%	300	4,200
Rose Asset Management		4.2%	300	4,200
Replacement Reserve		5.7%	400	5,600
Bad Debt		1.2%	86	1,200
TOTAL OPERATING EXPENSES		68.5%	4,848	67,870
NOI		31.5%	2,232	31,245

DEBT SERVICE ANALYSIS - Stabilized Year

Principal--Key Bank	379,260.00
Interest Rate	4.79%
Amortization Schedule	30
Annual Debt Service	23,846
Total Debt Coverage	1.31

PHB- HDSL (HOME)	85,000.00
Interest Rate	3.00%
Amortization Schedule (years)	30
Annual Debt Service	4,300
Debt Coverage Ratio-combined	1.11

PHB EGC (Combined HOME/CDBG/TIF) includes new funding	966,658.71	Existing EGC/New Fun
Interest Rate	0.00%	
Amortization Schedule (years)	N/A	
Annual Debt Service	0	
Debt Coverage Ratio-combined		

Exhibit 1. B.

Operating Cash Flows/Beyer Court Restructure

Permanent Year Period

Years start Oct 2011			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		Stabilized Yr	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
												OAHTCs expire	PHB Debt Service Restarts				
Revenue	%Change																
Effective Rental Income	2.00%	96,615	96,615	98,547	100,518	102,529	104,579	106,671	108,804	110,980	113,200	115,464	117,773	120,129	122,531	124,982	127,481
Other Income	2.00%	2,500	2,500	2,550	2,601	2,653	2,706	2,760	2,815	2,872	2,929	2,988	3,047	3,108	3,171	3,234	3,299
Residential Net EGI	0.00%	99,115	99,115	101,097	103,119	105,182	107,285	109,431	111,620	113,852	116,129	118,452	120,821	123,237	125,702	128,216	130,780
Net Revenue		99,115	99,115	101,097	103,119	105,182	107,285	109,431	111,620	113,852	116,129	118,452	120,821	123,237	125,702	128,216	130,780
Expenses																	
Management Fee	6.61%	6,552	6,552	6,749	6,951	7,160	7,374	7,596	7,823	8,058	8,300	8,549	8,805	9,070	9,342	9,622	9,910
Other Expenses	3.00%	55,718	55,718	57,390	59,111	60,885	62,711	64,592	66,530	68,526	70,582	72,699	74,880	77,127	79,441	81,824	84,278
Reserves	4.00%	5,600	5,600	5,824	6,057	6,299	6,551	6,813	7,086	7,369	7,664	7,971	8,289	8,621	8,966	9,324	9,697
Total Expenses		67,870	67,870	69,962	72,119	74,343	76,637	79,001	81,439	83,953	86,546	89,219	91,975	94,817	97,748	100,770	103,886
NOI		31,245	31,245	31,135	31,000	30,838	30,649	30,430	30,180	29,899	29,583	29,233	28,846	28,420	27,954	27,446	26,894
Key Bank																	
Beginning Balance			295,995	286,322	276,186	265,565	254,435	242,772	230,551	217,744	204,325	194,782	184,571	181,904	179,050	175,996	172,729
Interest	4.79%		14,173	13,710	13,224	12,718	12,183	11,624	11,039	10,426	14,303	13,635	12,920	12,733	12,533	12,320	12,091
Repayments	12	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(23,848)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)
Ending Balance			286,322	276,186	265,565	254,435	242,772	230,551	217,744	204,325	194,782	184,571	181,904	179,050	175,996	172,729	169,233
Cash Flow		7,399	7,399	7,290	7,154	6,993	6,803	6,584	6,334	6,053	5,738	5,387	13,259	12,833	12,367	11,859	11,307
DCR-1st Mortgage		1.31	1.31	1.31	1.30	1.29	1.29	1.28	1.27	1.25	1.24	1.23	1.85	1.82	1.79	1.76	1.73
PHB - KDSL																	
Beginning Balance	78,025		78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	74,460	72,848	71,187	69,477
Interest	3.00%												2,281	2,234	2,185	2,136	2,084
Repayments	12												(3,846)	(3,846)	(3,846)	(3,846)	(3,846)
Ending Balance			78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	78,025	74,460	72,848	71,187	69,477	67,715
Net Cash Flow			7,399	7,290	7,154	6,993	6,803	6,584	6,334	6,053	5,738	5,387	9,413	8,987	8,521	8,013	7,461
DCR - Overall		1.31	1.31	1.31	1.30	1.29	1.29	1.28	1.27	1.25	1.24	1.23	1.48	1.46	1.44	1.41	1.38

Exhibit 1.C.

Operating Cash Flows/B											
Permanent Year Period		16	17	18	19	20	21	22	23	24	25
Years start Oct 2011		2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue	%Change										
Effective Rental Income	2.00%	130,031	132,632	135,284	137,990	140,750	143,565	146,436	149,365	152,352	155,399
Other Income	2.00%	3,365	3,432	3,501	3,571	3,642	3,715	3,789	3,865	3,942	4,021
Residential Net EGI	0.00%	133,396	136,064	138,785	141,561	144,392	147,280	150,225	153,230	156,294	159,420
Net Revenue		133,396	136,064	138,785	141,561	144,392	147,280	150,225	153,230	156,294	159,420
Expenses											
Management Fee	6.61%	10,208	10,514	10,829	11,154	11,489	11,834	12,189	12,554	12,931	13,319
Other Expenses	3.00%	86,807	89,411	92,093	94,856	97,702	100,633	103,652	106,761	109,964	113,263
Reserves	4.00%	10,085	10,489	10,908	11,345	11,798	12,270	12,761	13,272	13,802	14,355
Total Expenses		107,100	110,414	113,831	117,355	120,989	124,737	128,602	132,587	136,698	140,937
NOI		26,296	25,650	24,954	24,226	23,423	22,543	21,624	20,642	19,597	18,484
Key Bank											
Beginning Balance		169,233	165,492	161,490	157,207	152,625	147,721	142,475	136,861	130,854	124,427
Interest	4.79%	11,846	11,584	11,304	11,004	10,684	10,340	9,973	9,580	9,160	8,710
Repayments	12	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)	(15,587)
Ending Balance		165,492	161,490	157,207	152,625	147,721	142,475	136,861	130,854	124,427	117,550
Cash Flow		10,709	10,063	9,367	8,619	7,816	6,956	6,037	5,055	4,010	2,897
DCR-1st Mortgage		1.69	1.65	1.60	1.55	1.50	1.45	1.39	1.32	1.26	1.19
PHB - KDSL											
Beginning Balance	76,025	67,715	65,901	64,032	62,106	60,124	58,081	55,978	53,811	51,579	49,281
Interest	3.00%	2,031	1,977	1,921	1,863	1,804	1,742	1,679	1,614	1,547	1,478
Repayments	12	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)	(3,846)
Ending Balance		65,901	64,032	62,106	60,124	58,081	55,978	53,811	51,579	49,281	46,913
Net Cash Flow		6,863	6,217	5,521	4,773	3,970	3,110	2,191	1,209	164	(949)
DCR - Overall		1.35	1.32	1.28	1.25	1.20	1.16	1.11	1.06	1.01	0.95

PDC
PORTLAND
DEVELOPMENT
COMMISSION

Loan Review Committee Approval Form

Meeting Date: 10/3/02

PDC Sponsor: [redacted]

Project Name: 1 Loan; PDC Loan # 38108-99 – Harold Street Manor

Borrowers: Rose CDC

Loan Program: Existing Loan

Loan Amount: New Funding $286,756 and $11,870 interest accrual =$300,376

Nature of Loan: Deferred ☐ Subsidized ☐ Commercial ☐ Housing ☐ Other ☐
Explain: Grant to pay vendor for lead based paint hazard control measures

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LOAN REVIEW COMMITTEE APPROVALS:

- [x] Approval recommended. Refer to Executive Director for approval.
- [ ] Approval recommended. Refer to Commission for approval.
- [ ] Not recommended for approval.

GES George Shelley, Finance Director, Chair

Bob Alexander, Representative
~~Marty Harris~~, Director, Economic Development

Chip Lazenby, Attorney

Wyman Winston, Director of Housing

Subject to additional special conditions as noted below:

☐ **Approved** ☐ **Not Approved**

(for)
Donald F. Mazziotti
Executive Director

Donald F. Mazziotti
Executive Director

Exhibit 2

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

Date: October 3, 2002

To: Loan Committee

From: John Marshall, HDF

Subject: RESTRUCTURE PDC FINANCING FOR BEYER COURT APARTMENTS AS FOLLOWS:

1. ADDITIONAL FUNDING OF APPROXIMATELY $286,756, WHICH INCREASES THE EQUITY GAP CONTRIBUTION ("EGC") TO REHABILITATE, AND FUND REPLACEMENT RESERVES FOR BEYER COURT APARTMENTS. THE ADDITIONAL FUNDING WILL BE FROM CDBG.
2. REDUCTION OF HOUSING DEVELOPMENT SUBORDINATE LOAN ("HDSL") BALANCE TO $85,000, WHICH CONVERTS $110,225 TO EGC;
3. AMEND THE TERMS OF THE REVISED HDSL TO DEFER LOAN PAYMENTS FOR THE REMAINDER OF 2002, 2003, 2004, TO BE INTEREST ONLY PAYMENTS FOR 2005 AND 2006, AND AMORTIZED PAYMENTS ON A 30 YEAR TERM STARTING IN YEAR 2007. THE REVISED LOAN MATURES IN 2037, SO A BALLOON PAYMENT IS NOT NECESSARY;
4. ADD THE FUTURE ACCRUED INTEREST FROM THE NEW LOAN PAYMENT DEFERRAL TO THE EGC. THE FUNDING SOURCE IS HOME;
5. ADD ACCRUED INTEREST FROM THE PREVIOUS LOAN PAYMENT DEFERRAL TO THE ECG. THE FUNDING SOURCE IS HOME;
6. APPLY ANY PAYMENTS RECEIVED FROM EXCESS CASH FLOW TO THE EGC IN THE RATIO OF 55% TO HOME AND 45% TO CDBG. PAYMENTS OF EXCESS CASH FLOW WILL NOT BE COLLECTED WHEN THE HDSL IS ON DEFERRAL;
7. INCREASE INITIAL REPLACEMENT RESERVE FUNDING REQUIREMENT TO $350/UNIT PER YEAR;
8. MODIFY THE REGULATORY AGREEMENT TO A SIXTY-YEAR AFFORDABILITY PERIOD FROM THE DATE OF THE CLOSING OF THE RESTRUCTURE;
9. INCREASE THE EGC TO A TOTAL OF APPROXIMATELY $644,980, WHICH INCLUDES THE ORIGINAL EGC ($236,129), NEW REHAB FUNDING ($286,756), PREVIOUS ACCRUED INTEREST ($6,345), FUTURE DEFERRED INTEREST ($5,525), AND DEBT CONVERTED TO EGC ($110,225); AND
10. UPDATE ALL LOAN DOCUMENTS TO PDC'S CURRENT VERSION

ROSE Community Development Corporation ("Rose") has requested an infusion of funds for the rehabilitation of deferred maintenance and funding of replacement reserves for the Beyer Court Apartments. They have also requested a restructure of the PDC financing for the project

Property Location	PDC Loan #	Current Balance	Monthly Payment	Type	Fund
Borrower: Rose Community Development Corporation ("Rose")					
9305 SE Harold Street	38108-99	195,225.10	861.17	HDSL	HOME
	38109-99	236,129.09	ECF	EGC	HOME

Description:
Beyer Court Apartments ("the Project") is a 14 unit, apartment project that provides much-needed affordable housing for tenants earning between 0% to 60% of Median Family Income (MFI). The Project is located on Harold Street between SE 92nd Avenue and Interstate 205 in the Lents Town Center Urban Renewal District. The Project's three buildings on a 4/5's acre parcel have all two-bedroom units. The site is located three blocks from the proposed Lents Plaza Town Center residential project that will add 24 units of affordable housing by December 2003. Beyer Court has 11,480 square feet of building area with a laundry room and surface parking. The Project was built in the late 70's, was rehabilitated in 1999.

The Project has a $379,260 first mortgage to Key Bank with Oregon Affordable Housing Tax Credits that reduce the debt service to $23,857 per year. PDC has a $200,000 HDSL at 3% and a 30 - year amortization with annual debt service of $10,334. The PDC loan has a balance of $195,255 that was funded by HOME. Also PDC has an EGC with a balance of $236,122 that was funded by HOME.

Affordability:
The Project's unit-mix, size and affordability are described in the following table:

	Units	MFI	Bedrooms	Sq. ft.
	4	30%	2	820
	5	50%	2	820
	5	60%	2	820
Total	14*			

The manager's unit has a $150 per month rent credit that is reflected in the operating expenses.

14 units will be subject to PDC 's affordability restrictions for a period of 60 years from the date of the restructure.

New Public Benefits Addressed:
The funding will preserve the affordable units by curing the physical deterioration of the Project.

Existing Public Benefits Addressed:
The Project meets several of the City's housing goals as specified in the Comprehensive Plan:

- The Project will be retained as affordable, which is called for in Section 4.14 (D): "Support acquisition by nonprofits... of existing affordable housing susceptible to redevelopment, thereby protecting housing from upward pressure of prices and rents,"
- The Project provides larger units which will accommodate families, which is called for in Section 4.10(A): "Stimulate the development of housing for very low income households with children;

and

- The Project will provide four units of housing for families below 30% MFI, which is called for in Section 4.12(D): "Stimulate the production of a variety of housing types that are affordable and responsive to the needs of extremely low… income households."

Predevelopment Loan:
There is a $9,812 predevelopment loan for the restructure of the subject and Johnson Creek Apartments.

Background:
Rose has a portfolio of approximately 190 units of affordable housing that have been developed since 1992. Two acquisition/rehab projects purchased in 1999 have had negative operating results (Johnson Creek Commons - 15 units and Beyer Court Apartments - 14 units). PDC has deferred loan payments on its subordinate debt on both projects since November 1, 2001. Prior to the deferral, Rose used corporate resources to keep the PDC loans current. Since both properties had negative DCRs on the PDC debt, Rose was able to reduce its losses during the deferral period.

The Project has had substandard performance because 1. rents were not being maximized; 2. the Project was under rehabilitated after acquisition, which produced higher operating expenses, and 3. the PDC debt was based upon lower operating expenses ($2,600 in the original pro forma that would be $2,925 in 2002). Operating expenses were $3,410 without replacement reserves in 2001, and are $3,391 in the pro forma.

Rose has taken several steps to improve the performance of the projects.

- Rose hired Cascade Management Company ("Cascade") to replace Guardian Property Management Company. Cascade increased rents on March 1, 2002, increased occupancy, and lowered operating expenses by $500 per unit at Johnson Creek Commons and $1,000 per unit at Beyer Court.
- Rose hired an in house asset manager to provide: regular oversight of the portfolio, bimonthly site inspections, monthly meetings with the management company, direct contact for tenant issues regarding the management company, and direct interaction with their financial and construction consultants during the restructure/rehabilitation of the projects.
- Rose hired a resident resource coordinator who provides information (access to affordable furniture, etc.) and referrals (health care and activities for children) to the residents, which improves tenant retention and care of the projects.
- Rose asked the Housing Development Center ("HDC") to complete a thorough analysis of both properties to determine operating problems and to propose solutions. HDC has also completed a replacement reserve analysis.

RESTRUCTURE

1. Funding for Rehabilitation:
It is proposed that PDC provide the funds to complete the rehabilitation of the Beyer Court project and replenish its replacement reserves. Since federal funds (HOME) were used in the initial financing of

the Project, PDC is not able to use HOME funds for the rehab and will use CDBG.

The primary items that will be accomplished include:

- repairing the roof of several buildings with 25 year materials, installing metal flashing at all edges, and installing new gutters/downspouts on several of the buildings;
- prepping and painting all of the exterior building surfaces;
- repairing all vents to enhance circulation, replacing interior cabinets/countertops;
- installing prego or equivalent laminate floors in living rooms and bedrooms and marmoleum in kitchens and bathrooms;
- replacing toilets/heat/light/exhaust fans in the bathrooms;
- removing and installing porch slabs at several of the units;
- repairing the exterior stairwells;
- replacing portions of the fence; and
- repairing the laundry room.

Rose and the general contractor plan to minimize tenant disruption through careful scheduling of the rehab and have set aside two of the units for overnight occupancy if it is needed. A licensed assessor completed a lead based paint risk assessment. Minimal contamination was found because the 1999 rehab addressed the lead control issues. No increase in the development budget will be needed. The construction cost is based upon competitive bidding after detailed specifications were completed in mid August. The restructure adds $35,000 to the replacement reserves. The table below lists the development budget:

Direct Costs	Per Unit	Total Cost	Project Allocation/Notes
Construction	13,974	195,631	
Construction Contingency @ 10%	1,397	19,563	
Sub Total	15,371	215,194	75%
Soft Costs			
Building Permits/Fees	incl above	incl above	In Construction Cost
Construction Mgmt/Dev Fee	1,468	20,557*	HDC/Rose/Consultant
Cap Needs Assessment, Specs, Bidding	183	2,555	Consultant
Relocation Expenses	500	7,000	14 units x $100 x 5 days
Deposit to Replacement Reserves	2,500	35,000	HDC analysis
Soft Cost Contingency @ 1%	64	950	Most categories final
Vacancy Reserve	393	5,500	2 units @ 5 mos/construction
Closing Costs	36	500	Estimated
Subtotal	$5,147	$72,062	25%
Rehab Grand Total	$20,518	$287,256**	

*This is a net cost. It does not include a $1,250 Home Technical Assistance Grant (non-PDC funds).
**Rose is contributing $500 to the restructure/rehab, which will pay for the closing costs.
***Also, approximately $11,870 (amount will vary depending on the restructure closing) will be added

to the EGC to fund the accrued interest from the previous loan payment deferral and a proposed future loan payment deferral.

2. Operating Results:
The Stabilized Pro Forma of Exhibit A is based upon actual maximum allowable rents, which is above the current rents. The Cash Flow projection in Exhibit B is based upon the Project's actual rents with an increase to the maximum allowable rate for one third of the units each year after the rehab is completed starting in 2004 until the full rents are achieved in 2006. In late September 2002, Rose's Beyer Court Apartments was awarded four project based Section 8 vouchers. Since it is not known when HUD's subsidy will be received not the amount, the pro forma will not be changed. If there is an increase in revenue, the Excess Cash Flow provision of the EGC will recover approximately 50% of the increase.

Also, Rose will adopt a practice that the Housing Authority of Portland ("HAP") plans to use in major rehabs that upgrade the insulation levels of the floors, walls, and ceiling and installs upgraded windows that meet new construction standards. (The St. Francis will be the first example.) The policy allows the owner to increase the base rent because the tenant will experience lower utility costs. Currently it will increase the base rent by $19 per month on a two-bedroom unit. The specific adjustment is the difference in utility allowance for new construction and existing construction listed in the "Schedule of Utility Allowances (October 2001)"issued by HAP, Exhibit C. They will vary annually depending upon average utility cost increases and the improvements in construction energy efficiency.

There is no actual increase to the resident because the rent increase is the equivalent of the expected utility savings. HAP does not have a written policy that PDC can immediately adopt. Also, the specific energy efficiencies accomplished during the Johnson Creek Commons and Beyer Court rehabs vary. The Beyer Court 1999 rehab added new vinyl double paned energy efficient windows, upgraded ceiling insulation to R-38, repaired floor insulation, and repaired vapor barriers and roof vents.

Therefore, PDC has requested that Rose have energy audits (no cost to the owner) performed by PGE on both projects. The audit will identify the improved efficiency obtained from the 1999 rehabs and the currently proposed rehab. Rose will also request summaries of utility charges for the tenants at th Project after the 1999 rehab was completed. If true savings in utility costs are supported by the audits/tenant utility costs, it is recommended that PDC approve Rose's utilization of new construction utility allowances in its determination of the base rents that it charges. This would be employed after the federally mandated rent increase restrictions have passed. There could be a $2,300 annual increase in revenue for Rose at Beyer Court that could service higher debt service. Although this will improve the Project's performance; it is not significant enough to revise the financial structure since the Excess Cash Flow provision of EGC will recoup close to 50% of the increased revenue.

Operating expenses are based upon Cascade Property Management Company's 2002 budget adjusted to include replacement reserves ($350 per unit), advertising expenses of $500 or $36 per unit, and asset management expenses ($133 per unit). The Project's operating expenses without replacement reserves were $3,410 last year under Guardian/Cascade and are projected to be $3,391 with replacement reserves. This produces an operating expense ratio of 61% in 2002.

3. Modification of Debt:
It is recommended that PDC restructure the HDSL because the Project's operating expenses/replacement reserve needs are 19% higher than initially underestimated. The adjustment is also needed to allow the project to stabilize after the rehab, since the use of federal funds will limit rent growth in the first year. Lastly, the adjustment is needed because Beyer Court will be competing against the proposed Lents Plaza Town Center project that will be completed by December 2003.

It is proposed that the PDC subordinate debt be reduced from a current balance of $195,225 to $85,000. The revised HDSL obligations will have 3% interest and use a new thirty-year amortization period. Repayments should be deferred during 2002, 2003, and 2004, interest only during 2005 and 2006, and amortized payments start in 2007. The loan term should be extended to mature in 2037 so the loan can be fully repaid without the need of a balloon payment.

The modified HDSL payments will augment the Project's ability to produce positive operating results and fund the necessary higher replacement reserves. Debt service on the PDC debt is reduced from $10,334 currently to $4,300 in 2007. This produces the following DCRs on the PDC debt: 2005 (1.37), 2006 (1.40), and 2007 (1.33) when the loan begins amortized payments. The higher DCR is proposed to provide a safety margin for a property that has had performance problems. If the project produces more cash flow, PDC will recover 50% of the Excess Cash Flow through the EGC provision.

4. Modification of Equity Gap Contribution:
The interest deferred on the PDC subordinate debt from November 2001 through the time the restructure is completed will be added to the EGC (estimated to be approximately $6,345). The interest that accrues during the future deferral (2002, 2003, and 2004) estimated to be approximately $5,525 will also be added to the EGC.

This provides an EGC of approximately $644,980 as shown below:	Amount	Source
New Rehab funds	$286,756	CDBG
Conversion of HDSL to EGC	110,225	HOME
Interest accrued on existing HDSL from 11-1-2001 to 10-31-02	6,345	HOME
Interest accrued on modified HDSL from 11-1-2002 to 12-31-04	5,525	HOME
Existing EGC	236,129	HOME
Total	**$644,980**	

Any repayment received from the standard PDC cash flow split will be applied to the Equity Gap Contribution and allocated by funding source, i.e., 55% to HOME and 45% to CDBG.

5. Loan Document Changes:
The replacement reserve agreement will be modified to require annual deposits starting at $350 per unit. PDC will also require that it become a party to the account and withdrawals in excess of $500 or more than $2,000 per month be submitted to PDC for approval, which shall not be unreasonably withheld. The development budget replenishes the replacement reserves by funding $35,000.

The regulatory agreement will be amended from the date of PDC's additional funding so it will be 60 years.

All loan documents will be updated to PDC's current version and Asset Management language will be added. This includes quarterly reporting during the deferral/rehab period and afterwards. The reporting during the deferral/rehab will focus on portfolio revenue, operating expenses, replacement reserves set aside, the cost and general quality of the repairs, and the remaining funds. The reporting following the deferral/rehab will be the standard PDC report requirement that includes annual budgets, quarterly income and expense reports that track/compare to budget with variance reports, annual capital repair plans/budget, quarterly operating /capital reserve account management, tenant leasing plans, and tenant retention plans.

Development Team:
Owner: Rose owns the Project. Rose has a great deal of experience with infill development of this type. No architect will be required for the rehab. The general contractor for the rehabilitation work will be Longshot Construction Company. Titus Construction Management and Consulting Company ("Titus") will be the project manager. Frank Eckstein, a former Rose employee that is familiar with the Project, is the owner of Titus.

Property Management: Cascade Management Company will manage the project.

Developer Fee and Developer Equity:
The development fees including consulting fees are listed below. PDC's permanent funding will repay an Enterprise Predevelopment Loan that has paid for some of the earlier consulting costs.

The consulting fees include HDC's analysis of the project operations, a proposed restructure structure, and a replacement reserve analysis.

Rose engaged a construction management specialist, Frank Ecskstein. He provided a detailed Capital Needs Assessment for the buildings/units, developed the scope of work/specifications for the rehab, managed the selection of the general contractor, and will manage the rehab.

Rose's compensation is based upon previous time provided in the restructure and estimated future involvement to complete the rehab/restructure. This includes working with HDC to determine the causes of the poor performance of Beyer Court, developing strategies to lower operating costs, improve occupancy and raise rents. Rose also assisted in the restructure analysis, and is working with the construction Project Manager to develop the relocation plan and scheduling of the subcontractors that will complete the rehab. Finally Rose will be implementing rent increases in the future years and providing additional reporting to PDC through the quarterly reporting concomitant with PDC's Restructures. The total cost of the consultants/developer fee is 8.7% of the additional funds and 6.1% of the new funding/adjusted obligations. This is within the 8% to 12% range in PDC's Financial Products Manual for projects of this size.

Rose is contributing $500 to the restructure, which should be more than enough to pay for the closing costs.

It should be noted that a portion of the consulting fees for HDC are paid for by a non-PDC funded HOME Technical Assistance Grant as noted below.

Use

	HDC	Titus	Rose	Other	Total
Financial Analysis	2,500				
Replacement Reserve Analysis	500				
Specs & Bid Write-up/Contractor Selection/Capital Needs Assessment		2,555			
Project Management		8,000			
Development Fee to Rose			10,807		
Roof Certification					
Sub Totals	3,000	10,555	10,807	[illegible]	
Grand Total					24,362

Source of Payment

PDC EGC	23,112	
TA Grant from BHCD	1,250	
Grand Total		24,362

Revised Sources and Uses:
The following chart outlines the revised Project costs and uses of funding:

	Current	Proposed	Change
USES:			
Acquisition Costs	657,500	657,500	
Construction Costs	96,695	311,889	+215,194
Accrued Interest		11,870	+11,870
Development/Soft Costs	88,694	137,644	+48,950
Developer and Consulting Fees	41,000	65,362	+24,362
[illegible]	[illegible]	[illegible]	[illegible]
SOURCES:			
Key Bank Loan with (OAHTC) 8/31/02	366,041	366,041	0
PDC Loan- HOME 8/31/02	195,225	85,000	-110,225
PDC Equity Gap – HOME* +Conversion of debt to EGC +Previous Accrued Interest +Future Accrued Interest =55%	236,129	236,129 +110,225 +6,345 +5,525	+122,095
OCHS Trust Fund	50,000	50,000	0
TA Grant for Restructure Consulting		1,250	+1,250
NEW PDC EGC - CDBG = 45%		286,756	+286,756
Rose Equity Contribution	17,000	17,500	+500
Fee Waivers	1,500	1,500	
Principal Paydown	17,994	17,994	
[illegible]	[illegible]	[illegible]	[illegible]

		Per Unit	Per Person
*After restructure EGC will appear as a single note to the borrower. It will be split funded at the % listed above		14	42
Final PDC Project Funding	**729,980**	**52,141**	**17,380**

31 –50% averages Average per family project	Per Unit 27,186	Per Person 8,726
[illegible]	[illegible]	[illegible]

PDC Additional Financing Structure

Equity Gap amount: $286,756 will be funded as an increase of the EGC for the rehab. Approximately $11,870 will be added to the ECG to fund the accrued interest from previous and future loan payment deferrals. The interest accrual is booked but not actually disbursed. The total increased equity gap is approximately $408,851.

Amount per unit: PDC's additional equity gap investment including accrued interest is approximately is $29,204 per residential unit.

Terms:
- 0.00% interest rate.
- Threshold of 15% of Debt Service.
- Payments received from Excess Cash Flow will be applied to the Equity Gap Contribution (55% to HOME and 45% to CDBG).

Key Risks:
- Rehabilitation of older properties is difficult because there is a potential of discovering previously unknown defects.
- The property in this restructure currently has rents lower than the maximum allowed, high operating expenses, and deferred maintenance.

Mitigating Factors:
- Cascade Property Management Company and Rose have increased occupancy, and lowered operating expenses. Project rents were increased on March 1, 2002.
- Rose has hired Sue Wiswell as asset manager. She has focused much of her attention on both of the rehab projects and is working with HDC to improve property operations and the project manager on the rehab plan.
- PDC will provide funds to correct capital improvements that were not remedied initially.
- PDC will lower the annual debt service by converting a portion of its debt to equity gap contribution and amending the loan payment terms to allow the project to stabilize after the rehab is completed. The debt service is deferred during the rehab and the period the Project's rents are increased. It becomes interest only for 2005 and 2006 and amortizes payments over 30 years starting in 2007. This improves the combined DCR from .89 in year 2001 to 1.33 in 2007 when PDC amortized payments begin. This also strengthens the project's ability to adjust to variations in operating results.
- The replacement reserve is replenished to $35,000 and the annual deposit is increased from $250 per unit to $350 per unit in the initial year.
- PDC will require quarterly reporting to the PDC Asset Management Department during the deferral/rehab period and quarterly reporting afterwards. The reporting will be in accordance with PDC's standard reporting requirements when a restructure occurs.
- Asset management has been included as an expense for the project so that Rose can monitor project performance and reports can be provided to PDC.

Exceptions to Guidelines:
- The DCR is 1.33 in the first year of amortized payments rather than 1.1 because the project has a higher risk and needs the safety margin.
- The modified PDC HDSL of $50,000 loan has deferred payments for the remainder of 2002, all of 2003 and 2004, interest only payments in 2005 and 2006, and amortized payments based upon thirty years begin in 2007.

- Payments received will be applied to the Equity Gap Contribution rather than to the HDSL because the scheduled debt has been reduced substantially, PDC has funded a $286,256 additional EGC, and the HDSL instrument should remain outstanding because it has the strongest enforcement capability. ECF payments will not be collected while the HDSL is on deferral.
- The replacement reserve agreement deposits begin at $350 per unit because the project is an older rehab that needs greater deposits to maintain a large reserve balance to reduce the need to request additional funds from PDC.
- The loan term is thirty years after the deferral period and interest only period, so the loan can be repaid within the loan term and a balloon payment is not necessary.
- If Rose is able to obtain an energy audit that supports lower utility costs for residents because of the improved insulation and energy efficient components from the initial 1999 rehab and the proposed rehab, it is recommended that PDC approve Rose's use of a higher base rent. This occurs because a lower utility allowance deduction is used. This produces a higher net rent for the borrower and is based upon increased insulation and more efficient windows that create a tighter building envelope that reduces heat/cooling loss, which lowers the tenant's utility costs.

Conditions:
- The Borrower must provide all requested due diligence documentation.
- The Borrower must agree to any additional terms and conditions that PDC may require once additional documentation has been reviewed.
- The owner must provide an asset management plan required by PDC's new restructure program.
- The total amount owed for deferred interest, and all other charges if applicable will be verified with the PDC Loan Servicing Department. The final new funding will be adjusted to include the accrued interest as of the closing of the restructure.
- The owner will have to provide updated quarterly reports during the period of the rehab and initial loan payment deferral. The reports should detail the progress of the completion of the capital improvements at the project, the improved maintenance program and progress improving the project's operating results. This will include joint inspections with the PDC construction coordinator and its asset management department. Variations from the pro forma and maintenance schedule must be submitted to PDC for approval, which shall not be unreasonably withheld.
- All federal funding requirements (SHPO review and environmental review) have been completed and are attached to the loan committee report.
- The borrower must produce energy audits to verify that the initial rehab or the current rehab provides energy savings to the tenants that support the use of lower utility allowances in the future.
- The restructure must be completed within 90 days. If it is not, the loan payment deferral period will expire and the previous loan payments will resume.

Recommendation:
PDC staff has reviewed the project proforma and recommends that the Loan Committee approve the additional funding and restructure under the terms above.

Attachments
Exhibit A - Stabilized Pro Forma
Exhibit B - Projected Cash Flow
Exhibit C – Schedule of Utility Allowances (October 2001)
Exhibit D - Environmental Impact Statement/SHPO Review
Exhibit E Revised Sources and Uses

Operating Cash Flows/ Permanent Year Period		14	15	16	17 OAHTCs Expire/Senior Mortgage Matures	18	19	20	21	22	23	24	25
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Revenue	%Change												
Effective Rental Income	3.00%	118,172	121,717	125,369	129,130	133,004	136,994	141,103	145,337	149,697	154,188	158,813	163,578
Other Income	3.00%	2,511	2,587	2,664	2,744	2,826	2,911	2,998	3,088	3,181	3,277	3,375	3,476
Residential Net EGI	0.00%	120,683	124,304	128,033	131,874	135,830	139,905	144,102	148,425	152,878	157,464	162,188	167,054
Net Revenue		120,683	124,304	128,033	131,874	135,830	139,905	144,102	148,425	152,878	157,464	162,188	167,054
Expenses													
Management Fee	6.75%	8,149	8,394	8,646	8,905	9,172	9,447	9,731	10,023	10,323	10,633	10,952	11,280
Other Expenses	4.00%	62,139	64,624	67,209	69,898	72,694	75,601	78,626	81,771	85,041	88,443	91,981	95,660
Reserves	4.00%	8,159	8,485	8,825	9,178	9,545	9,927	10,324	10,737	11,166	11,613	12,077	12,560
Total Expenses		78,447	81,503	84,680	87,980	91,410	94,975	98,680	102,530	106,531	110,688	115,010	119,501
Net Operating Income		42,236	42,800	43,353	43,893	44,419	44,930	45,422	45,896	46,347	46,776	47,178	47,553
Senior Mortgage - Key Bank													
Beginning Balance		252,079	240,077	227,495	214,307	200,482	185,991	170,800	154,878	138,187	120,691	102,352	83,127
Interest	4.79%	11,844	11,265	10,658	10,022	9,355	8,656	7,924	7,156	6,351	5,507	4,622	3,696
Repayments	12	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)
Ending Balance		240,077	227,495	214,307	200,482	185,991	170,800	154,878	138,187	120,691	102,352	83,127	62,976
Cash Flow		18,390	18,954	19,507	20,047	20,573	21,083	21,576	22,049	22,501	22,929	23,332	23,707
DCR-1st Mortgage		1.77	1.79	1.82	1.84	1.86	1.88	1.90	1.92	1.94	1.96	1.98	1.99
PDC HDSL (HOME)													
Beginning Balance		69,436	67,218	64,934	62,582	60,159	57,663	55,093	52,445	49,718	46,909	44,016	41,036
Interest	3.00%	2,083	2,017	1,948	1,877	1,805	1,730	1,653	1,573	1,492	1,407	1,320	1,231
Additional Repayments													
Repayments	12	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)
Ending Balance		67,218	64,934	62,582	60,159	57,663	55,093	52,445	49,718	46,909	44,016	41,036	37,967
Net Cash Flow		14,089	14,653	15,206	15,747	16,273	16,783	17,275	17,749	18,200	18,629	19,031	19,406
DCR-Combined		1.50	1.52	1.54	1.56	1.58	1.60	1.61	1.63	1.65	1.66	1.68	1.69
PDC EGC (HOME)													
Beginning Balance		339,092	336,378	333,510	330,489	327,320	324,006	320,552	316,962	313,242	309,398	305,436	301,364
Additional Principal		-2,713	-2,868	-3,021	-3,169	-3,314	-3,454	-3,590	-3,720	-3,844	-3,962	-4,073	-4,176
Ending Balance		336,378	333,510	330,489	327,320	324,006	320,552	316,962	313,242	309,398	305,436	301,364	297,188
PDC NEW EGC (CDBG)													
Beginning Balance		271,102	268,882	266,535	264,064	261,471	258,759	255,933	252,996	249,953	246,808	243,566	240,234
Additional Principal		-2,220	-2,347	-2,471	-2,593	-2,711	-2,826	-2,937	-3,043	-3,145	-3,242	-3,332	-3,416
Ending Balance		268,882	266,535	264,064	261,471	258,759	255,933	252,996	249,953	246,808	243,566	240,234	236,818
Cushion of 15% of Debt Service		(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)
Potential Excess Cash Flow after 15%		9,867	10,431	10,984	11,525	12,051	12,561	13,053	13,527	13,978	14,407	14,809	15,184
Potential PDC Cash @ 50%		4,934	5,216	5,492	5,762	6,025	6,280	6,527	6,763	6,989	7,203	7,405	7,592
Potential Owner Cash @ 50%		4,934	5,216	5,492	5,762	6,025	6,280	6,527	6,763	6,989	7,203	7,405	7,592
Potential Cash Flow To Borrower		9,156	9,438	9,714	9,984	10,247	10,502	10,749	10,985	11,211	11,425	11,627	11,814

Operating Cash Flows/ Permanent Year Period		26	27	28	29	30
		2027	2028	2029	2030	2031
Revenue	%Change					
Effective Rental Income	3.00%	168,485	173,539	178,748	184,108	189,631
Other Income	3.00%	3,580	3,688	3,798	3,912	4,030
Residential Net EGI	0.00%	172,065	177,227	182,544	188,020	193,661
Net Revenue		172,065	177,227	182,544	188,020	193,661
Expenses						
Management Fee	6.75%	11,619	11,967	12,328	12,696	13,077
Other Expenses	4.00%	99,486	103,468	107,604	111,909	116,385
Reserves	4.00%	13,063	13,586	14,129	14,694	15,281
Total Expenses		124,168	129,018	134,059	139,298	144,743
Net Operating Income		47,897	48,209	48,485	48,722	48,917
Senior Mortgage - Key Bank						
Beginning Balance		62,976	41,852	19,710		
Interest	4.79%	2,723	1,704	636		
Repayments	12	(23,847)	(23,847)	(20,346)		
Ending Balance		41,852	19,710	0	0	0
Cash Flow		24,051	24,362	28,139	48,722	48,917
DCR-1st Mortgage		2.01	2.02	2.38	#DIV/0!	#DIV/0!
PDC HDGL (HOME)						
Beginning Balance		37,967	34,806	31,550	28,196	24,741
Interest	3.00%	1,139	1,044	946	846	742
Additional Repayments						
Repayments	12	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)
Ending Balance		34,806	31,550	28,196	24,741	21,183
Net Cash Flow		19,751	20,062	23,839	44,421	44,617
DCR-Combined		1.70	1.71	1.97	11.33	11.38
PDC EGC (HOME)						
Beginning Balance		297,186	292,916	288,562	283,167	272,112
Additional Principal		-4,270	-4,358	-5,395	-11,055	-11,108
Ending Balance		292,916	288,562	283,167	272,112	261,004
PDC NEW EGC (CDBG)						
Beginning Balance		236,818	233,324	229,760	225,346	216,301
Additional Principal		-3,494	-3,564	-4,414	-9,045	-9,089
Ending Balance		233,324	229,760	225,346	216,301	207,212
Cushion of 15% of Debt Service		(4,222)	(4,222)	(4,222)	(4,222)	(4,222)
Potential Excess Cash Flow after 15%		15,529	15,840	19,617	40,199	40,396
Potential PDC Cash @ 50%		7,764	7,920	9,808	20,100	20,198
Potential Owner Cash @ 50%		7,764	7,920	9,808	20,100	20,198
Potential Cash Flow To Borrower		11,986	12,142	14,030	24,322	24,420

INCOME AND EXPENSE ANALYSIS

Beyer Court

September 20, 2002

HOUSING	Units	sf	Gross Rent	Utility Allowance	Net Rent $/unit	$/Month	$/Year
Two Bedroom - 30%	4	820	386	89	297	1,188	14,256
Two-Bedroom- 49%	5	820	644	89	555	2,775	33,300
Two-Bedroom- 55%	5	820	696	89	607	3,035	36,420
Potential Rental Income	14					6,998	83,976
Vacancy/Credit Loss					5.0%	(350)	(4,199)
Effective Rental Income						6,648	79,777
Laundry/Other Income						150	1,800
Vacancy/Credit Loss					5.0%	(8)	(90)
Effective Other Income						143	1,710
Residential Net EGI						6,791	81,487
NET REVENUE						6,791	81,487

EXPENSES		% EGI	$/Unit	$/Year
On Site Management		11.8%	686	9,609
Contracted Management Fee	6.4%	6.4%	375	5,250
Bad Debts		0.6%	36	501
Repairs and Maintenance		10.7%	625	8,755
Legal & Accounting		1.8%	108	1,507
Utilities		13.9%	807	11,302
Insurance		3.9%	225	3,145
Advertising, Marketing		0.6%	36	500
Replacement Reserve (350/unit)		6.0%	350	4,900
Asset Management		2.5%	143	2,000
TOTAL OPERATING EXPENSES		58.3%	3,391	47,469
TOTAL NOI		41.7%	2,430	34,018

DEBT SERVICE ANALYSIS - Stabilized Year

Principal--First Mortgage/Key Bank	379,260
Interest Rate	4.79%
Amortization Schedule	30
Annual Debt Service	23,847
Total Debt Coverage	1.43

Principal--PDC-HDSL (HOME)	85,000
Interest Rate	3.00%
Amortization Schedule (years)	30
Annual Debt Service	4,300
Debt Coverage Ratio-combined	1.21

Principal--PDC-EGC Revised (HOME)	358,224
Interest Rate	0.00%
Amortization Schedule (years)	
Annual Debt Service	#DIV/0!
Debt Coverage Ratio-combined	#DIV/0!

Principal--NEW PDC-EGC (CDBG)	288,756
Interest Rate	0.00%
Amortization Schedule (years)	
Annual Debt Service	#DIV/0!
Debt Coverage Ratio-combined	#DIV/0!

Exhibit A

Operating Cash Flows/Beyer Court

Permanent Year Period

			1	2	3	4	5	6	7	8	9	10	11	12	13
		Stabilized Yr.	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenue	%Change														
Effective Rental Income	3.00%	79,777	76,038	78,483	82,852	87,931	90,569	93,286	96,085	98,967	101,936	104,994	108,144	111,388	114,730
Other Income	3.00%	1,710	1,710	1,761	1,814	1,869	1,925	1,982	2,042	2,103	2,166	2,231	2,298	2,367	2,438
Residential Net EGI	0.00%	81,487	77,748	80,244	84,666	89,800	92,494	95,268	98,126	101,070	104,102	107,225	110,442	113,755	117,168
Net Revenue		81,487	77,748	80,244	84,666	89,800	92,494	95,268	98,126	101,070	104,102	107,225	110,442	113,755	117,168
Expenses															
Management Fee	6.75%	5,250	5,250	5,419	5,717	6,064	6,246	6,433	6,626	6,825	7,030	7,240	7,458	7,681	7,912
Other Expenses	4.00%	37,319	37,319	38,812	40,364	41,979	43,658	45,404	47,220	49,109	51,074	53,117	55,241	57,451	59,749
Reserves	4.00%	4,900	4,900	5,096	5,300	5,512	5,732	5,962	6,200	6,448	6,706	6,974	7,253	7,543	7,845
Total Expenses		47,469	47,469	49,326	51,381	53,554	55,636	57,799	60,047	62,382	64,809	67,331	69,952	72,676	75,506
...et Operating Income		34,018	30,279	30,918	33,285	36,246	36,858	37,469	38,080	38,688	39,293	39,894	40,490	41,080	41,662
Senior Mortgage - Key Bank															
Beginning Balance			366,041	359,535	352,716	345,557	338,064	330,209	321,976	313,345	304,298	294,814	284,874	274,453	263,530
Interest	4.79%		17,341	17,027	16,688	16,353	15,992	15,613	15,216	14,799	14,363	13,906	13,426	12,923	12,396
Repayments	12	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)	(23,847)
Ending Balance			359,535	352,716	345,557	338,064	330,209	321,976	313,345	304,298	294,814	284,874	274,453	263,530	252,079
Cash Flow			6,432	7,071	9,438	12,399	13,011	13,623	14,233	14,841	15,447	16,048	16,643	17,233	17,816
DCR-1st Mortgage		1.43	1.27	1.30	1.40	1.52	1.55	1.57	1.60	1.62	1.65	1.67	1.70	1.72	1.75
PDC HDSL (HOME)															
Beginning Balance			85,000	85,000	85,000	85,000	85,000	85,000	83,250	81,447	79,590	77,677	75,707	73,678	71,588
Interest	3.00%		in budget	in budget	in budget	2,550	2,550	2,550	2,497	2,443	2,388	2,330	2,271	2,210	2,148
Additional Repayments															
Repayments	12	(4,300)				(2,550)	(2,550)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)	(4,300)
Ending Balance			85,000	85,000	85,000	85,000	85,000	83,250	81,447	79,590	77,677	75,707	73,678	71,588	69,435
Net Cash Flow			6,432	7,071	9,438	9,849	10,461	9,323	9,933	10,541	11,146	11,747	12,343	12,933	13,515
DCR-Combined		1.21	1.27	1.30	1.40	1.37	1.40	1.33	1.35	1.37	1.40	1.42	1.44	1.46	1.48
PDC EGC (HOME)		55.00%													
...ginning Balance			358,224	358,224	358,224	358,224	356,677	354,961	353,558	351,988	350,250	348,346	346,278	344,043	341,648
...ditional Principal				0	0	-1,547	-1,716	-1,403	-1,571	-1,738	-1,904	-2,069	-2,233	-2,395	-2,556
Ending Balance			358,224	358,224	358,224	356,677	354,961	353,558	351,988	350,250	348,346	346,278	344,043	341,648	339,092
PDC NEW EGC (CDBG)		45.00%													
Beginning Balance			286,756	286,756	286,756	286,756	285,490	284,086	282,939	281,654	280,232	278,674	276,981	275,153	273,194
Additional Principal				0	0	-1,266	-1,404	-1,148	-1,285	-1,422	-1,558	-1,693	-1,827	-1,960	-2,091
Ending Balance			286,756	286,756	286,756	285,490	284,086	282,939	281,654	280,232	278,674	276,981	275,153	273,194	271,103
Cushion of 15% of Debt Service			(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)	(4,222)
Potential Excess Cash Flow after 15% Cushion			4,222	2,849	5,216	5,627	6,239	5,101	5,711	6,319	6,924	7,525	8,121	8,711	9,293
Potential PDC Cash @ 50%						2,813	3,120	2,550	2,855	3,160	3,462	3,763	4,061	4,355	4,647
Potential Owner Cash @ 50%						2,813	3,120	2,550	2,855	3,160	3,462	3,763	4,061	4,355	4,647
Potential Cash Flow To Borrower		-17500	6,432	7,071	9,438	7,035	7,342	6,772	7,077	7,382	7,684	7,985	8,283	8,577	8,869

Exhibit B

SCHEDULE OF UTILITY ALLOWANCES

SECTION 8 PROPERTIES (October 2001) - Served by PGE

		500 SF 0-BD	700 SF 1 BD	900 SF 2-BD	1100 SF 3-BD	1300 SF 4-BD	1500 SF 5-BD	
ELECTRIC-MONTHLY SERVICE CHARGE		$10	$10	$10	$10	$10	$10	
LIGHTS & REFRIGERATOR		$5	$7	$9	$11	$12	$13	
FAN		$1	$1	$2	$2	$2	$3	
COOKING		$3	$4	$6	$8	$10	$12	
HOT WATER		$13	$19	$22	$27	$32	$36	
SPACE HEAT (EXIST. S/F DETACHED)			$42	$53	$64	$76	$84	
SPACE HEAT (NEW S/F DETACHED)			$21	$26	$32	$37	$42	
SPACE HEAT (EXIST. MULTIPLEX)		$24	$33	$40	$50	$57		
SPACE HEAT (NEW MULTIPLEX)		$13	$17	$21	$26	$30		
GAS-MONTHLY SERVICE CHARGE		$5	$5	$5	$5	$5	$5	
COOKING		$5	$6	$7	$9	$11	$12	
HOT WATER		$8	$11	$14	$17	$20	$23	
SPACE HEAT (EXIST. S/F DETACHED)			$35	$44	$53	$63	$70	
SPACE HEAT (NEW S/F DETACHED)			$15	$19	$23	$26	$30	
SPACE HEAT (EXIST. MULTIPLEX)		$20	$27	$33	$41	$47		
SPACE HEAT (NEW MULTIPLEX)		$9	$13	$16	$19	$22		
HOT WATER		$0	$8	$11	$14	$17	$18	
SPACE HEAT (EXIST. S/F DETACHED)			$37	$46	$56	$65	$72	
SPACE HEAT (NEW S/F DETACHED)			$17	$22	$26	$30	$34	
SPACE HEAT (EXIST. MULTIPLEX)		$20	$28	$35	$42	$50		
SPACE HEAT (NEW MULTIPLEX)		$9	$13	$16	$19	$22		
INSIDE PORTLAND		$6	$7	$11	$17	$22	$28	
INSIDE GRESHAM		$16	$17	$21	$26	$31	$37	
OTHER AREAS		$10	$11	$13	$19	$23	$32	
SEWER-SINGLE FAMILY DWELLING		$20	$23	$32	$35	$37	$45	
SEWER-S/F GRSHM/OTHER		$29	$29	$29	$29	$29	$29	
SEWER-MULTI-FAMILY DWELLING		$20	$20	$20	$20	$25	$25	
GARBAGE/SOLID WASTE (WEEKLY P/U)		$25	$25	$25	$25	$31	$35	
USE SAME RATE FOR GRESHAM AND OTHER AREAS								
TENANT OWNED								
APPLIANCES	REFRIG.	$3	$3	$3	$3	$3	$3	
CREDIT	RANGE	$2	$2	$2	$2	$2	$2	
							TOTAL	$0

EXISTING SINGLE FAMILY DETACHED OR MULTIPLEX ARE UNITS NOT WEATHERIZED AND CONSTRUCTED PRIOR TO 1980

WEATHERIZED (3 OF 4) WINDOWS _______ CEILING _______ FLOOR _______ WALLS _______

NEW SINGLE FAMILY DETACHED OR MULTIPLEX-DOUBLE GLASS ARE UNITS WEATHERIZED OR CONSTRUCTED AFTER 1980

SERVICE CHARGES ARE FIXED FOR ELECTRIC, GAS, AND WATER/SEWER

4691 HDD USED IN COMPUTATIONS

LIGHTS INCLUDE REFRIGERATOR, OVERHEAD LIGHTS, LAMPS, AND OUTLETS

REFERENCE HUD CIRCULAR 87-P-13 FOR ALLOWANCE TABLES

FMR	
-UA	
MAX.	

Exhibit C

PDC

PORTLAND DEVELOPMENT COMMISSION

Site Specific Env onmental Review

☐ Single Family (1-4 units) ☒ Multi-Family (5 or more units)

☐ Public Facility or Commercial (See attached documents)

Please Print

PROPERTY ADDRESS 9305–29 SE Harold (Beyer Court) File No. ____________

Owner Rose CDC Date 8/22/02

CATEGORICALLY EXCLUDED

This project is categorically excluded from NEPA requirements under 24 CFR 58.35 (a) (4)(i), (7), or (8), because:

Acquisition only (No Rehabilitation Work)

☐ This is an acquisition of an existing structure that is in place and will be retained in the same use, where no rehabilitation is being done. [24 CFR 58.35 (a)(8)]

If this criteria is met, perform this Site Specific Environmental Review.

Single Family Dwellings only (1 to 4 units)

☐ This is an individual action on a one-to-four family dwelling. [24 CFR 58.35 (a)(7)]

☐ This is an individual action on a project of five or more units developed on scattered sites that are more than 2,000 feet apart and with no more than four units on any one site. [24 CFR 58.35 (a)(7)]

If any of these criteria are met, perform this Site Specific Environmental Review.

All Other Residential Buildings

☒ Unit density is not increased more than 20 percent;

☒ The project does not involve changes in land use from residential to nonresidential or from nonresidential to residential, or from one class of residential use to another (i.e. from single family attached dwellings to high-rise multiple dwelling units); and

☒ The estimated cost of rehabilitation is less than 75 percent of the total estimated cost of replacement after rehabilitation.

Rehabilitation cost: $160,900

Replacement cost: 11,724 sq. ft. at $80 /sq.ft. = $937,920

Percentage of Rehabilitation Cost to Replacement Cost: 17.2 %

If all of these criteria are met, perform this Site Specific Environmental Review.

If these criteria are not met, perform an Environmental Assessment. Refer to the regulations cited for further clarification.

CERTIFICATION

☐ [illegible]

[illegible]

☐ [illegible]

[illegible]

[illegible] date

Exhibit D

Site Specific Environmental Review

Side Two

FLOODPLAIN **Neighborhood Code** 545 **FEMA Map No.** 0047D

☐ Structure is located in Floodplain. ☒ Structure is not located in Floodplain.

☐ *If yes, structure is insured with flood insurance.*

HISTORIC PRESERVATION **Year Built** 1967

☐ Structure is 50 years old or more. ☒ Structure is less than 50 years old.

☐ Structure is in an historic district. ☒ Structure is not in an historic district.

☐ *If yes to either:* ☐ *Historic Review is included in file,* ____________, *date of final determination of effect,*

or; ☐ *Commitment will be conditioned so that the Historic Review must be completed prior to giving the Proceed Order.*

ASBESTOS

☒ Inspection indicates presence of possible asbestos-containing materials.

- ☐ Friable
- ☒ Non-friable

☐ Inspection does not indicate presence of possible asbestos-containing materials.

☒ *If yes, materials will be handled per DEQ guidelines.*

FLAMMABLE and EXPLOSIVE HAZARDS

☐ Inspection indicates presence of above-ground hazardous material tanks.

☒ Inspection does not indicate presence of above-ground hazardous material tanks.

☐ *If yes, amelioration measures have been reviewed for feasibility.*

Reviewed and Recommended by:

Keith [signature]

Housing/Construction Specialist

10/5/98

date

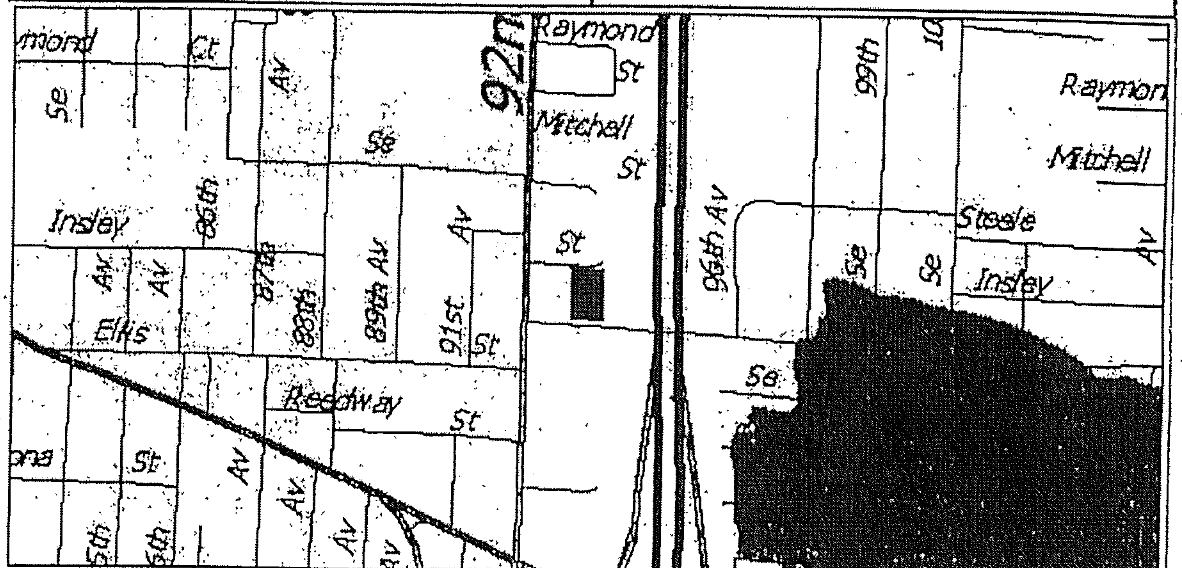
PortlandMaps

9305 SE HAROLD ST - LENTS - PORTLAND

New Search | Mapping | Help
Explorer | Property | **Maps** | Crime | Census
Summary | Elevation | Garbage | **Hazard** | Photo | Property | Water | Sewer | Tax Map | Zoning

Flood Plain

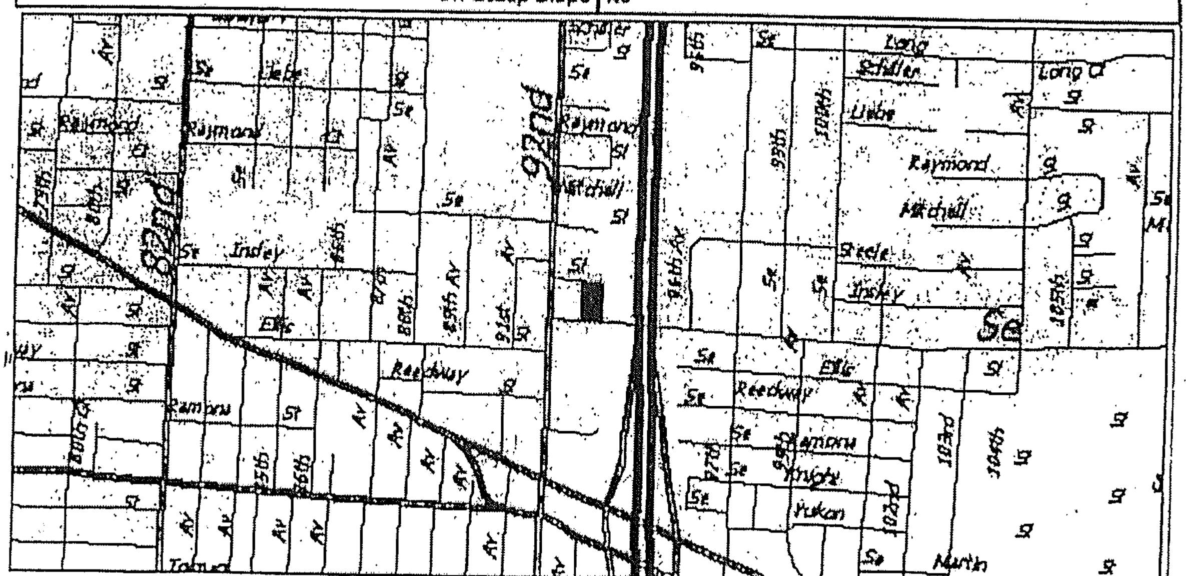
Within Flood Plain	No



0 — 1000 FT

Steep Slope (20%)

On Steep Slope	No



0 — 1500 FT

Wild Lands Fire Hazard

Wild Fire Hazard	No

PROJECT COST ANALYSIS

Beyer Court
9305 Harold Street
Rose CDC

14 Units

	Construction	Cost to Rehabilitate	Total	Unit 14	% of total	Per sf 11,480
ACQUISITION COSTS						
Land/Improvements	657,500					
Escrow, Title, Recording						
ACQUISITION TOTAL	657,500	0	657,500	46,964	74%	57
DIRECT CONSTRUCTION COSTS						
Building Construction	89,445	195,631				
Contractor Overhead & Profit	7,250					
Construction Contingency		19,563				
DIRECT CONSTRUCTION TOTAL	96,695	215,194	311,889	22,278	11%	27
INDIRECT DEVELOPMENT COSTS						
Architect/Engineer						
Appraisal/Review	2,700					
Construction Interest	12,600					
Bond Issuance	5,400					
Soft Cost Contingency	8,000	850				
Lease-up Reserve	23,500					
Deferred Interest (11-1-02 to 12-31-03)		5,525				
Deferred Interest (11-1-01 to 11-1-02)		6,345		Restructure		
Capitalized Developer Fees & Overhead	41,000	24,362		2,929	8%	-
FF & E	10,000					
Insurance	2,000					
Legal/Accounting	4,000					
Environmental	800					
Plan Review/Site Inspection	1,000					
Relocation Expenses	5,000	7,000	14 units x $100 x 5 days			
Mini-perm Prepayment Fee	9,694					
Permanent Loan Fee	4,000					
Roof Certification						
Restructure Closing Costs		500				
Initial Deposit to Replacement Reserve	0	35,000				
Additional Closing Costs						
Vacancy Reserve	0	5,500	2 units during construction			
TOTAL INDIRECT DEVELOPMENT COSTS	129,694	85,182	214,876	15,348	15%	19
TOTAL PROJECT COSTS	883,889	300,376	1,184,265	84,590	100%	103

USES

Acquisition Costs	657,500	657,500
Construction Costs	96,695	311,889
Development Costs	129,694	214,876
TOTAL USES	883,889	1,184,265

SOURCES

	Initial Closing	Restructure	
Key Bank - First Mortgage	379,260	368,041	As of 8/02
PDC HDSL (HOME)	200,000	85,000	
PDC EGC (HOME)	236,129	358,224	
GP Equity	17,000	17,500	
OHCS Trust Fund	50,000	50,000	
Fee Waivers	1,500	1,500	
NEW EGC -CDBG		286,756	
Principal Paydown		17,994	
Home TA for Restructures		1,250	
TOTAL SOURCES	883,889	1,184,265	

SURPLUS/(GAP)	0	0

Exhibit E

[illegible]

Headwaters Apartments
2012 Income and Rent Limits
Effective 12/1/2011

Unit Type	150% MFI Income Limit	Max Gross Rent	UA	Max Net Rent
1-Bedroom	$82,125	$2,053	($76)	$1,977
2-Bedroom	$98,550	$2,464	($94)	$2,370

Utility Allowance (Modified)
Apr-11

	HUD Section 8 Program		Adjustment	Headwaters Apartments	
	1-BR	2-BR	Factor	1-BR	2-BR
Electric Service Charge	$9.00	$9.00	100.0%	$9.00	$9.00
Light & Refrigeration	$17.00	$22.00	90.0%	$15.30	$19.80
Fan	$3.00	$4.00	90.0%	$2.70	$3.60
Cooking (Elect)	$7.00	$9.00	90.0%	$6.30	$8.10
Gas Service Charge	$6.00	$6.00	100.0%	$6.00	$6.00
Hot Water (Gas)	$16.00	$21.00	50.0%	$8.00	$10.50
Space Heat (Elect)	$25.00	$31.00	50.0%	$12.50	$15.50
Water	$10.00	$13.00	50.0%	$5.00	$6.50
Sewer	$23.00	$30.00	50.0%	$11.50	$15.00
Total	**$116.00**	**$145.00**		**$76.30**	**$94.00**

HUD 4 Person 100% MFI	$73,000

	Household Size and Income	
Unit Size	1-Br	2-Br
Household Size	1.5	3.0
Median Income	$54,750	$65,700