

MEMORANDUM

**AGENDA DATE:** October 29, 2003

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**DATE:** October 15, 2003

**TO:** Board of HACSA Commissioners

**PRESENTED BY:** James R. McCoy, Development Director  
Chris Todis, Executive Director  
Housing and Community Services Agency (HACSA)

**AGENDA ITEM TITLE:** ORDER/In the Matter of Entering into a Loan Agreement with the Network for Oregon Affordable Housing ("NOAH") for Permanent Financing of the Sheldon Village (Phase II) Affordable Housing Development, Eugene, Oregon.

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**I. PROPOSED MOTION:**

IT IS HEREBY MOVED:

(1) THAT THE HOUSING AND COMMUNITY SERVICES AGENCY, AS GENERAL PARTNER OF AND ON BEHALF OF THE SHELDON VILLAGE II LIMITED PARTNERSHIP, AN OREGON LIMITED PARTNERSHIP (THE "PARTNERSHIP"), IS AUTHORIZED TO BORROW MONEY OR OBTAIN CREDIT FROM TIME TO TIME FROM THE NETWORK FOR OREGON AFFORDABLE HOUSING ("NOAH") AT ITS OFFICE AT 1020 S. W. TAYLOR STREET, SUITE 585, PORTLAND, OREGON 97205 FOR THE PURPOSE OF OBTAINING PERMANENT FINANCING FOR THE PARTNERSHIP'S 35-UNIT MULTI-FAMILY HOUSING DEVELOPMENT IN THE CITY OF EUGENE, LANE COUNTY, OREGON, KNOWN AS THE SHELDON VILLAGE (PHASE II) AFFORDABLE HOUSING DEVELOPMENT, AND THAT THE ENTIRE

AMOUNT OF BORROWING OR CREDIT UNDER THIS RESOLUTION SHALL NOT EXCEED \$372,904 IN ORIGINAL PRINCIPAL AMOUNT (THE "PERMANENT LOAN");

(2) THAT, WITHIN THE AGGREGATE DOLLAR AMOUNT SET FORTH IN THIS BOARD ORDER, THE EXECUTIVE DIRECTOR OR THE DEPUTY DIRECTOR IS AUTHORIZED AND EMPOWERED , IN THE NAME OF THE HOUSING AND COMMUNITY SERVICES AGENCY AS GENERAL PARTNER OF AND ON BEHALF OF THE SHELDON VILLAGE II LIMITED PARTNERSHIP TO EXECUTE AND DELIVER SUCH LOAN AGREEMENTS, PROMISSORY NOTES, MORTGAGES, DEEDS OF TRUST, ASSIGNMENTS, SECURITY AGREEMENTS, FINANCING STATEMENTS, CERTIFICATES OF EVERY KIND, ESCROW INSTRUCTIONS, INDEMNITY AGREEMENTS, GUARANTEES, AND OTHER SUCH DOCUMENTS, INSTRUMENTS, AND AGREEMENTS (IN A FORM SUBSTANTIALLY SIMILAR TO THE DOCUMENTS PROVIDED IN ATTACHMENT 1 AND HEREBY INCORPORATED BY THIS REFERENCE) OF EVERY NATURE OR KIND WHATSOEVER AS ARE REQUIRED BY NOAH OR ARE NECESSARY, CONVENIENT, OR APPROPRIATE, TO CONSUMMATE THE PERMANENT LOAN;

(3) THAT THE PERSONS DESIGNATED ABOVE ARE AUTHORIZED AND EMPOWERED TO TAKE ANY ADDITIONAL ACTION THAT THEY DEEM NECESSARY AND APPROPRIATE TO CARRY OUT THE INTENT OF THIS BOARD ORDER;

(4) THAT THE EXECUTIVE DIRECTOR OR DEPUTY DIRECTOR IS AUTHORIZED TO AND DIRECTED TO DELIVER TO NOAH AND NOAH'S TITLE INSURER A COPY OF THIS BOARD ORDER, PROPERLY CERTIFIED BY HIM OR HER, IN EVIDENCE OF THE

AUTHORITY TO BORROW MONEY AND TO EXECUTE AND DELIVER THE INSTRUMENTS  
SPECIFIED ABOVE, AS PROVIDED ABOVE.

**II. ISSUE/PROBLEM:**

Board approval is necessary to obtain the permanent financing from the Network for Oregon Affordable Housing ("NOAH") for the Sheldon Village (Phase II) Affordable Housing Development.

**III. DISCUSSION:**

**A. Background.**

Construction of Sheldon Village (Phase II) – a 35 unit low-income project representing a joint undertaking between the City of Eugene and HACSA – was completed in late December 2002. The financing for this project contains a combination of local equity (\$290,805), proceeds from the sale of federal low-income housing tax credits (\$2,462,490), and mortgage financing from NOAH (\$372,904).

The current rent schedule for the project is:

4	SRO	\$ 80
2	1-BR (special needs)	\$ 100
5	1-BR	\$ 300
5	2-BR flats	\$ 360
16	2-BR townhouses	\$ 385
3	3-BR	\$ 425

Construction and lease-up are now completed, and the next and final step in the development phase is to close the permanent loan. This board action will authorize HACSA staff to complete this step.

**B. ANALYSIS:**

General Loan Feasibility

Analysis of operating costs for the six months of operation indicates that costs are within the budget as originally projected. Monthly net operating income (NOI) was originally estimated at approximately \$2,480 per month; actual monthly NOI for the first full 8 months of operations was \$2,810, the difference being due to full occupancy and a slightly smaller groundskeeping expense than originally anticipated. Accordingly, projected monthly debt service payments (est. \$1,727) are achievable as planned.

### Provisions of Loan

The proposed loan security for the Network for Oregon Affordable Housing is a first position deed of trust as to the Partnership's leasehold interest in the land and its fee interest in the improvements. In addition, NOAH will receive an assignment of leases and rents.

Provisions and terms of the loan are described as follows:

1. *Loan Amount.* The amount of the loan is \$372,904.

2. *Interest Rate and Term.* The interest rate is:

3.75%, amortized for a 30 year period

The term of the loan is 30 years.

3. *Prepayment Premium.* The note may be prepaid according to a formula outlined in the loan, but must be accompanied by a prepayment fee. Because of the favorable interest rate obtained for this loan, it is not probable that Sheldon Village (Phase II) will want to prepay this loan.

4. *Limited-Recourse Provisions.* The draft promissory note contains language that the Limited Partner is not personally liable for repayment. HACSA is not liable for repayment except in the event that HACSA has misapplied rents or engaged in some other form of wrongdoing.

### **C. Recommendation.**

Approval of the proposed Motion.

### **E. Timing.**

Upon approval of the Order, the Executive Director will execute the necessary documents to obtain permanent financing.

### **IV. ATTACHMENTS:**

Attachment 1 Draft Loan Documents (These documents are located in Zoe's office and are available for review)

[Note: These documents have been reviewed by Douglas Blomgren at Preston, Gates & Ellis]

**IN THE BOARD OF COMMISSIONERS OF THE  
HOUSING AUTHORITY AND COMMUNITY SERVICES AGENCY  
OF LANE COUNTY, OREGON**

ORDER

IN THE MATTER OF ENTERING INTO A LOAN AGREEMENT WITH THE NETWORK FOR OREGON AFFORDABLE HOUSING ("NOAH") FOR PERMANENT FINANCING OF THE SHELDON VILLAGE (PHASE II) AFFORDABLE HOUSING DEVELOPMENT, EUGENE, OREGON.

WHEREAS, HACSA serves as the General Partner of the Sheldon Village II Limited Partnership and has completed the construction of Sheldon Village (Phase II).

WHEREAS, ORS 456.120 includes in the Powers of Authority as a Public Corporation the authority to enter in a partnership agreement with an individual, partnership, corporation or other association to finance, plan, undertake, construct, acquire or operate a housing project;

WHEREAS, in order to complete the development of the project, it is necessary to obtain long-term financing for the project;

WHEREAS, the Network for Oregon Affordable Housing ("Bank") is willing to provide permanent financing to the Sheldon Village (Phase I) Affordable Housing Development;

NOW IT IS HEREBY ORDERED:

- (1) That the Housing and Community Services Agency, as General Partner of and on Behalf of the Sheldon Village II Limited Partnership, an Oregon Limited Partnership (The "Partnership"), Is Authorized to Borrow Money or Obtain Credit from Time to Time from the Network for Oregon Affordable Housing ("NOAH") at its Office at 1020 S.W. Taylor Street, Suite 585, Portland, Oregon 97205 for the Purpose of Obtaining Permanent Financing for the Partnership's 35-unit Multi-family Housing Development in the City of Eugene, Lane County, Oregon, Known as the Sheldon Village (Phase II) Affordable Housing Development, and That the Entire Amount of Borrowing or Credit under this Resolution Shall Not Exceed \$372,904 in Original Principal Amount (The "Permanent Loan");
- (2) That, Within the Aggregate Dollar Amount Set Forth in this Board Order, the Executive Director or the Deputy Director Is Authorized and Empowered , in the Name of the Housing and Community Services Agency as General Partner of and on Behalf of the Sheldon Village Limited Partnership to Execute and Deliver Such Loan Agreements, Promissory Notes, Mortgages, Deeds of Trust, Assignments, Security Agreements, Financing Statements, Certificates of Every Kind, Escrow Instructions, Indemnity Agreements, Guarantees, and Other Such Documents, Instruments, and Agreements (In a Form Substantially Similar to the Documents Provided in Attachment 1 and Hereby Incorporated by this Reference) of Every Nature or Kind Whatsoever as Are Required by NOAH or Are Necessary, Convenient, or Appropriate, to Consummate the Permanent Loan;

- (3) That the Persons Designated above Are Authorized and Empowered to Take Any Additional Action That They Deem Necessary and Appropriate to Carry out the Intent of this Board Order;
- (4) That the Executive Director or Deputy Director Is Authorized to and Directed to Deliver to NOAH and NOAH's Title Insurer a Copy of this Board Order, Properly Certified by Him or Her, in Evidence of the Authority to Borrow Money and to Execute and Deliver the Instruments Specified Above, as Provided Above.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 2003

\_\_\_\_\_  
Peter Sorenson, Chair  
HACSA Board of Commissioners

APPROVED AS TO FORM

Date 10/17/03 \_\_\_\_\_ land county

*[Signature]*  
OFFICE OF LEGAL COUNSEL

**ATTACHMENT 1**  
**Draft Loan Documents**