

MEMORANDUM

AGENDA DATE: 28 May 2008

DATE: 13 May 2008

TO: Board of Commissioners of the Housing and Community Services Agency of Lane County (HACSA)

PRESENTED BY: James R. McCoy, Development Director (HACSA)
Larry Abel, Acting Executive Director (HACSA)
Susan Ban, Executive Director of ShelterCare

AGENDA ITEM TITLE: ORDER/In the Matter of Authorizing the Executive Director or Deputy Director to Enter into a Purchase Agreement for Hawthorn Apartments in Eugene.

I. PROPOSED MOTION:

IT IS MOVED THAT THE EXECUTIVE DIRECTOR OR THE DEPUTY DIRECTOR IS AUTHORIZED TO ENTER INTO A PURCHASE OPTION AGREEMENT FOR THE ACQUISITION OF THE HAWTHORN APARTMENTS (AS FURTHER DESCRIBED IN EXHIBIT A) IN EUGENE IN THE AMOUNT OF \$1,600,000.

II. AGENDA ITEM/SUMMARY:

Board approval is necessary to enter into a purchase option agreement for the Hawthorn Apartments, a 35-unit "Preservation" project in Eugene.

III. BACKGROUND:

A. Introduction

From its very beginning in 1982, the Hawthorn Apartments was designed to serve as long-term supported housing for adults disabled by mental illness. Built with bond financing from Oregon Housing and Community Services (then known as the Oregon Housing Division) combined with a HUD Project-based Section 8 contract (for all rental units), the project has provided safe and stable supportive housing for this population for over twenty-five years. The OHCS mortgage financing and Section 8 contract terminate in 2012.

The original developer/owner of the project has indicated to ShelterCare Inc., the nonprofit agency that provides support services at Hawthorn, that he would like to sell the project to ensure its continued use as supportive housing for adults with mental illness. ShelterCare has asked that HACSA acquire and hold the project until 2012 when the existing mortgage expires. At that time, the project would be refinanced to take HACSA out and allow ShelterCare to assume ownership.

B. Analysis

Target Population and Market Demand

The target (and current) population of Hawthorn Apartments is adult men and women who are disabled by severe and persistent mental illness. All individuals currently residing there qualify as Very Low Income (under \$19,150). Approximately 6,500 adults in Lane County have a severe psychiatric disability. Of those, about 2,000 do not receive supported housing services. At any point in time, approximately 260 individuals with mental illness are homeless in Lane County.

In the last five years, ShelterCare has served approximately 190 individuals at the Hawthorn Apartments. Historically, there are from 5 - 10 openings each year and vacancy rate consists solely of the time necessary to prepare vacant units for occupancy. As of February 2008, there were 35 individuals on the waiting list.

Project Description and Design

Hawthorn Apartments contains 35 one-bedroom units, two of which are accessible. Each unit is approximately 450 sq. ft. in size and offers a fully equipped kitchen and a full bathroom (bathtub, shower, sink and toilet). In general, the design of the project clusters small groups of one-bedroom units (usually 4 - 5) around a shared common room to provide for security and community.

The complex is comprised of four separate buildings, described as follows:

2985 Willamette Street – “Hawthorn House”. The Hawthorn House contains ShelterCare staff offices and is a single story, stand-alone house on the southwest corner of the complex. The living room and the two bedrooms have been converted into program services space, and there is a full kitchen and bathroom, and attached garage that has been converted into storage space.

2988 Oak Street. This two story building is located on the southeast side of the complex and consists of 15 one-bedroom apartments (seven on the first floor and eight on the second floor). These apartments are clustered around and accessed through four shared common areas.

Staff office space for both ShelterCare Hawthorn staff and the property management company are located on the first floor. Access to the second story is via two sets of outside stairs covered by a breezeway. A kitchenette and restroom are located on the west ground floor just off the common room.

2986 Oak Street – This two-story building sits on the west central side of the complex and consists of 10 one-bedroom apartments (5 on each floor). Each floor offers a shared common room providing access into the individual apartments. Access to the second floor is via a set of outside stairs. Laundry facilities are accessed on the ground floor located on the eastside of this building

2984 Oak Street - This two-story building is located at the north end of the complex and consists of 10 one-bedroom apartments (5 on each floor). Apartments are clustered around a shared common room. There is a common room on each of the two floors. Access to the second floor is via a set of outside stairs.

Hawthorn Apartments is directly on the LTD bus line. Most, if not all, residents of the complex use the LTD bus system as their primary means of transportation. The project is close to the many businesses that are situated in the south Willamette Street area of the city. Major services – including grocery stores, a pharmacy, banks, a variety of restaurants, office supply, sporting goods – are available within a short walking distance from the complex. The ShelterCare Vocational Services Program strives to place residents of the Hawthorn Apartments in appropriate jobs within these area businesses. The nearest park is Amazon Park which is located within walking distance to the east of the complex.

Project Rents

The current Housing Assistance Contract will be assumed, ensuring that no household will pay more than 30 percent of its income for rent and utilities.

HACSA Purchase of Site

The purchase price of \$1,600,000 has been established by the Seller. Although an appraisal will be obtained as part of the Application to Oregon Housing and Community Services for a Transfer of Mortgage, it is anticipated that the purchase price is below current market value. The financing for the proposed acquisition involves the following elements:

- (1) Assumption of the existing mortgage, estimated at approximately \$333,000.

HACSA will submit an “Application to Transfer” to the Oregon Housing and Community Services Department and HUD immediately upon Board approval.

- (2) Obtaining an unsecured short-term (4-year) interest only loan from a local bank.

HACSA has carried out preliminary discussions with a local bank for this loan. Immediately upon Board approval, a formal application will be submitted.

- (3) Obtaining a low-interest rehabilitation loan for improvements to the project (primarily balcony replacement and accessibility improvements), estimated at \$475,000.

The City of Eugene has indicated the availability of these funds.

- (4) Receiving a HOME Grant from the City of Eugene for \$695,000.

The Intergovernmental Housing Policy Board has recommended approval of this grant amount.

Summary of Sources and Uses

Estimated Costs

Acquisition	1,600,000
Rehabilitation	475,000
Financing and Misc.	129,000

Sources of Funds

Existing Mortgage	333,000
City of Eugene HOME funds	695,000
Short-term Loan	701,000
City of Eugene Rehabilitation Loan	475,000

Total Cost: 2,204,000

The intent of the financing package is to provide for the refurbishment of the project and continuance of current operations and services until 2012. At that time, steps will be taken to allow ShelterCare to take HACSA out and purchase the project.

C. Recommendation.

Approval of the proposed Motion.

E. Timing.

Upon approval of the Order, the Executive Director and/or the Deputy Director will execute the Purchase Option Agreement documents.

IV. IMPLEMENTATION/FOLLOW-UP:

Further Board Action will occur in the next six months to authorize the funding sources and carry out acquisition.

V. ATTACHMENTS:

Exhibit A. Legal Description of Parcel

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

ORDER

In the Matter of Authorizing the Executive Director or Deputy Director to Enter into a Purchase Option Agreement for the Acquisition of the Hawthorn Apartments (As Further in Exhibit A) in Eugene in the Amount of \$1,600,000.

WHEREAS, the Housing Authority and Community Services Agency (HACSA) was duly formed to address needs in the community for affordable housing for low-income households; and

WHEREAS, the Housing Authority and Community Services Agency (HACSA) wishes to assist in the preservation of existing affordable housing in the community; and

WHEREAS, ORS 456.120 includes in the Powers of Authority as a Public Corporation the authority to finance, plan, undertake, construct, acquire or operate a housing project.

NOW IT IS THEREFORE ORDERED THAT:

The Executive Director Or The Deputy Director Is Authorized To Enter into A Purchase Agreement for the Acquisition of the Hawthorn Apartments in Eugene in the Amount of \$1,600,000.

DATED this _____ day of _____, 2008
Chair, HACSA Board of Commissioners

Exhibit "A"

Real property in the County of Lane, State of Oregon, described as follows:

BEGINNING AT A POINT ON THE SOUTH RIGHT OF WAY LINE OF COUNTY ROAD NO. 1167 (ELMIRA ROAD), 2085.6 FEET SOUTH AND 868.32 FEET SOUTH 87° 40' EAST FROM THE NORTHWEST CORNER OF THE SOLOMON ZUMWALT DONATION LAND CLAIM NO. 41, TOWNSHIP 17 SOUTH, RANGE 4 WEST OF THE WILLAMETTE MERIDIAN; THENCE NORTH 87° 40' WEST, 62.72 FEET; THENCE SOUTH 0° 19' WEST 213.7 FEET; THENCE SOUTH 89° 12' 30" EAST, 124.0 FEET; THENCE NORTH 0° 19' EAST, 85.8 FEET; THENCE WEST 61.33 FEET; THENCE NORTH 0° 19' WEST, 127.34 FEET TO THE POINT OF BEGINNING, IN LANE COUNTY, OREGON;

EXCEPT THAT TRACT OF LAND CONVEYED TO STATE OF OREGON, BY AND THROUGH ITS STATE HIGHWAY COMMISSION, BY DEED RECORDED OCTOBER 05, 1971, RECEPTION NO. 66929, LANE COUNTY OFFICIAL RECORDS, IN LANE COUNTY, OREGON.

ALSO: BEGINNING AT A POINT ON THE SOUTH LINE OF COUNTY ROAD NO. 1167, 2085.6 FEET SOUTH AND 929.69 FEET SOUTH 87° 40' EAST FROM THE NORTHWEST CORNER OF THE SOLOMON ZUMWALT DONATION LAND CLAIM NO. 41, TOWNSHIP 17 SOUTH, RANGE 4 WEST OF THE WILLAMETTE MERIDIAN; THENCE SOUTH 0° 19' WEST, 125.2 FEET, MORE OR LESS, TO THE NORTHWEST CORNER OF THE TRACT CONVEYED TO ARTHUR HENNIGAN AND WIFE, BY DEED RECORDED JANUARY 28, 1936 IN BOOK 181, PAGE 408, LANE COUNTY OREGON DEED RECORDS; THENCE WEST 61.33 FEET; THENCE NORTH 127.34 FEET TO THE SOUTH LINE OF SAID COUNTY ROAD; THENCE SOUTH 87° 40' EAST ALONG THE SOUTH LINE OF SAID ROAD, 61.37 FEET TO THE PLACE OF BEGINNING, IN LANE COUNTY, OREGON.

THIS LEGAL DESCRIPTION WAS CREATED PRIOR TO JANUARY 01, 2008.

Tax Parcel Number: 0451193 and 0451201