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CITY OF  
**PORTLAND, OREGON**  
PORTLAND HOUSING BUREAU

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## LOAN SERVICING

### **Affordable Housing Portfolio Balances**

Since the last Housing Investment Committee (HIC) Quarterly Report for fourth quarter 2011-2012 dated November 1, 2012; balances in the PHB portfolio have increased by 5% from \$329,059,017 to \$344,833,508. The makeup of the Affordable Housing Portfolio continues to be comprised of 95% multifamily and 5% single family funding.

The new balance includes funding of 12 multifamily projects and 42 single family loans. Major projects closing between July 1, 2012 and March 31, 2013 include:

<b>1Q 2012-2013</b>	<b>Draw Amounts</b>	<b>Source of Funds</b>
Habitat for Humanity - Orchards	\$86,302.00	TIF-Gateway
CSP – CSP 1200 LP – 1200 Building	\$1,700,000.00	HOME
Kah San Chako Haws LLC – Holgate House	\$475,525.00	TIF-Lents
IHI - MLK Elliot	\$144,794.97	HOME
<b>2Q 2012-2013</b>	<b>Draw Amounts</b>	<b>Source of Funds</b>
Human Solutions – Glisan Commons	\$915,843.00	TIF-Gateway
Reach – Reach B49 Part Limited	\$749,000.00	TIF-North Mac
Reach – Reach Office LLC	\$790,000.00	TIF-North Mac
CSP – CSP Park Lexington	\$1,715,000.00	TIF-South Park
CSP – CSP Park Lexington	\$2,626,181.00	CDBG
<b>3Q 2012-2013</b>	<b>Draw Amounts</b>	<b>Source of Funds</b>
PCRI / ACDC	\$439,302.00	HIF
Rose CDC - Green View Apartments	\$1,069,613.00	HOME

## Affordable Housing Portfolio Receipts

Significant payoffs/receipts between July 1, 2012 and March 31, 2013 include:

Date	Fund	Project	Sponsor	Amount
7/17/2012	TIF – Int	HAP Scattered Sites	Renew Kenton	\$144,545
8/8/2012	TIF – RD	Crane Building	Crane Building Investors	\$1,071,544
9/5/2012	HOME	Downtown Comm	Downtown Community Housing	\$291,893
9/5/2012	HOME	20 <sup>th</sup> & Kearney	20 <sup>th</sup> & Kearny LP	\$199,379
9/6/2012	TIF – SP	1200 Building Predev	CSP-1200 LP	\$110,015
9/7/2012	TIF – Lents	HAP Scattered Sites	Amethyst Development LLC	\$120,000
8/9/2012	TIF-Gateway	Glisan Commons Predev	Human Solutions Inc.	\$894,244
10/30/2012	TIF – Lents	HAP Scattered Sites	Amethyst Development LLC	\$120,000
11/21/2012	TIF – Lents	HAP Scattered Sites	Amethyst Development LLC	\$120,500
3/19/2013	TIF – RD	9 <sup>th</sup> & Lovejoy	SP Tower LP	\$122,616
<b>Total</b>				<b>\$3,194,736</b>

## Affordable Housing Portfolio Major Sponsors

There has a slight change from the previous report regarding funding concentration within PHB’s affordable housing sponsors. In light of recent funding, REACH CDC has become PHB’s top borrower. As of March 31, 2013, sponsors with the largest percentage (more than 5%) of financial assistance in the PHB Affordable Housing Portfolio were:

1. Reach Community Development Corporation (19%)
2. Home Forward f/k/a Housing Authority of Portland (16%)
3. Central City Concern (10%)
4. EM LP (9%)
5. Portland Community Reinvestment Initiatives, Inc. (5%)

## Loan Delinquency

As of March 31, 2013 there were 19 multifamily loans listed as “delinquent” with a combined “outstanding delinquent” amount of \$21,628.62. Of the 19 multifamily loans only one loan was truly delinquent for 30 days where the September and October payments were late and fees were assessed. The other loans have been actively managed by staff. Ten of those loans are part of Cascadia’s portfolio which is in the process of being restructured. The remaining 7 loans are also in the process of being restructured and are actively being managed by staff. Technically, in our software system, until the restructure is complete and a decision is made on payment and interest, it carries unpaid interest and/or principal as delinquent; even though HIC approved a deferral of interest and payment until a complete analysis is done on the restructure request.

There were 8 single family delinquent loans in the PHB portfolio, with a combined delinquent amount of \$897 and outstanding balances of \$119,606.29. Of the 8 loans, 4 are seriously delinquent (over 200 days) and will be submitted to HIC for write-off totaling \$66,350. There is also a loan with a balance of \$15,919 that is pending foreclosure by the primary lender.

### **Loan Servicing Summary**

Portfolio activity continues at a normal pace and delinquencies continue to be in check. Staff is working on transferring loan servicing data to HDS, PHB's new servicing system. We expect completion of this migration in the summer 2013.

### **HOUSING INVESTMENT COMMITTEE ACTIVITY**

#### **Housing Investment Committee Activity 1<sup>st</sup> Quarter 2012-13**

During the first quarter of 2012-13 the Housing Investment Committee (HIC) recommended approval of two major projects totaling an investment of \$4,375,000 highlighted below. This included the acquisition and rehab of an expiring Section 8 Rental Assistance project located in downtown and the construction of a new affordable housing project in the NE neighborhood.

Project	Sponsor	Type of Funding	Source of Funds	Units	Amount
1200 Building	CSP-1200 Limited Partnership	Cash flow	TIF – SPB	89	\$3,400,000
MLK Eliot	Innovative Housing Inc	Cash flow	HOME	50	\$975,000
<b>Total</b>				<b>139</b>	<b>\$4,375,000</b>

Other activities included ownership changes, subordinations, write-off/down, conversions, etc. Below is a summary of such activity

Other Activity	Items	Amount
Single Family Write-off	1	-\$17,855
Single Family Guidelines Exception	2	
Multifamily Conversion from must pay to grant for Svaboda Court – Homeownership	1	-\$55,200
Non-Financial Multifamily Conversions/Restructures/Deferrals	2	
Transfer of Ownership	2	
DDA modification	1	
Informational	1	
Subordination	1	
<b>Total</b>	<b>12</b>	

Exceptions to PHB's established guidelines are summarized below

Project Name	Exception to Guidelines
1200 Building	Cash cushion is similar what has been requested of PHB by Oregon ON but the bureau has not yet adopted.
MLK Eliot	Cash cushion is similar what has been requested of PHB by Oregon ON but the bureau has not yet adopted.
Killingsworth Station – DPAL	Borrower exceeds annual income limit by \$257.60
Private Borrower - Home Repair Loan	The borrower has negative equity at 103% LTV which is over the approved 100% LTV threshold.
Private Borrower – DPAL	The borrower has negative equity at 103% LTV which is over the approved 100% LTV threshold.
<b>Total</b>	<b>5</b>

### Housing Investment Committee Activity 2<sup>nd</sup> Quarter 2012-13

During the second quarter of 2012-13 HIC recommended approval of four major projects totaling an investment of \$9,497,157 highlighted below. This included the acquisition and rehab of two expiring Section 8 Rental Housing Assistance projects in downtown, and the construction of three new affordable housing projects.

Project	Sponsor	Type of Funding	Source of Funds	Units	Amount
Glisan Commons Phase 1	HSI	Cash flow	TIF – Gateway	67	\$2,713,791
Glisan Commons Phase 2	REACH CDC	Predev	TIF – Gateway	60	\$388,366
Park and Lexington	CSP Park Lexington LP	Cash flow with payment	CDBG and TIF – SPB	216	\$6,120,000
Kehillah Housing	CSP Kehillah Housing	Cash flow	CDBG	15	\$275,000
<b>Total</b>				<b>358</b>	<b>\$9,497,157</b>

Two of three single family write-off were approved totaling a loss of \$57,753. Also there were several multifamily and single family restructures and ownership transfers.

Other Activity	Items	Amount
Single Family Write-off	3	-\$57,753
Additional funding for existing project	1	\$25,000
Limited Tax Exemption Program	3	
Non-Financial Multifamily Conversions/Restructures/Deferrals	5	
Transfer of Ownership	6	
Development Disposition Agreement	1	
Informational	2	
<b>Total</b>	<b>21</b>	

Exceptions to PHB's Housing Development Loan Manual guidelines are summarized below

Project	Exceptions to Guidelines
Glisan Commons Phase I	The OHCS grant was reduced, if there are cost savings, the first \$178,000 will go to Glisan Commons, LP.
Kehillah Housing	Cash cushion is similar what has been requested of PHB by Oregon ON but the bureau has not yet adopted.
<b>Total</b>	<b>2</b>

### Housing Investment Committee Activity 3rd Quarter 2012-13

During the 3<sup>rd</sup> quarter of 2012-13 HIC recommended approval of four major projects totaling an investment of \$9,074,934 highlighted below.

Project	Sponsor	Type of Funding	Source of Funds	Units	Amount
Greenview Terrace	ROSE CDC	Equity Gap	HOME	31	\$2,815,034
Lifeworks Facility	Lifeworks	Cash flow	TIF – Interstate	16 / 32 bed	\$3,152,468
Beech St. Apartments	Home Forward	Cash flow	TIF – Interstate	32	\$1,357,432
King/Parks	CSP Kehillah Housing – For sale housing	Partial repayment	CDBG	24	\$1,750,000
<b>Total</b>				<b>103</b>	<b>\$9,074,934</b>

There was one multifamily write-off along with some additional funding for preapproved projects.

Other Activity	Items	Amount
Multifamily write-off	1	-\$75,000
Additional funding for existing project	2	\$472,680
Non-Financial Multifamily Conversions/Restructures/Deferrals	1	
Transfer of Ownership	2	
<b>Total</b>	<b>6</b>	

Exceptions to PHB’s Housing Development Loan Manual guidelines are summarized below

Project	Exceptions to Guidelines
Greenview Terrace	<ol style="list-style-type: none"> <li>1. The funding amount is 344% of the appraised value; the current guidelines limit investment to 100% LTV.</li> <li>2. Cash cushion is similar what has been requested of PHB by Oregon ON but the bureau has not yet adopted.</li> </ol>
Lifeworks Facility	<ol style="list-style-type: none"> <li>1. Because the facility is financed under a NMTC structure, PHB does not have the standard lending relationship with the project. Instead, PHB will make a loan to the sponsor, LWNW, which does not own the project. The PHB funds will travel through the financial transaction as part of a “leverage loan” from LWNW to NMTC entities, and then to the project.</li> <li>2. Because of the ownership structure, PHB’s collateral is substantially less than what is available through a recorded deed of trust. Therefore, PHB’s insurance coverage will not be the same as a mortgage holder security.</li> <li>3. The project’s ownership structure requires that all city funds be disbursed at closing. PHB’s role in construction monitoring will be provided for in third party documents.</li> <li>4. The loan is not required to be repaid unless the project is in default or sold. Given the facility use, PHB will make additional requirements not usually seen in PHB regulatory agreements, such as specific reporting requirements on social services and different income verification processes.</li> <li>5. PHB’s Regulatory Agreement will require the use as proposed; but will anticipate possible conversion to other facility uses or a possible use as residential real estate for the 16 apartments in the future, contingent upon approval by PHB.</li> </ol>
Beech St. Apartments	<ol style="list-style-type: none"> <li>1. PHB regulatory documents and the PHB Deed of Trust will be recorded initially pursuant to a leasehold interest rather than a fee interest in the real estate.</li> <li>2. Documents recorded at closing will provide for amending and re-recording when the condo is created and land lease terminated.</li> <li>3. PHB docs will allow for a higher developer fee to be paid at closing than is typically allowed. A large portion going to a third party consultant for several years of work to make the project a reality.</li> <li>4. The proposed annual operating expenses are higher than standard, at just over \$8,000 PUPY. Much of the unusually high cost is due to the fact that comprehensive resident services (totaling \$1700 PUPY) will be paid from the rent revenue, instead of from an outside source.</li> <li>5. Therefore, loan agreement will provide PHB with specific rights to approve and monitor the resident services contract and budget.</li> </ol>

King/Parks	<ol style="list-style-type: none"> <li>1. PHB will be pari passu with CPB but the disbursement ratio will be 57% PHB and 43% CPB. PHB loan guidelines do not specify a specific ratio, but the default assumption has been 50/50.</li> <li>2. Total developer fee is approximately 8.3% for the entire project which is within guidelines. If general contractor fees are included, developer fee is 12.7% which is above guidelines.</li> <li>3. PHB will carry a note of \$300,000 from the end of Phase 1 construction to the beginning of Phase 2 sales. The note will only begin converting to homebuyer subsidy as Phase 2 units sell. The duration of this portion of the loan may extend past PHB's allowed thirty-six months.</li> <li>4. PHB will "sell" the property to PCD in two phases each for \$0. The book value of the property is \$752,660.</li> <li>5. Interest on all PHB loans to be 0%.</li> </ol>
<b>Total</b>	<b>4</b>