

Columbia River Mental Health Services Property Affordability Covenants

**June 29, 2016
Workshop for BOCC**

Issue

- Columbia River Mental Health Services (CRMHS) has decided to sell two properties that have County affordability requirements on them.



Single-Family Residence: 2718 NE 99th Street

HOME funds provided in 1996 - \$98,000, already repaid.

Clark County Affordability Covenant expires 10/31/2045.



Forest Creek Condos: 7300 NE 16th Avenue (12 units)

HOME funds provided in 1997 - \$411,500 @ 1.5%, currently owe \$502,313.

Clark County Affordability Covenant expires 12/31/2047.

Property History

1996/1997	CRMHS awarded County-administered HUD HOME Investment Partnerships (HOME) funds to assist with acquisition of 2 properties for its clients.
2005	CRMHS pays off loan on 99 th Street home.
2012	Federal affordability and HOME requirements expire for both properties. Additional County affordability requirements shall expire in 2045 and 2047. County Promissory Note remains in place for Forest Creek Condos until 2047.
2015	CRMHS indicates the decision to sell both properties, cannot find a buyer with County affordability requirements in place. Request that County lift affordability requirements to facilitate sale.
2016	CRMHS finds one buyer for both properties, requests County affordability requirements be lifted to facilitate sale. Promissory Note to be paid in full. County inquires on possibility of maintaining affordability requirements. Buyer willing to maintain affordability requirements IF buyer can assume terms of county Promissory Note for Forest Creek Condos.

Affordability Restrictions and Adjustments

Current Covenant	Proposed Covenant
States HUD affordability requirements to continue through 2045/2047.	Clarifies HUD affordability period has expired and local county affordability requirements will continue through 2045/2047.
Requires affordability for households between 50 – 65% of area median income.	Will require affordability for households between 60-80% of area median income.
Requires priority be given to tenants with a disability.	Will not require any tenant prioritization.

Overview of Promissory Note

- Exists only for Forest Creek Condos (12 units).
- Requires repayment of \$411,500 at 1.5% interest per year.
- Current total debt to County \$502,313.
- Minimum payment required by note is \$1,300 per year.
- Full amount due to County 12/31/2047.
- No property rights/ownership given to the County in Promissory Note in event of default.
- Promissory Note was County creation to leverage federal HOME funds to generate additional program income. No Federal Debt or State requirements exist around it.
- County funds were not used to create Promissory Note or underwrite/fund original Note.
- Program income generated by repayment of Note must be returned to HOME Program.

County Role and Legal Authority

County can

- Lift affordability requirement
- Change affordability requirements
- Require payment of Promissory Note
- Forgive Promissory Note
- Allow transfer of Promissory Note
- Purchase Property

County can't

- Prevent CRMHS from selling properties
- Determine who buyer is
- Require buyer be a Non-Profit entity
- Determine or impose conditions of sale
- Dictate what CRMHS must do with proceeds of sale

Points to Consider

- Properties are owned outright by CRMHS. The County is neither a co-owner, nor a co-signer on either of these properties.
- Default does not transfer ownership of property to County.
- There are no program, service requirements, or other contract requirements between CRMHS and the County for the properties.
- Only documents relevant to the County in this transaction are the Affordability Covenants for the 99th Street house, and a Deed of Trust with accompanying Promissory Note for the Forest Creek Condominiums.
- The county legal documents encumbering the property do not preclude a private buyer transaction.

County Decisions

- County must decide whether it maintains or removes County affordability requirement on the properties.
- County must decide whether it will require full repayment of Promissory Note when properties are sold, or allow transfer of Promissory Note to a new owner.

Options

- **Option 1:** Maintain County Affordability requirements on CRMHS housing; require full payment of Promissory Note upon sale of property.
- **Option 2:** Maintain County Affordability requirements on CRMHS housing; allow transfer of Promissory Note to new owner.
- **Option 3:** Remove County affordability requirement on CRMHS housing; require full payment of Promissory Note upon sale of property.
- **Option 4:** Remove County affordability requirements on CRMHS housing; forgive Promissory Note.