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2013-06-25

**CLARK COUNTY
STAFF REPORT**

DEPARTMENT: Department of Community Services (DCS)

DATE: June 25, 2013

REQUEST: The Board of County Commissioners authorize DCS to enter into a sole source professional services contract with the National Development Council (NDC) to prepare an application to the U.S. Department of Housing and Urban Development (HUD) for a "Section 108 Loan Guarantee" that, if approved by HUD, would loan funds to Affordable Community Environments (ACE) to acquire the Towne Square Apartments building, and grant authorization to the County Administrator to sign the contract with NDC, upon approval as to form by the Prosecuting Attorney's Office.

CHECK ONE: Consent CAO

BACKGROUND

ACE is a developer of low income housing, and has been awarded County HUD funds for about ten years for projects such as McCallister Village and Covington Commons. ACE is assembling a private and public funding package to acquire and rehabilitate the Towne Square Apartments in Washougal, and has secured approximately \$4.1 million from the State of Washington Housing Trust Fund. ACE approached the County about a Section 108 Loan as a possible source for the remaining funding (approximately \$1.4 million) of the \$5.5 million project total. ACE must show the Housing Trust Fund that they have, or nearly have, secured the additional funding by the end of September.

Section 108 is the loan guarantee component of HUD's Community Development Block Grant (CDBG) program, and provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects.

This staff report is the first step in the Section 108 loan process, and if it receives Board approval, then the County and ACE, working with NDC, will negotiate the terms of the loan to be included in the application to HUD. The Treasurer's Office and the Prosecuting Attorney's Office, along with DCS and ACE, will be included in the negotiations in order to ensure safeguards for the repayment of the loan. The term of the loan will be more than ten years, and ACE will be required to make payments on the principal and interest semi-annually.

The initial application is submitted to HUD's Seattle office and if approved, it is then sent for final approval to HUD headquarters in Washington, D.C. The Board of County Commissioners will be asked to approve the application, including all terms and conditions, before it is submitted to HUD in Washington, D.C. where the final approval of the application and loan is made. If HUD does not approve the application, ACE will have to find another funding source or not proceed with the project.

If approved by HUD, the Section 108 funds will be used to purchase the project property by way of a one-time fund transfer from HUD to a fiscal agent, most likely a bank. The County would approve the fund transfer to ACE, but would not directly receive the funds. NDC's fee will be repaid by ACE as part of the loan agreement with the County.



Because this loan is ultimately guaranteed with CDBG funds, if one of the semiannual payments could not be made, or the full payment could not be made and other funds could not be used for the payment, HUD could reduce the County's CDBG allocation by the short fall. For example, if in year 5 of the loan ACE said they were \$5,000 short on a payment and no reserve accounts balance was available, then the County's CDBG allocation for that year would be reduced by \$5,000.

Support Information for Sole Source Contracting Request

Founded in 1969, NDC is the oldest national non-profit economic and community development organization. NDC assists clients with understanding what resources are available for job creation, affordable housing and community development in general, and how to most effectively secure and use them. NDC has shaped and refined the financial tools that are used today for economic and community development, and has worked with successive Federal administrations to increase the effectiveness of these resources.

In 1978, working with HUD and Congress, NDC helped create an approach that made it possible to use the HUD 108 Loan Program for economic development. This type of application was not feasible previously. NDC played a role in the development of the HUD 108 program (the subject of this staff report) and other federal programs, and works with these programs day in and day out. NDC has provided Section 108 assistance to many CDBG jurisdictions in Washington including King County, Seattle, Tacoma, Vancouver, Yakima, Spokane, and the state CDBG program, and also in Oregon, the city of Portland and the Oregon state CDBG program. DCS has found no organization in the Pacific Northwest other than NDC that provides this service.

NDC works like an investment banker for community development by specializing in knowing where and how to find the right financing and how to structure it to achieve the best results. Much of this financing is structured to attract and make optimum use of private investment. NDC pioneered this concept of bringing leveraged financing to community development, making optimum use of private investment. This type of financing continues to be one of the defining characteristics of NDC's work with its community partners throughout the U.S. NDC's finance professionals, who live and work throughout the country, know and understand individual state and local financing incentives and funding.

COMMUNITY OUTREACH

The Urban County Policy Board, on June 10, 2013, approved County's request to sign a contract with NDC to pursue the application to HUD for Section 108 Loan Guarantee funds.

BUDGET AND POLICY IMPLICATIONS

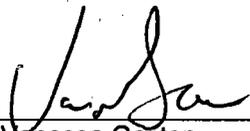
DCS has sufficient funds to cover NDC's contract. We anticipate no additional budget requests. No additional staff will be hired. No general fund subsidy is requested.

FISCAL IMPACTS

Yes (see attached form) No

ACTION REQUESTED

The Board of County Commissioners authorize DCS to enter into a sole source professional services contract with the National Development Council (NDC) to prepare an application to the U.S. Department of Housing and Urban Development (HUD) for a "Section 108 Loan Guarantee" that, if approved by HUD, would loan funds to Affordable Community Environments (ACE) to acquire the Towne Square Apartments building, and grant authorization to the County Administrator to sign the contract with NDC, upon approval as to form by the Prosecuting Attorney's Office.



Vanessa Gaston
Director,
Department of Community
Services

Approved:


June 25, 2013
CLARK COUNTY
BOARD OF COMMISSIONERS

SR 110-13



DISTRIBUTION

Chris Horne, Prosecuting Attorney's Office
Jim Dickman, Office of Budget
Mike Westerman, Purchasing Director

DCS Distribution:

Vanessa Gaston, Director
Pete Munroe, CDBG/HOME Program Manager
Harold Rains, Financial Program Manager
Kelly Perez de la Cruz, Contracts

FISCAL IMPACT ATTACHMENT

Part I: Narrative Explanation

I. A – Explanation of what the request does that has fiscal impact and the assumptions for developing revenue and costing information

The NDC contract will be funded by uncommitted local housing (CHIF) funds. No general funds are requested.

Part II: Estimated Revenues

Fund #/Title	Current Biennium		Next Biennium		Second Biennium	
	GF	Total	GF	Total	GF	Total
1937 - CHIF	0	\$30,000	0	0	0	0
Total	\$0	\$30,000	\$0	\$0	\$0	\$0

II. A – Describe the type of revenue (grant, fees, etc.)

Local housing (CHIF) funds loan proceeds.

Part III: Estimated Expenditures

III. A – Expenditures summed up

Fund #/Title	FTE's	Current Biennium		Next Biennium		Second Biennium	
		GF	Total	GF	Total	GF	Total
1937 - CHIF	0	0	\$30,000	0	0	0	0
Total	\$0	\$0	\$30,000	\$0	\$0	\$0	\$0

III. B – Expenditure by object category

Fund #/Title	Current Biennium		Next Biennium		Second Biennium	
	GF	Total	GF	Total	GF	Total
Salary/Benefits						
Contractual	0	\$30,000				
Supplies						
Travel						
Other controllables						
Capital Outlays						
Inter-fund Transfers						
Debt Service						
Total	\$0	\$30,000	\$0	\$0	\$0	\$0