

Ochoco Creek Lodge

A proposed affordable senior housing project in Prineville

by

Pacific Crest Affordable Housing, LLC

June, 2013

The purpose of our presentation is to tell the Prineville City Council about our plans for the development of a senior affordable housing project – called Ochoco Creek Lodge – on the Ochoco Lumber Mill property, and to discuss ways in which the City Council can help bring this much-needed project to fruition.

THE PROJECT

- Ochoco Creek Lodge will be a \$10 million 52-unit independent living apartment complex, built in two 26-unit phases (as currently planned), on the site of the former Ochoco Lumber Mill.
- The 4.25 – 4.5 acre project will be part of the mixed use redevelopment of the site, and will be adjacent to the soon-to-be-built St. Charles Medical Center facility.
- The building will serve residents 55 years old and better with household incomes at or below 60% of Area Median Income.
- The Lodge will be designed to honor the historical and cultural significance of the mill to the community of Prineville, and will incorporate the natural beauty of the area.
- The facility will include one- and two-bedroom units, common areas, walking paths, raised bed gardens, and more.
- Like our previous projects, the building will “push the envelope” of green building, resulting in a building that is highly efficient and enhances quality of life for residents.

THE NEED

- Like much of the country, Prineville has a growing population of seniors, many of whom are low-income. Prineville has a poverty rate, a senior population, and a senior poverty rate higher than the state averages.
- In our experience, an astounding number of low-income seniors live in substandard conditions, pay more than they can afford for housing, or do not have permanent housing at all.
- Prineville has been underserved by Oregon Housing and Community Services (“OHCS”) in the provision of affordable housing; the town only has *one* rent-restricted property (containing 40 units) for seniors, and this property was built nearly 2 decades ago.

WHO WE ARE

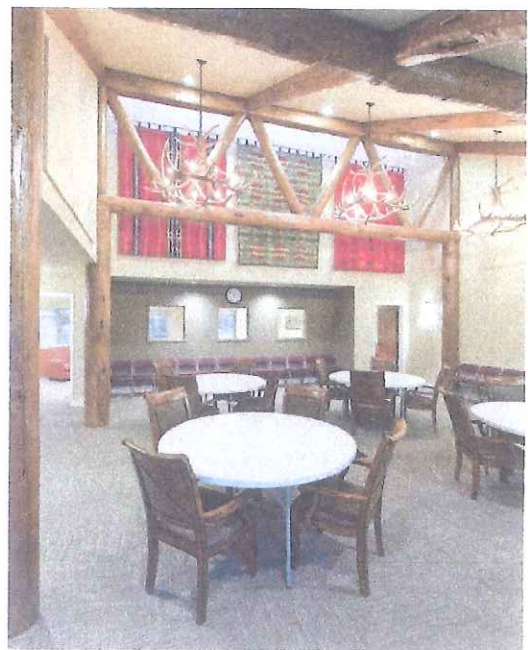
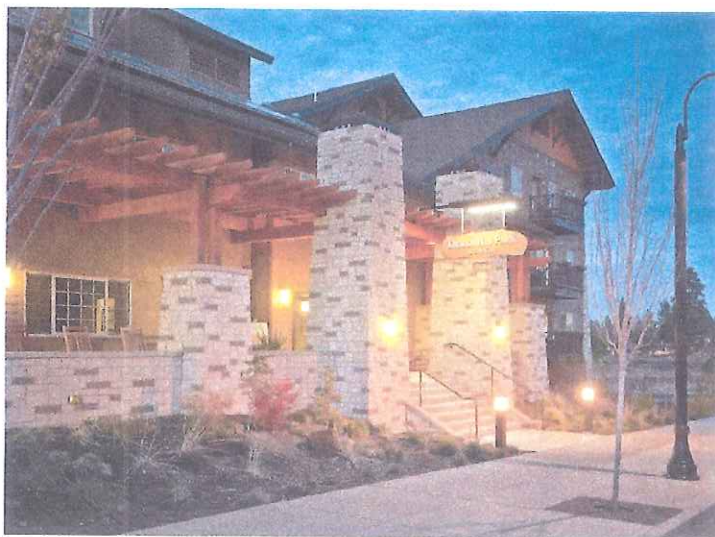
- The project sponsor and developer, ***Pacific Crest Affordable Housing***, is a Bend-based developer of housing for low-income seniors; the company is nationally-recognized for building high-performance sustainable buildings in their developments.
- Our mission is to provide beautiful, high quality apartment buildings for low-income seniors which provide a secure and stable home in which residents can age in-place and respect the heritage and aesthetic of the communities in which they are located.
- We utilize public affordable housing funds and we are stewards and administrators of these funds; we own the projects (as the minority owner) in partnership with a non-profit equity partner (the majority owner) formed for the purpose of supporting and facilitating the development of low-income housing.
- Our previous projects include Mountain Laurel Lodge and Discovery Park Lodge in Bend, and a two-phase project in La Pine called Little Deschutes Lodge. Please see the attached materials for more information.

OUR FUNDING

- Our projects are primarily funded through loans and grants awarded by Oregon Housing and Community Services (OHCS), which is a fiercely competitive process.
- Funding sources accessed through OHCS include Low Income Housing Tax Credits, Oregon Affordable Housing Tax Credits, HOME (HUD) funds, Oregon Housing Development Grant funds, and "green building funds."
- Other important sources include local contributions in the form of reduced land costs, County and City loans and grants, property tax exemption, and other contributions, such as SDC deferrals. In aggregate, local funds play a very important role in competing for the funds provided by OHCS as it shows support for the project at the local level.

Discovery Park Lodge Bend, OR

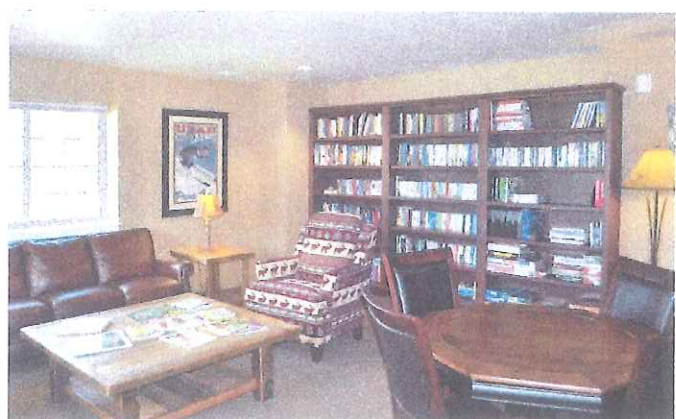
53 units
Completed 2009



Little Deschutes Lodge — Phase 1

La Pine, OR

26 units
Completed February 2010



Little Deschutes Lodge — Phase 2

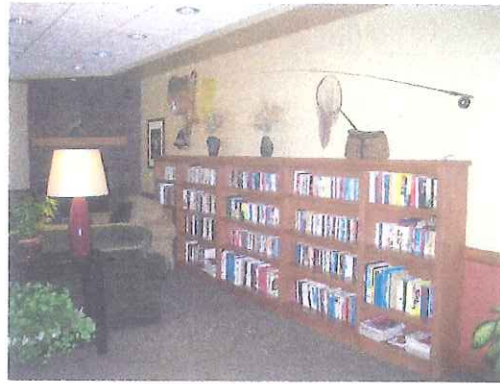
La Pine, OR

26 units
Completed March 2013



Mountain Laurel Lodge Bend, OR

54 units
Completed September 2006



HOW CAN THE CITY OF PRINEVILLE HELP?

Our projects are highly successful examples of public-private partnerships with multiple interests coming together for the good of a community and its vulnerable low-income senior population. While the primary funding sources for these projects are generous, they are not intended to fund the entirety of the development budget. The gap must be filled by pulling together local contributions and other available sources. Each of our projects has been made possible through the support of the local community, including ***both public and private sources***. We estimate from our experience that to make a project work, approximately 15% of the development budget must come from local sources. This is necessary for 2 reasons:

1. The local sources fill the development gap and make the project "pencil".
2. Historically, OHCS awards points for local financial support, so a project without local financial contribution has not been competitive. A new funding process is now in place and we anticipate a similar emphasis on local support.

As evidenced in the Prineville Comprehensive Plan, the City of Prineville is aware of the need for affordable housing in the community and has stated its willingness to consider assisting through such tools as SDC deferrals, subsidies and loans, and tax incentives and disincentives, and other techniques.

MOST CRITICAL!

The following describes the three most critical ways in which the City of Prineville can assist in making Ochoco Creek Lodge a reality:

1. Re-zoning

The portion of the property on which the Lodge will be built is currently zoned M2 (Heavy Industrial), which would not allow for multi-family development. We have submitted a request for a Planning Commission Initiative to rezone the property to CMU (Commercial Mixed Use), which would allow for this type of development. OHCS will not review our funding application if the property is not properly zoned at the time of application on August 23, 2013.

We are requesting that the City Council approve our rezone request at the July 23, 2013 Council meeting so that we can meet our application deadline.

2. Brownfield Redevelopment Issues

There are currently some challenges to development on the site as a result of its history as a lumber mill. Primarily, the site of the old mill pond is not developable due to inadequate soil and compaction. Other potential brownfield-related issues include underground hydrologic impacts and the presence of concrete slabs. The fixes for these issues are extremely costly and outside the scope of our development budget. We are currently working with the Regional Solutions Team and various

experts and agencies involved with brownfield redevelopment to identify funding sources to address these issues.

We are requesting the support of the City as we work with various public agencies and non-profit organizations to pursue funding options to make the site developable, as well as any financial assistance available from the City for the cleanup.

3. Property Tax Exemption

Oregon Revised Statute 307 allows the developers/owners of multi-family low-income housing to apply for exemption from the project's property tax bill for a period of 20 years. This ORS is intended to "level the playing field" for for-profit developers since non-profit developers and housing authorities doing the same work automatically receive the exemption (for the entirety of the project life).

Under ORS 307, the full value of the property tax exemption is passed through to the residents in the form of reduced rents. We have not yet calculated the value of the property taxes that would be forgone by the City of Prineville with the exemption in place, but based on our research for previous projects, it would likely be in the neighborhood of \$300 to \$500 per year.

In order for developers/sponsors to receive the property tax exemption, the City in which the project is located must first pass a resolution or ordinance adopting a property tax exemption program. The developer then submits an application for exemption to the City. If the City approves the application, and if the developer also obtains agreement from at least 51% of the taxing jurisdictions for the property, the developer will have an exemption on 100% of the property tax for the 20 year exemption period.

Because of the extremely slim cash flow margins on these projects, property tax exemption is critical to the viability of the project. We have received property tax exemption on all of our projects to date.

We are requesting that the City adopt a property tax exemption program under ORS 307, enabling Pacific Crest to submit an application for property tax exemption for Ochoco Creek Lodge.

OTHER WAYS THE CITY CAN HELP

Below is a list of local contributions that have helped close the gap on our previous projects. Contributions of this type from the City of Prineville would be invaluable to the project:

SDC Deferrals Deferring payment of SDCs for some period saves a significant amount on our construction interest.

Reduced EDUs Reducing the Equivalent Dwelling Units for our apartments can be invaluable in two ways. First, it lowers our water sewer SDCs to a more manageable amount. Second, it lowers our monthly water and sewer bills for the life of the project. This is particularly important for a low-income project in which rising water and sewer costs outpace increases in rents, which are restricted under our funding programs.

Grants and loans City contributions of grants and/or loans into the project, or the City paying directly for a development cost (such as off-site costs, site clearance, etc), can help to fill the gap.

Expedited Land Use Processes Speeding up the planning and building review processes shortens the development phase of the project and can result in significant savings in construction loan interest.

Reduced Land Use Fees Reductions of this type help to fill the gap because they are a direct savings to the development budget.

In-Kind Contributions Any in-kind contributions from the City or the community as a whole reduce the development costs and help to close the gap.

Thank you for your consideration!

For questions, please contact:

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