SECTION 108 PROJECT-SPECIFIC REVIEW

PROJECT:  PRAIRIE OAKS CLIENT SERVICES CENTER - LASA
APPLICANT:  CITY OF LAKEWOOD   LOAN AMOUNT:  $310,000

PROJECT SUMMARY

The Living Access Support Alliance (LASA), a 501c3 nonprofit organization, is proposing to construct a new mixed use development that will include a 4,000 square foot Client Services Center consisting of supportive service space that will serve low income households throughout the City (the Commercial Condominium, or the “Project”); and 15 new permanent residential units that will serve formerly homeless households (the Residential Condominium). The two condominiums will be part of a single building that will be constructed on a site located at 8954, 8956 and 8960 Gravelly Lake Drive SW in Lakewood. The subject of the proposed Section 108 Loan Guarantee is solely the Client Services Center condominium.

Services to be provided:
LASA’s client services will be available to the target population of homeless families, those in imminent danger of homelessness, and those living in transitional or temporary housing who are seeking stability and permanent housing. The array of services to be provided is focused on crisis intervention as well as building the self sufficiency of the target populations. Services will include:

- 4 -6 FTE case managers dedicated to serving an estimated 65 Pierce County families experiencing homelessness in scattered site housing.
- a part time prevention specialist to provide resources and referral information.
- shower facilities will be available for clients who lack access to bathing facilities
- access to off-site laundry services provided by a voucher that will be made available to local school nurses/counselors and to LASA's Prevention Specialist on an as needed basis.
- Basic supplies and essential needs such as diapers and toiletries.
- Space provided for a case manager from Healthcare for the Homeless in conjunction with Metropolitan Development Council.
- Computer lab to provide access to internet and general computer usage for families seeking services, housing or other needs.
- Meeting space for client gatherings and other community building events.
- Quarterly Speakers such as tax preparation or financial literacy.
- Kids Book nook to provide a lending library for homeless children.

Development Program:
Site development work including the following have been apportioned to the CSC condominium on a pro rata basis: demolition of 3 existing vacant houses and 2 garages with minor asbestos abatement; new installation of underground utilities and on-site drainage and infiltration system; asphalt parking lot with installation of on-site lighting and other site fixtures and landscaping improvements. Building development will consist of a new two-story wood framed slab on grade building with one-hour fire separation between office and residential space. The CSC will be located on the ground floor. Exterior
finish consists of cement-board shingle panels or beveled siding with vinyl double-pane windows throughout. The 4,000 square feet of Client Services space will have a separate exterior entrance, separate electric heat pump and HVAC system and separate utility metering. The development also requires improvements to the street frontage along Gravelly Lake Drive. The costs of these improvements is divided between the CSC and the residential condo on a pro rata basis.

PROJECT REVIEW

Criteria for review of project-specific Section 108 loan applications is detailed in the approved Section 108 Loan Fund Policies. These underwriting and review guidelines will be applied to all prospective Section 108 loan proposals under this Loan Fund, regardless of whether required under Section 570.203.

A. HUD National Priority Areas

The new Client Services Center meets one of the three National Priorities identified by HUD under the Suitable Living Environments category. Specifically, through creation of a new service delivery space for LASA’s homeless clients city-wide, the facility meets national priority 2-c) support delivery of human services to targeted low-income clientele.

B. Community Development Objectives of the City

By providing the proposed array of services to low income households, the new Client Services Center will meet the following Community Development Objectives of the City’s 2010-2016 Consolidated Plan (pg. 109):

- Focus resources on activities that provide opportunities for lower income persons to achieve their maximum self-sufficiency. Use CDBG and HOME funds to leverage other funding.
- Promote and facilitate self-sufficiency among persons served by funded activities.

By coordinating services within a housing development with links to other service resources, the project supports the following Community Development Objective (p. 117):

- Support the efforts of the 10-year Regional Plan to end chronic homelessness
  - The City Council-adopted Plan calls for housing and services and improved coordination among providers to meet the needs of homeless persons who cycle in and out of homelessness.

C. Section 108 eligible Activity under 24CFR 570.703

The Client Services Center will be open to the public and will provide social services to low income individuals. As such the use meets a HUD eligible activity for Section 108:

570.703(l) – Acquisition, construction, reconstruction, rehabilitation or installation of public facilities (except for buildings for the general conduct of government), public streets, sidewalks, and other site improvements and public utilities; where Public Facilities is defined as eligible under 24 CFR 570.201(c).

D. National Objective under 24 CFR 570.208

The LASA Client Services Center will meet a HUD national objective for Section 108 under 24 CFR 570.208(a)(2)(A) Limited Clientele – meaning an activity that benefits a clientele who are generally
presumed to be principally low and moderate income persons. The Client Services Center will serve a group of persons who fit the categories to be presumed Low or Moderate Income (LMI) population (homeless, formerly homeless and families in transition).

E. Public Benefit Standard (if applicable) as required for projects qualifying under 570.703(i) and 570.203 or 570.204 activities. [Not Applicable]

F. Citizen Participation Requirements: the City fulfilled its Citizen Participation requirements by publishing the proposed actions and soliciting public comment on October 31, 2013. It held a Public Hearing on November 6, 2013 to receive input from the public on the proposed Action Plan amendment as well as the proposed use of Section 108 funds for the Project. The 30-day comment period closes December 2nd. See Appendix A for copies of the public notice, meeting agenda and meeting minutes and any comments received.

G. Financial Underwriting Guidelines: The project was analyzed using the City’s approved Loan Fund underwriting guidelines.

1. Project management
The management of the development project will be undertaken by LASA’s development partner, the Tacoma Housing Authority. Their capacity is addressed below in item 9. The Client Services Center will be owned and operated by LASA, a nonprofit provider of housing and supportive services to homeless and formerly homeless families in Lakewood. LASA was formed in 1989 to address the needs of Lakewood’s homeless families. Its organizational profile is discussed below in item 11. As a partner in the development, LASA will bring the critical supportive services to the project’s residents as well as continue to serve households City-wide from this location. It currently owns four different properties providing housing for up to seventeen families at a given time. LASA’s main site for service delivery is currently located at the subject site in one of the houses that will be torn down for the new development.

2. Public Benefit
The Prairie Oaks Client Services Center will provide critical supportive services that assist very low income families to find emergency assistance, connect with housing opportunities, build a stable base for self-sufficiency in the community and prevent or minimize homelessness. Their services supported nearly 75 families including approximately 89 children last year through a variety of services, assistance and referrals.

3. Proposed Costs
The total development budget for the Client Services Center is estimated to be $1,200,191 according to LASA’s development partner, the Tacoma Housing Authority (THA). THA has recently obtained construction cost information through a competitive bid process and has selected the general contractor. The Construction Hard Cost will be confirmed prior to closing with receipt of an executed Guaranteed Maximum Price
SECTION 108 PROJECT-SPECIFIC REVIEW

(GMP) contract, along with an updated Development Budget that incorporates all costs. The development computes to $300 per square foot, which is on the high end of development costs for this type of construction. Factors contributing to the higher than typical cost include the requirements of Federal Prevailing Wage rates for non-residential structures, design requirements to meet Evergreen Sustainable Design Standards (ESDS), on-site lighted parking lot and City-required street frontage improvements.

4. Commitment of Funds
   Proposed Section 108 loan proceeds in the amount of $310,000 will supplement the balance of committed funding sources that include:
   Lakewood CDBG $250,000
   Pierce County CDBG 250,000
   THA Bridge of Capital Campaign: 275,000
   LASA cash in hand 30,000
   LASA developer fee 85,191
   Total sources (w/108): $1,200,191

5. Need for Section 108 Assistance / Non-substitution of Funds:
   Financing sources for non-residential social service space are extremely limited. As a nonprofit social service provider, LASA’s operating cash flow is minimal; and thus its ability to secure conventional financing at terms that are sustainable for the organization is similarly limited. In the last two fiscal years, LASA has operated at essentially break-even while drawing upon a small pool of cash reserves. LASA was able to receive a small bridge financing commitment from its development partner to bridge its planned capital campaign for the project. That bridge financing will be repaid from cash received as campaign donations come in. After exhausting other available local grant sources (all committed to the project) LASA did obtain a commitment from a conventional lender for the $300,000 gap. The terms of that loan, however, were at higher interest and for a shorter term which would have required a large balloon payment (approximately $141,000) to be paid in year 10 within the HOME and Trust Fund affordability period. These terms were determined to be unsustainable for the organization both for the higher cost of financing imposed on the project and the significant risk that would be placed on the organization when it had to repay or refinance at an unknown interest rate in year ten. The relatively lower interest rate and longer financing term provided by the Section 108 loan provides LASA with an assured payment projection and the ability to fully retire the debt well within the project’s net operating income capacity as detailed in Item 8.

6. Evidence of Site Control
   LASA currently owns the three parcels to be developed. As part of the development LASA will convey its fee ownership in the parcels to a Limited Liability Limited
SECTION 108 PROJECT-SPECIFIC REVIEW

Partnership (LLLP) consisting of LASA and THA as members. The partners will develop the improvements. The condominiums will be declared and recorded such that THA and LASA will share ownership of the Residential condominium (51% / 49% respectively) and LASA will own 100% of the Client Services Center condominium.

7. Loan Structure (Term, Interest Rate, Origination Fee, other expenses)
   The proposed loan will carry a 20-year term, 20-year amortization, with interest-only payments in years 1-5; amortization on a 15-year schedule in years 6-20. The interest rate will be fixed at closing at 4.25% (Initial Rate) and will be subject to conversion at such time when this loan is included in any HUD public offering. The Conversion Rate shall be the lesser of: 4.25% or the rate due on each of the City’s Principal Payments plus 50 basis points or 0.5% (HUD Public Offering Rate). The loan will carry a 1% loan origination fee to be paid to the City upon closing to cover costs associated with loan packaging, underwriting and documentation (eligible Program Delivery costs pursuant to Section 570.500). Repayment shall be from Borrower from project operations. There will be one other loan to Borrower (the THA Bridge Loan) that is not secured by the property, but by a pledge of all capital campaign proceeds for the project. LASA is currently engaged in a capital campaign for the project that is targeting area foundations, businesses and individual donors. To date, approximately $30,000 has been raised.

8. Financial Feasibility
   a. Ability to Repay – An analysis was done of the organization’s audited financial statements for the FY2010, 2011 and 2012 along with un-audited interim financials for FY 2013. Based on the most recent income and expense statements for the past two years and the current 2014 program budget, LASA’s operating cash flow would by itself be insufficient to repay the debt. For this reason, the Residential operations of the subject property were relied upon for the financial feasibility review. The 15 units to be developed have a commitment of project based Section 8 rental assistance for an initial term of 20 years. The units are projected to generate an Effective Gross Rent (EGR) of $150,355 at stabilization. Expenses of $88,825 (nearly $6,000 per unit) were budgeted according to THA, resulting in a Net Operating Income of $61,530. The first payment out of NOI will be to cover the Section 108 interest-only payment ($12,675 per annum). The balance of available cash flow would be available for project reserves, or to be shared between LASA and THA as determined by the partnership agreement. This provides for a contingent repayment to the Bridge lender in the event that the LASA Capital Campaign falls short of its $275,000 goal. Should the capital campaign funds not materialize, the THA Bridge could be repaid strictly from residential operations within a six-year time period. Once the Section 108 amortization begins in year 6, City loan terms will require that the borrower maintain a 1.20 Debt Coverage Ratio on Net Operating Income (NOI) in the Residential Condominium of the Project. Because the
SECTION 108 PROJECT-SPECIFIC REVIEW

ownership of the Residential condominium is split between LASA and THA, the City will require a review of the final executed partnership agreement prior to execution of the City loan documents to confirm that this condition will be met. The debt service payment on the Section 108 loan will be the first priority for Net Operating Income, ahead of all other uses of cash. The debt service as projected based on the Initial Rate and 15-year amortization is approximately $28,371. The DCR in the initial payment year (year 6) is projected to be 2.28 (based on NOI of $64,616).

b. Collateral – the City will take a 1st position Deed of Trust on all Borrower property associated with Project (including, but not limited to: 100% interest in the CSC Condominium and a deed or other form of collateral on LASA’s 49% interest in the Residential Condominium as recorded on title) based on verification of the executed LLP agreement between LASA and THA. The value of the collateral has been preliminarily reviewed and deemed to be sufficient based on the following analysis: 1) assessed valuation of the existing land is $482,600 according to Pierce County assessor’s records. This valuation is assumed to be significantly lower than the as-completed value of the building improvements. 2) The overall development cost of the Residential and CSC condominiums exceeds $6 million. Given the lien position of the Section 108 loan, the LTV ratio would be well within range if viewed from a cost basis. 3) An analysis using the income approach to value with only the residential Net Operating Income yields a value of $769,120 based on a conservative 8% cap rate. LASA’s 49% interest in the residential condo yields a value of $376,869, leading to a resulting Loan to Value from this portion alone of 82%. Additional value is expected from the 4,000 office and service space, which is expected to reduce the LTV to within acceptable range per the underwriting guidelines. An appraisal has been requested from an MAI-certified appraiser to confirm the as-completed value of the project prior to closing.

9. Development Team Capacity
LASA as borrower of the Section 108 funding has a demonstrated capacity to manage the financial reporting and compliance requirements and to maintain and operate its Client Services Center in accordance with the requirements of the funding sources. LASA’s nearly 25 year track record at providing supportive services will ensure that the project’s services operations are carried out in an effective and capable manner throughout the duration of the financing period. In addition LASA has developed, owns and manages 14 units of transitional housing using many of the same financing sources contemplated by this project. Through this experience, LASA has demonstrated ability to provide development support to its THA partner as required. To supplement its development capacity for this mixed-use project, the THA provides a nearly 74-year track record of successful residential and mixed use development of affordable housing and related spaces. THA’s staff has previous experience with all aspects of the
SECTION 108 PROJECT-SPECIFIC REVIEW

development process, procurement, compliance monitoring, reporting and management for the project. THA currently owns and manages over 1,400 residential units throughout Tacoma, and has developed several large scale projects including residential mixed use development.

10. Developer/Owner Commitment
Both the Tacoma Housing Authority and LASA have demonstrated significant investment and financial commitment in the project thus far. LASA invested its capital to assemble the land over a period of years. The Tacoma Housing Authority has invested over $425,000 in its own predevelopment capital and considerable staff resources to get the project to the point of full financing and construction start. In addition, both parties have worked to secure the other resources that comprise full financing commitments from more than seven different sources.

11. Borrower Background and Character
LASA is a mission-driven nonprofit organization formed in 1989 by a group of concerned community members to address the growing needs of Lakewood’s homeless families. It was originally housed in the basement of the St. Francis Cabrini building. It is governed by a 13-member Board of Directors who set policy and guide the organizations overall mission. LASA has ten full-time and part-time staff and one volunteer who provide the case management, support services, maintenance on facilities and day to day management, administrative and financial functions of the organization. It is additionally supported by a wide array of long-term volunteers who provide in-kind support and assistance to LASA’s client families. LASA’s Executive Director, Janne Hutchins, has provided leadership and overall oversight of LASA operations since 1996. A diverse array of public, foundation, business and individual community members support the operations of the organization and its $850,000 annual operating budget. Approximately 28% of LASA’s operating revenue comes from program revenue from public funding sources. Foundation, business and faith-based organizations contribute about 62% and contributions from individuals make up the remaining 10% of the organization’s annual revenue. As a partner in the development, LASA will bring the critical supportive services to the project’s residents as well as continue to serve households City-wide from this location. It currently owns nine different properties providing housing for up to 50 to 60 families at a given time in single units, duplexes and group living environments. It proves a full continuum of housing from emergency shelter to permanent rentals. LASA’s main site for service delivery is currently located at the subject site in one of the houses that will be torn down for the new development. The services will be temporarily moved to Trinity Baptist Church in Lakewood during construction.

12. Pro Rata Disbursement of Section 108 Funds with Other Funding Sources

Prepared by National Development Council
SECTION 108 PROJECT-SPECIFIC REVIEW

It is anticipated that all other funds would be made available first, or that Sec. 108 funds will be disbursed on a pro rata basis with other funds.

13. Project Monitoring
The City of Lakewood CDBG Program Manager will be responsible for monitoring construction progress and disbursement of the Section 108 funds during construction. The City will require that it receive copies of the monthly construction monitor Site Visit Report (SVR) that will be performed on behalf of other funders in the project. This SVR will provide confirmation that funds are being spent in accordance with the project’s construction scope and will monitor timeliness and budget for the project. Once the development is complete, the Lakewood CDBG Program Manager will monitor ongoing compliance and reporting requirements, including collecting client services information from the Borrower on the client population served. To the extent that the project continues to provide services primarily to homeless, formerly homeless or households in transition from homelessness, the client population will be presumed to be Low-Moderate Income as a Limited Clientele according to Section 570.208(a)(2) and no further specific income documentation will be required. Should additional services be provided that would serve other low income or other client populations, a mechanism may be required to track the income level of the clients served.

14. Interim Benchmark Measurements
Upon completion of construction, LASA has charted a scale-up plan for operations and service delivery. The expected array of programs and initial year targets have been reviewed as part of this underwriting. The City will monitor the actual performance of the CSC in providing the various types of services proposed as well as the overall number of households served on an annual basis.

15. Project Readiness
The project is ready to proceed. All other funding sources have been fully committed. The construction contract has been negotiated and approved. The contractor is ready to begin construction following closing on all financing by the end of December 2013.

Conclusion and Recommendation:
The project meets both the HUD eligibility requirements and the financial feasibility guidelines of the approved Lakewood Section 108 Loan Fund. Based on this review and the proposed Loan structure, it is recommended that the LASA Prairie Oaks Client Services Center be approved for up to $310,000 in Section 108 Loan Guarantee funds subject to the following terms and conditions:

Loan structure:
• 20-year term with interest-only payments in years 1-5; amortization on a 15-year schedule
SECTION 108 PROJECT-SPECIFIC REVIEW

in years 6-20;

- Interest Rate fixed at closing at 4.25%, subject to Conversion at time of HUD public offering at the lesser of: 4.25% or the rate due on each of the City’s Principal Payments plus 50 basis points or 0.5% (HUD Public Offering Rate).
- Loan Fee: a 1% loan origination fee shall be paid to the City upon closing to cover costs associated with loan packaging, underwriting and documentation.

Repayment:
Repayment from Borrower from project operations. Borrower is required to maintain a 1.20 Debt Coverage Ratio on Net Operating Income in the Residential Condominium of the Project.

Primary & Secondary Collateral:
- 1st position Deed of Trust on Commercial Condominium and 1st position Deed of Trust or pledge of borrower’s 49% interest in Residential Condominium as recorded on title;
- Pledge of all current and future City CDBG entitlement funds or funds eligible to be received under Section 570.705(b)(2).

Recommended Conditions prior to Closing:
- Receipt of executed funding agreements from all other sources (both Residential and Commercial sources)
- Receipt of executed partnership agreement between LASA and Tacoma Housing Authority detailing revenue sharing terms consistent with City underwriting assumptions
- Satisfaction of insurance requirements including Owner’s General Liability, Builder’s Risk and Property
- Receipt of an updated Lender’s Title Policy in favor of the City of Lakewood Section 108
- Completion of HUD Environmental clearance
- Approval and execution of construction contract
- Executed Performance & Payment Bonds with Dual Obligee Rider for City of Lakewood
- Receipt of approval from HUD
- Receipt and execution of Loan documents from HUD to City
- Receipt of updated documents (budgets, contracts, other documents) as requested by City

H. Pledge of CDBG Guarantee
The City of Lakewood understands that if the participants in this Section 108 loan fund fail to make timely payments and the City of Lakewood therefore fails to make a required payment on its notes, HUD will deduct that payment from the City of Lakewood’s CDBG Letter of Credit and in accepting this loan guarantee, the City of Lakewood will pledge its CDBG funds and all other applicable grants as security for the guarantee.

I. Schedule for City’s Repayment of Loan
In requesting approval of this loan guarantee, the City of Lakewood is requesting a commitment for a 20-year term. The City of Lakewood will act as borrower and issue the
SECTION 108 PROJECT-SPECIFIC REVIEW

guaranteed debt obligations, consistent with RCW 35.21.735. The source of repayment will be payment on the loans from LASA. Please use the following principal repayment schedule.

**Proposed Principal Repayment Schedule**

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J. **City of Lakewood Contact:**
Jeff Gumm, CDBG Program Manager
City of Lakewood
6000 Main St. SW
Lakewood, WA 98499
Ph: (253) 983-7773

Required Attachments:
1. Combined Federal Certifications
2. SF424 – Application for Federal Assistance
3. Lobbying Certification
4. Annual Action Plan Amendment excerpt
5. Approved Council Resolution and Council meeting minutes
6. Public Comments and City responses as applicable
7. Evidence of compliance with Environmental Review

Appendix:
1. Evidence of compliance with Citizen Participation requirements
2. LASA CSC Detailed Sources & Uses and 20-Year Operating Pro Forma (Residential Condo)
3. Detailed description of Client Services
4. Site Plan & Schematics
I, Katie Calhoun, being first duly sworn, on oath, says that she is the legal clerk of The News Tribune, a weekly newspaper, published in Tacoma, Pierce County, Washington, and of general circulation in said state, and having a weekly circulation of over 96,000 copies. That said newspaper is now and at all times hereinafter mentioned as a legal newspaper as defined by the laws of the state, duly approved by the Superior Court of Pierce County, Washington. That the advertisement, of which the attached is a printed copy as it was published in the regular issue of said newspaper, was published 1 time(s), commencing on the 31st day of October 2013 and ending on the 31st day of October 2013.

Ad Number 0000748199
ACCT# 256525 CITY OF LAKEWOOD

K. Calhoun
Subscribed and sworn to before me on this 31st day of October, 2013

Notary Public in and for the state of Washington, residing in Pierce County.
1950 So. State St. Tacoma, WA 98405
### Customer Information
- **Customer**: CITY OF LAKEWOOD
- **Customer Account**: 256525
- **Customer Address**: 6000 MAIN ST SW, LAKEWOOD WA 98499-5027

### Payor Information
- **Payor Customer**: CITY OF LAKEWOOD
- **Payor Account**: 256525
- **Payor Address**: 6000 MAIN ST SW, LAKEWOOD WA 98499-5027

### Contact Information
- **Customer Phone**: 253-569-2489
- **Payor Phone**: 253-569-2489
- **Sales Rep**: lbaslin@thenewstribune.com
- **Order Taker**: lbaslin@thenewstribune.com

### PO Number
- PO Number: MTG 118

### Tear Sheets
- **Tear Sheets**: 1
- **Proofs**: 0
- **Affidavits**: 1

### Financial Information
- **Net Amount**: $243.53
- **Tax Amount**: $0.00
- **Total Amount**: $243.53
- **Payment Amt**: $0.00
- **Amount Due**: $243.53

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- **Ad Number**: 0000746199-01
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### Legal Information
**Title**: TAC-NT-News Tribune: Print
- **Run Dates**: 10/31/2013
- **City of Lakewood 2013 Consolidated Annual Action Plan Amendment
**TAC-upsell.thenewstribune.com: Online
- **Run Dates**: 10/31/2013
- **City of Lakewood 2013 Consolidated Annual Action Plan Amendment
CALL TO ORDER
Chair Edith Owen Wallace called the meeting to order at 5:35 p.m.

ATTENDANCE
Board Members Present: Chair Edith Owen Wallace, Michael Lacadie, Laurie Maus, Sharon Taylor, Kathleen Lind, and Mumbi Ngari-Turner.

Council Liaison Present: Councilmember Marie Barth

City Staff Present: Jeff Gumm, Martha Larkin

APPROVAL OF MINUTES – SEPTEMBER 18, 2013 AND SEPTEMBER 25, 2013
MICHAEL LACADIE MOVED TO APPROVE THE SEPTEMBER 18, 2013 AND SEPTEMBER 25, 2013 CDBG CITIZEN’S ADVISORY BOARD MEETING MINUTES AS WRITTEN. THE MOTION WAS SECONDED BY LAURIE MAUS. VOICE VOTE WAS TAKEN AND THE MOTION CARRIED UNANIMOUSLY.

NEW BUSINESS
Introduction of new Board Members – Kathleen Lind and Mumbi Ngari-Turner
Everyone introduced themselves and welcomed the new members.

Discussion/Review of LASA/THA Prairie Oaks Homeless/Client Services Center
Jeff Gumm reviewed the proposed project which will be fully funded with the proposed $300,000 Section 108 loan. The Prairie Oaks project will include 15 units of housing for homeless families and a client services center. Its funding sources include City of Lakewood HOME, CDBG, and Section 108 loan, Pierce County CDBG and 2163, Washington State Housing Trust Fund, and a Tacoma Housing Authority bridge loan. Mr. Gumm explained how the loans would work, the budget, and the cash flow needed to service the debt.

PUBLIC HEARING
A Public Hearing on the proposed FY 2013 Annual Action Plan Amendment for the Proposed Section 108 Loan Guarantee Application for the LASA/THA Prairie Oaks project was held, however, there was no one present who wished to comment.

NEXT MEETING
The next meeting will be held on January 8, 2014 at 5:30 p.m. in Conference Room 3A.

ADJOURNMENT
The meeting adjourned at 6:35 pm.

____________________________   __________________________
Edith Owen Wallace, Chair    Date
### RESIDENTIAL SOURCES & USES

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### SOURCES & USES (COMMERCIAL)

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</tr>
<tr>
<td><strong>TOTAL SOURCES (COMMERCIAL):</strong></td>
<td><strong>1,200,191</strong></td>
</tr>
</tbody>
</table>

### OWNERSHIP STRUCTURE

- Limited Partnership owns Housing Condo
  - THA 51% (assumed split of CF)
  - LASA 49% (assumed split of CF)
- LASA Owns Commercial Condo
- Assessed Valuation (3 Parcels): 482,600

### Fair Market Value Calculation (Income Approach)

- Residential Condo:
  - Net Operating Income Yr. 1: 61,530
  - Cap Rate (conservative): 8%
  - Fair Market Value (NOI/Cap): 769,120
  - LSA 49% Ownership Interest: 49%
  - Value of proportionate interest: 376,869

- **LTV of Sec. 108 Loan:** 82%
  - *Value to be Supported by Appraisal*

- **THA Bridge Loan Repayment Terms:**
  - 2% Simple interest on outstanding balance
  - 10-yr term
  - Principal out of Capital Campaign or Cash Flow
  - Interest is Junior/Subordinate to Section 108 Loan

- Prepared by National Development Council
## LASA Underwriting Analysis - Section 108
### Section 108 & Bridge Pro Forma

**Prepared by National Development Council**

<table>
<thead>
<tr>
<th></th>
<th>1</th>
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</thead>
<tbody>
<tr>
<td><strong>Total Residential Income</strong></td>
<td>158,268</td>
<td>162,225</td>
<td>166,280</td>
<td>170,437</td>
<td>174,698</td>
<td>179,066</td>
<td>183,542</td>
<td>188,131</td>
<td>192,834</td>
<td>197,655</td>
<td>202,596</td>
</tr>
<tr>
<td>2.50% escalation (Vacancy)</td>
<td>(7,913)</td>
<td>(8,111)</td>
<td>(8,314)</td>
<td>(8,522)</td>
<td>(8,735)</td>
<td>(8,953)</td>
<td>(9,177)</td>
<td>(9,407)</td>
<td>(9,642)</td>
<td>(9,883)</td>
<td>(10,130)</td>
</tr>
<tr>
<td><strong>Effective Gross Income</strong></td>
<td>150,355</td>
<td>154,113</td>
<td>157,966</td>
<td>161,915</td>
<td>165,963</td>
<td>170,112</td>
<td>174,365</td>
<td>178,724</td>
<td>183,192</td>
<td>187,772</td>
<td>192,467</td>
</tr>
<tr>
<td><strong>Operating Expenses (without taxes or services)</strong>*</td>
<td>88,825</td>
<td>91,934</td>
<td>95,152</td>
<td>98,482</td>
<td>101,929</td>
<td>105,496</td>
<td>109,189</td>
<td>113,010</td>
<td>116,966</td>
<td>121,059</td>
<td>125,296</td>
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<tr>
<td>3.50% escalation</td>
<td>5,921.67</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td>61,530</td>
<td>62,180</td>
<td>62,815</td>
<td>63,434</td>
<td>64,035</td>
<td>64,616</td>
<td>65,177</td>
<td>65,714</td>
<td>66,227</td>
<td>66,713</td>
<td>67,170</td>
</tr>
<tr>
<td><strong>Section 108 Loan</strong></td>
<td>13,175</td>
<td>13,175</td>
<td>13,175</td>
<td>13,175</td>
<td>13,175</td>
<td>13,175</td>
<td>28,371</td>
<td>28,371</td>
<td>28,371</td>
<td>28,371</td>
<td>28,371</td>
</tr>
<tr>
<td><strong>DCR on Section 108 Loan</strong></td>
<td>N/A (Interest-only payments during this period)</td>
<td>2.28</td>
<td>2.30</td>
<td>2.32</td>
<td>2.33</td>
<td>2.35</td>
<td>2.37</td>
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<tr>
<td><strong>Cash Flow to Partners</strong></td>
<td>48,355</td>
<td>49,005</td>
<td>49,640</td>
<td>50,259</td>
<td>50,860</td>
<td>50,860</td>
<td>36,245</td>
<td>36,805</td>
<td>37,343</td>
<td>37,856</td>
<td>38,342</td>
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<tr>
<td><strong>THA Portion of CF (Bridge Loan Repayment Schedule)</strong></td>
<td>45,937</td>
<td>46,554</td>
<td>47,158</td>
<td>47,746</td>
<td>48,317</td>
<td>48,317</td>
<td>34,433</td>
<td>34,433</td>
<td>25,150</td>
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<tr>
<td><strong>LASA Portion of CF</strong></td>
<td>2,418</td>
<td>2,450</td>
<td>2,482</td>
<td>2,513</td>
<td>2,543</td>
<td>1,812</td>
<td>11,655</td>
<td>-</td>
<td>-</td>
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</tr>
</tbody>
</table>

**Notes to Pro Forma:**

1. Minimum Split of NOI to LASA beginning in Year 6 must be at least $32,947 to provide for 1.20 DCR on Section 108 loan

*Split to be determined between LASA & THA but subject to limitations.*

Prepared by National Development Council
## LASA Underwriting Analysis - Section 108
### Section 108 & Bridge Pro Forma

<table>
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<tbody>
<tr>
<td>Total Residential Income</td>
<td>207,661</td>
<td>212,853</td>
<td>218,174</td>
<td>223,629</td>
<td>229,219</td>
<td>234,950</td>
<td>240,823</td>
<td>246,844</td>
<td>253,015</td>
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<tr>
<td>2.50% escalation (Vacancy)</td>
<td>(10,383)</td>
<td>(10,643)</td>
<td>(10,909)</td>
<td>(11,181)</td>
<td>(11,461)</td>
<td>(11,747)</td>
<td>(12,041)</td>
<td>(12,342)</td>
<td>(12,651)</td>
</tr>
<tr>
<td>Effective Gross Income</td>
<td>197,278</td>
<td>202,210</td>
<td>207,265</td>
<td>212,447</td>
<td>217,758</td>
<td>223,202</td>
<td>228,782</td>
<td>234,502</td>
<td>240,364</td>
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<tr>
<td>Operating Expenses (without taxes or services)*</td>
<td>129,682</td>
<td>134,221</td>
<td>138,918</td>
<td>143,781</td>
<td>148,813</td>
<td>154,021</td>
<td>159,412</td>
<td>164,991</td>
<td>170,766</td>
</tr>
<tr>
<td>3.50% escalation</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Operating Income</td>
<td>67,596</td>
<td>67,990</td>
<td>68,347</td>
<td>68,667</td>
<td>68,945</td>
<td>69,181</td>
<td>69,370</td>
<td>69,510</td>
<td>69,598</td>
</tr>
<tr>
<td>DCR on Section 108 Loan</td>
<td>2.38</td>
<td>2.40</td>
<td>2.41</td>
<td>2.42</td>
<td>2.43</td>
<td>2.44</td>
<td>2.45</td>
<td>2.45</td>
<td>2.45</td>
</tr>
<tr>
<td>Cash Flow to Partners</td>
<td>39,225</td>
<td>39,618</td>
<td>39,976</td>
<td>40,295</td>
<td>40,574</td>
<td>40,810</td>
<td>40,999</td>
<td>41,139</td>
<td>41,227</td>
</tr>
</tbody>
</table>

**Notes to Pro Forma:**

1. Minimum Split of NOI to LASA beginning in Year 6 must be at least $32,947.
LASA – PRAIRIE OAKS CLIENT SERVICES CENTER
PROPOSED SERVICES

LASA will dedicate approximately 4,000 Sq feet to a Center for client services which will be adjacent to the Prairie Oaks housing project. We anticipate a growing number of people utilizing services in the future. In year one we will be placing protocols in place and advertising services and the number of people needing services may start out slowly.

The Client Services Center will:

- **house** 4-6 FTE case managers dedicated to serving an estimated 65 Pierce County families experiencing homelessness in scattered site housing. Families will keep appointments both in their home and in the CSC. **Impact: 80 Households per year.**

- **house** a part time prevention specialist whose job will be to serve individuals needing laundry or bathing services and other services as listed. The specialist will also act as a resource person for those in need. **Impact: 100 Households per year.**

- be designed for a shower facility to provide access to bathing to people living on the street or for some other reason don’t have bathing facilities. At this time it is difficult to estimate how popular a feature this will be. Research is currently being conducted to determine policies we should adopt and to give us an idea of how many folks may wish to avail themselves of this service. **Impact: TBD**

- offer laundry service. This will be provided by a voucher that will be made available to local school nurses/counselors and to LASA’s Prevention Specialist on an as needed basis. We anticipate being able to help 5 to 10 families per week with this service. Since this is a new service we anticipate the number of people requesting service will be slow at first and demand will grow as more are aware of it. **Impact: 100 Households per year**

- house an essential needs closet; this closet will offer diapers and toiletries. We have been seeing 2 to 3 households requesting services each day and anticipate that once we promote these services that the number will rise to 10 or more per day. **Impact: 250 Households per year**

- host Healthcare for the Homeless: LASA is working with MDC on this service. LASA will provide space and MDC will provide the service to provide 15-20 appointments twice a month. For a total of 30-40 individuals seeing a health care provider. **Impact: 200 Households per year**

- Host computer space dedicated to internet and general computer usage. Two people per day **Impact: 200 Households per year**

- Offer meeting space for client birthday parties and other community building events **Impact: 50 Households per year**

- Quarterly Speakers such as tax preparation **Impact: 75 Households per year**

- sponsor a Kids Book nook The goal is to send every family home with a book. **Impact: 500 books per year per year**