

ORDINANCE No. 185780

*Authorize loans for the preservation of the Park Towers Apartments and Lexington Arms.
(Ordinance)

The City of Portland ordains:

SECTION 1. The Council finds that:

1. The Park Tower Apartments and the Lexington Arms are downtown affordable housing developments targeted for investment in the City's campaign to preserve eleven at-risk, affordable housing developments by 2013, known as the "11 x 13" Preservation Initiative.
2. The Park Tower Apartments (Park) at 731 SW Salmon Street and the Lexington Arms (Lexington) at 1125 SW 12th Avenue are both located within the boundaries of the South Park Blocks Urban Renewal Area in Portland, Oregon.
3. Permanent financing must be secured for these properties by mid-January, 2013 in order to preserve the twenty year contract for rent assistance from the United States Department of Housing and Urban Development (HUD), valued at more than \$39 million, and to save the capital accounts known as "residual receipts" from recapture by HUD.
4. The buildings will be purchased and financed as a single transaction by an affiliate of the non-profit organization, Cedar Sinai Park (CSP), and will be part of the CSP portfolio of downtown buildings with critical "aging-in-place" services to help low income elderly and disabled households more successfully remain in their homes and avoid more costly and disruptive options.
5. The City will join other public and private funders in this \$40.6 million effort to preserve the 216 affordable apartments at the Park and the Lexington. The Oregon Department of Housing and Community Services will issue tax exempt bonds of approximately \$20.4 million for the construction period with \$13 million remaining as permanent financing through bond purchases by Wells Fargo, the senior construction and permanent lender. The tax credit investor, an affiliate of PNC Bank, will provide an equity investment of \$13.7 million using historic tax credits and federal low income housing tax credits. Along with other sources of project financing, CSP will use all of the residual receipts (\$4.6 million) to partially fund renovation expenses.
6. The Portland Housing Bureau (PHB) conditionally approved a loan of up to \$2,626,181 from federal Community Development Block Grant (CDBG) funds. Pursuant to the City's *30% Set Aside for Affordable Housing* policy, it also conditionally approved up to \$3,500,000 from the City's South Park Blocks Urban Renewal Area (URA) budget for proceeds of tax increment financing (TIF), with repayment based on future income and expenses and collateralized by a subordinate lien deed of trust for each property.

7. The City will record Regulatory Agreements requiring that all units be occupied by households earning no more than 60% of the area's median household income at affordable rents for sixty years, and the Section 8 contract will ensure that households earning up to 30% of Median Family Income (MFI) will occupy the building for the next twenty years.
8. The City's investment will leverage the other public and private financing needed to acquire, renovate, and preserve this valuable affordable housing resource for current and future populations of low income elderly and disabled households.
9. After this transaction, the City will have invested \$13.1 million of TIF set-aside to preserve the nine "11x13" projects closed to date. This investment leveraged other public and private financing of more than \$114 million and preserved federal rent subsidy valued at over \$100 million.

NOW, THEREFORE, the Council directs:

- a. The City's financing will consist of up to \$3,500,000 in TIF proceeds in the South Park Blocks URA budget and up to \$2,626,181 in CDBG funds with terms and conditions approved by PHB.
- b. The Director of PHB is authorized to approve amendments or modifications to the financing and to execute regulatory agreements, loan documents, trust deeds, subordination agreements, and such other documents in form and substance as required to complete the financing authorized by this Ordinance, within the maximum amounts approved under this Ordinance, and subject to the approval as to form of such documents by the City Attorney's Office.
- c. The Mayor and Auditor are hereby authorized to draw and deliver checks chargeable to the PHB budget when demand is presented and approved by the proper authority.

SECTION 2. The Council declares that an emergency exists because a delay in the City's funding would impair the ability of the project team to meet the timeline required by other financing sources including obtaining approvals from the State Housing Council scheduled for December 7, 2012 for which prior City Council approval is required, and would delay the project, impact the budget, and put the long term Section 8 contract and residual receipts account at risk; therefore, this ordinance shall be in full force and effective from and after its passage.

Passed by the Council: DEC 05 2012
 Commissioner: Nick Fish
 Prepared by: Barbara Shaw
 Date Prepared: November 21, 2012

LaVonne Griffin-Valade
 Auditor of the City of Portland
 By

Susan Parsons
 Deputy

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INTRODUCED BY Commissioner/Auditor: Nick Fish	CLERK USE: DATE FILED <u>NOV 30 2012</u>
COMMISSIONER APPROVAL Mayor /Finance and Administration - Adams Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Leonard	LaVonne Griffin-Valade Auditor of the City of Portland By:  Deputy
BUREAU APPROVAL Bureau: Portland Housing Bureau Bureau Head: Traci Manning Prepared by: Barbara Shaw Date Prepared: November 21, 2012 Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Council Meeting Date December 5, 2012 City Attorney Approval <p style="text-align: right;">6F</p>	ACTION TAKEN:

AGENDA
TIME CERTAIN <input type="checkbox"/>
Start time:
Total amount of time needed: (for presentation, testimony and discussion)
CONSENT <input type="checkbox"/>
REGULAR <input checked="" type="checkbox"/>
Total amount of time needed: 15 minutes (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	✓	
2. Fish	✓	
3. Saltzman	✓	
4. Leonard	✓	
Adams	✓	