

Portland, Oregon

## FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

1. Name of Initiator Dory Van Bockel	2. Telephone No. 503-823-4469	3. Bureau/Office/Dept. Portland Housing Bureau/Neighborhood Housing
4a. To be filed (hearing date): October 16, 2013	4b. Calendar (Check One) Regular    Consent    4/5ths <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to Commissioner's office and CBO Budget Analyst: October 2, 2013
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

**1) Legislation Title:**

\* Approve application under the Multiple-Unit Limited Tax Exemption Program for The Abigail located at Northwest 13<sup>th</sup> Avenue and Northwest Raleigh Street (Ordinance)

**2) Purpose of the Proposed Legislation:**

This Ordinance provides City Council approval of a request for a ten year property tax exemption under the Multiple Unit Limited Tax Exemption (MULTE) Program for The Abigail located at NW 13th Avenue and NW Raleigh Street.

**3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?**

- |   |                                    |   |                                |
|---|------------------------------------|---|--------------------------------|
| <input type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input checked="" type="checkbox"/> Northwest | <input type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast  | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest            | <input type="checkbox"/> East  |
| <input type="checkbox"/> Central City       |                                    |   |                                |

**FINANCIAL IMPACT****4) Revenue:** Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This Ordinance will reduce future revenue coming to the City in the form of foregone property tax dollars. The estimated ten-year value of exempted tax revenue is approximately \$580,403 in today's dollars assuming a 5.0 percent discount rate (selected in consultation with the City's Debt Manager), and a three percent annual assessment increase.

**5) Expense:** What are the costs to the City as a result of this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the level of confidence.)*

There are no costs to the City associated with approving this Ordinance other than the foregone revenue.

**6) Staffing Requirements:**

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No.

- **Will positions be created or eliminated in future years as a result of this legislation?**

No.

*(Complete the following section only if an amendment to the budget is proposed.)*

**7) Change in Appropriations** *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

**PUBLIC INVOLVEMENT**

**8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:**

☒ **YES:** Please proceed to Question #9.

☐ **NO:** Please, explain why below; and proceed to Question #10.

MULTE City Code 3.103 and the approved Administrative Rules for the program require that applicants have made contact with the potentially impacted community and relevant neighborhood associations surrounding the proposed project.

The application for The Abigail was reviewed by the PHB Investment Committee (HIC) with expanded representation from the Portland Bureau of Planning and Sustainability's Planning and Sustainability Commission and the Multnomah County Tax Assessor's Office. The role of the review committee is to approve the staff recommendation that the application meets the basic program threshold criteria and adequately addresses the required competitive elements of affordability, equity, access to amenities, and accessibility outlined in City Code Chapter 3.103.

Additionally the PHB Portland Housing Advisory Committee is convening a public hearing on the proposed approval for The Abigail MULTE on October 1, 2013 where public testimony is invited.

**9) If "YES," please answer the following questions:**

- a) What impacts are anticipated in the community from this proposed Council item?**

This action will create 123 affordable housing units in the north Pearl District in the River District Urban Renewal Area within close proximity of multiple mass transit lines.

- b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?**

See above in #8.

- c) How did public involvement shape the outcome of this Council item?**

Input received through the public involvement process for the application included in this Ordinance validated the importance of creating 123 affordable housing units.

- d) Who designed and implemented the public involvement related to this Council item?**


Public involvement was designed and implemented by PHB with support and input from Bureau of Planning staff as part of development of the MULTE Program.

- e) Primary contact for more information on this public involvement process (name, title, phone, email):**

Daniel Ledezma, Senior Program Manager, Portland Housing Bureau, 503-823-3607

**10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.**

No. The project approved by the Council action is directly responsive to the priorities established through the public involvement process to date. No further action is needed.



Traci Manning, Director

Date



CITY OF  
**PORTLAND, OREGON**  
PORTLAND HOUSING BUREAU

Exhibit A  
Commissioner Dan Saltzman  
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186293

DATE: September 16, 2013

TO: Portland Housing Bureau (PHB) Investment Committee with expanded representation from the Planning and Sustainability Commission and Multnomah County

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **The Abigail** located at NW 13<sup>th</sup> Avenue and NW Raleigh Street

**Project Description:**

Bridge Housing Corporation (BRIDGE) proposes to build a mixed-use development, The Abigail Apartments (the "Project"), on a 37,500 square foot undeveloped parcel of land at NW 13th Avenue and NW Raleigh Street. The Abigail will consist of 142 stacked-flat style apartments in a double loaded corridor building with 370 square feet of at-grade commercial space. The building will be six stories comprised of two wings connected by a multi-level sky bridge. The Project will be highly visible from Naito Parkway and have a substantial presence in the north Pearl District. The site is located in the River District Urban Renewal Area.

The 142 apartments include 123 units with restricted affordability which will be rented at 30-60% median family income (MFI) or less – and 19 market rate units. The Project has a very high concentration of "family-sized" units with 16 studios, 26 one bedroom units, 62 two bedroom units, and 38 three bedroom units. The building will have 189,750 gross square feet including 124,520 square feet of residential space, 32,950 square feet of common area, 370 square feet of commercial space intended to be used for the delivery of resident services, and a 31,910 square foot garage.

The building will comprise of a wood-framed structure over a concrete first floor. The two distinct wings of the building will be connected by glass enclosed walkways on each level, which provides access to a centrally located elevator lobby and laundry room on each floor. Each wing will have a secure entry. There will be two landscaped courtyards with a community garden, a children's play area, a barbecue area, and formal and informal gathering areas.

The six story building will have an additional level of below grade parking for 84 vehicles. Tenants will have access to secure bicycle parking in a tool-equipped bicycle storage room.

The Project will meet environmental goals by building, registering, and certifying per LEED silver level standards. The use of solar panels is being explored.

The Project will be developed by the recently established Portland office of the nonprofit, Bridge Housing Corporation. Ankrom Moisan Architects will provide architectural services, Guardian Management will provide property management services, and Impact NW will provide resident

services. Walsh Construction is expected to be the General Contractor. The property is currently owned by Hoyt Street Properties, LLC which has a Development Agreement with the City of Portland related to the development of infrastructure improvements and affordable housing. The Project's affordability will exceed that anticipated in the development agreement.

The Project will have many sources of financing including a loan from the Portland Housing Bureau. Subject to City Council approval and other processes, the Project is expected to receive \$11.85M in tax increment financing. The loan amount was determined after a competitive process, the "2012 Notice of Funding Availability", based on the assumption that a tax exemption would be granted. For purposes of the financial analysis discussed later in this report, these loan payments are shown as cash flow dependent and payable after other expenses.

The small, at-grade, commercial space (approximately 370 square feet) will be made available at no charge to social service provider "Impact NW" for the delivery of resident support services. Given the intended use of the commercial space as an adjunct to the residential use, the applicant requested that the commercial space be included in the tax exemption. This request is supported by staff.

#### **Proposed Unit Mix and Affordability:**

<b>Unit Type</b>	<b>Count</b>	<b>Sq Footage</b>	<b>Rent (w/utilities)</b>	<b>MFI</b>
<b>Studio</b>	3	440	321	30%
	2	440	563	50%
	9	440	685	60%
	2	440	1,100	Market
<b>1 Bedroom</b>	5	640	332	30%
	3	640	593	50%
	15	640	723	60%
	3	640	1,300	Market
<b>2 Bedroom</b>	11	940	397	30%
	8	940	710	50%
	34	940	866	60%
	8	940	1,750	Market
	1	940	-	Manager
<b>3 Bedroom</b>	6	1120	456	30%
	5	1120	817	50%
	20	1120	998	60%
	6	1120	2,100	Market
	1	1120	-	Manager
<b>Total</b>	<b>142</b>	<b>124,520</b>		

<b>Affordability Level</b>	<b>Unit Count</b>	<b>% of Total Units</b>
<b>Market</b>	19	13%
<b>60% MFI</b>	78	55%
<b>50% MFI</b>	18	13%
<b>30% MFI</b>	25	18%
<b>Manager's Units*</b>	2	1%
<b>Total</b>	<b>142</b>	<b>100%</b>

\*The manager's units are included in the total percentage of affordable units.



### Scoring of Public Benefits:

Staff reviewed the Project's MULTE application and determined it meets the minimum program threshold guidelines. Staff scored the public benefits the Project will provide based on the information provided in the application. **A proposed project must receive a minimum score of 50 out of 140 possible points, available in seven different categories.**

**Affordability** – The majority of units (86%) will be affordable to households earning 60% or less of the area MFI. The Project will also target households at lower incomes by further reducing rents to provide 13% of the units to households earning 50% MFI and 18% of the total units to households at 30% MFI. The affordable units at each level will be distributed evenly amongst the unit mix. By demonstrating that market rents are higher than rents at 60% MFI, by providing 86% rather than 20% of the units at or below 60 % MFI, and by further reducing rents in the affordable units to target households from 30 – 50% MFI, the Project earned **45 out of 50 possible points.**

**Equity** – The applicant presented clear plans for pursuing social equity goals while constructing and marketing the Project. The Project will provide rent free space and pay Impact NW, a regional community-based service organization for resident programs and services that will be delivered in partnership with Impact NW. The resident programs to be offered include resource information and referrals, early childhood advancement and school readiness programs, and courses and counseling on financial literacy including homebuyer preparation. The Project has also proposed partnerships with community organizations to market the units including Urban League of Portland, El Programa Hispano, Confederated Tribes of Grand Ronde, and the Asian Family Center. This will support referrals of and advocacy for persons that have enlisted the support of, or, are affiliated with these community groups. Tenant programs and lease-out demographics will be reviewed annually to make any necessary changes to best meet project goals of helping underserved communities. The Abigail is being constructed on vacant land so it will not displace any existing residents. The applicant will include at least four MWESB consultants in the design of the Project and use at least 20% MWESB subcontractors, as well as incorporate Section 3 hiring practices during construction. By pursuing equity goals for the Project well beyond the minimum submission requirements, the project earned **25 out of 30 possible points.**

**Accessibility** – The Project site and the commercial space will be accessible to people with disabilities and all residential units will be accessible via an elevator, meeting all minimum ADA requirements. The application did not identify any additional measures being taken to make the Project more accessible to tenants and visitors with disabilities. Therefore, **no points were awarded out of 20 possible points.**

**Family Housing/Location** – The proposed Project is located in an area defined as having a high lack of family sized units. The majority of the Project's units (70%) are two or three bedroom units designed for families with the three bedroom units at 1120 square feet and the two bedroom units at 940 square feet. The Project features a children's play area in an exterior courtyard. The application makes clear that the Project is targeting families stating, "We conceive of this project as a family-centric development that will complement the existing Ramona Apartments, located across NW 13th Street from The Abigail, and other proposed development planned for this rapidly evolving neighborhood." The high percentage of family sized units in the north Pearl District along with areas for family recreation earned the Project **10 points out of 10 possible points.**

**Access to Amenities** – The Project is two blocks from the new “Fields Neighborhood Park”, within blocks of the “Childpeace Montessori School” and immediately adjacent to the Portland Public School’s “Early Learners Academy” at the “Ramona”. The Project is within walking distance of two grocery stores and a variety of restaurants and shops. The site has very good vehicular access to Interstate 5 and 405, access to bike lanes, and many bus and light rail stops (Portland Streetcar) are within 2-3 blocks of the site. The site is appropriate for family living in an urban context due to the proximity of schools, stores, transportation, parks, service providers and other amenities. The location with its 20-minute neighborhood score of 67 earned the Project **7 out of 10 possible points**.

**Gathering Space** – The Project proposes two landscaped courtyards featuring community gardens for residents, a children’s play area, a barbecue area, and formal and informal gathering areas. The Project also includes 370 square feet of at-grade space for use by Impact NW to deliver services to residents. In addition, there will be a 2,000 square foot multipurpose community room adjacent to the courtyard. This space will be accessible from the interior and exterior of the building. Residents are expected to use this space for meetings, classes, counseling and other activities. The Project will have pedestrian connections to the sidewalks on NW 13<sup>th</sup> and NW Raleigh. Although there will not be any gathering space accessible to the public, the Project will provide ample interior and exterior gathering spaces for tenants which earned the Project **4 out of 10 possible points**.

**Special Needs Populations** – No units will be reserved specifically for “at-risk” or “special needs” populations, however the Project’s Marketing Plan for leasing the Project outlines several anticipated relationships with agencies assisting vulnerable populations. Also, Impact NW will have tenant services on-site including assistance for youth transitioning out of foster care, “at-risk” adults, seniors, and disabled adults. Additionally, by providing units affordable to households at 30% and 50% MFI, the opportunity for housing more vulnerable populations is increased. All of these efforts to assist vulnerable populations earned the project **4 out of 10 possible points**.

**The Project earned a total score of 95 out of 140 points, well above the minimum threshold score of 50.** There were not sufficient applications received to compete for the annual cap of \$1 million estimated foregone revenue, so the Project’s score does not need to be compared to that of other applicants.

Public Benefit	Points Earned	Possible Points
Affordability	45	50
Equity	25	30
Accessibility	0	20
Family Housing/Location	10	10
Access to Amenities	7	10
Gathering Space	4	10
Special Needs Populations	4	10
<b>Total</b>	<b>95</b>	<b>140</b>

### **Financial Evaluation:**

Staff examined projected costs, debt, rents, utility allowances, and operating expenses to determine if the assumptions represent a reasonable expectation of how the Project will be developed and operate. Staff found both the development budget and the operating budget to be reasonable and consistent with standards and other projects, and tested eligibility for the tax exemption by examining financial performance and returns under three different scenarios.

The Abigail will be developed pursuant to the federal low income housing tax credit (LIHTC) program. An investor (not BRIDGE) will be a limited partner in the ownership entity. The investor will make an equity investment and, in return, receive a credit against other taxable income from the Internal Revenue Service (IRS). For this analysis, the limited partner's LIHTC investment is not considered an equity investment and the potential IRS tax credits are not included as return on equity because this return is not paid from project revenue. In addition to the proposed equity investment of the general partner (an affiliate of BRIDGE) there is an additional financing gap that will be filled by a subordinate loan to be paid from available cash flow from the market rate units. This loan is likely to be from a third party but may be from an affiliate of BRIDGE. For purposes of this analysis, this loan is treated as debt not equity.

The applicant has requested that the affordable units and relevant land portion of the project be exempt from property taxes under the Non-Profit Limited Tax Exemption Program for low-income housing (City Code Section 3.101). The applicant has proposed that the remainder of the Project including the market rate units, parking, and commercial space will be exempt from property taxes under the MULTE program based on the Project qualifications.

Using the pro formae and financial information provided by Bridge, staff developed three ten-year projections of the Project's financial performance:

- Scenario 1 – with the tax exemption;
- Scenario 2 – without the exemption; and
- Scenario 3 – without exemption and with rents increased to create same rate of return as scenario 1.

Scenario 1 shows the ten-year average cash on cash rate of return with the exemption is less than 1% over the ten-year period of the MULTE exemption.

Scenario 2 shows that the rate of return without the exemption is negative or zero over the ten-year period of the MULTE exemption. Additionally, as evidenced by the debt service coverage ratio, the project would be not able to obtain the proposed senior financing.

Scenario 3 eliminates the MULTE exemption and uses a hypothetical rent structure to result in the same senior debt service coverage ratio and rate of return as the Project with the exemption. This scenario shows that, without the exemption on the improvements, the rents would need to increase by more than 25% to achieve a comparable rate of return to that of Scenario #1. If the rents were increased by this much, the tax credit equity and affordable financing and grants would be lost, the public benefit of affordable housing would not be delivered, and the Project is not feasible.



The rents in all scenarios must incorporate a utility allowance reflecting which utility expenses are tenant paid and which are owner paid. The rents appropriately reflect the tenant payment of electricity for heat, lights and cooking.

This analysis confirms that (i) the Project would not be financially feasible without the benefit of the property tax exemption, (ii) the Project would not deliver the public benefits without the exemption, and (ii) the anticipated ten-year rate of return with the exemption will be significantly less than the ten percent ceiling allowed under the exemption.

After estimating the amount of the real property taxes that would be exempted in the first year of operation under the City's Ten Year Multiple-Unit Limited Tax Exemption at approximately \$66,350, staff calculated the ten-year value of this exempted tax revenue in today's dollars at \$580,403 by assuming a five percent discount rate (selected in consultation with the City's Debt Manager) and a three percent annual increase in the tax.

The Project is located within the River District Urban Renewal Area. Staff confirmed with the City's Debt Manager that the Project fits within the requirements of the existing bond covenants.

**CONDITIONS:**

The Project will be required to carry an extended use agreement, according to the terms of City Code 3.103.070(A) and submit Project financial information annually during the exemption period.

**RECOMMENDATION:**

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the residential and commercial portions of the Project, including parking, to be built by the non-profit, Bridge Housing Corporation, or an affiliated entity because the Project meets the minimum threshold and public benefits requirements set forth in Section 3.103 of Portland's City Code. Staff supports the applicant's decision to utilize the Non-Profit Limited Tax Exemption Program for low-income housing in Section 3.101 of Portland's City Code for the affordable portion of the units.