

184658

ORDINANCE No.

* Approve the request to grant a 20-year property tax exemption extension under the New Multiple Unit Housing limited tax exemption program to Rose Smart Growth Investment Fund Collins Circle LLC of Jonathan Rose Companies Development Company for the 52 affordable units and pro-rated portion of parking in a multiple-unit housing development on the block bounded by SW 17th, 18th, Jefferson, and Columbia, known as Collins Circle Apartments (Ordinance).

The City of Portland ordains:

Section 1. The Council finds that:

1. RSGF Collins Circle LLC applied to the Portland Housing Bureau for a forty eight year tax exemption extension under the New Multiple Unit Housing (NMUH) limited tax exemption (LTE) program for property legally described as Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition, and located on the block bounded by SW 17th, 18th, Jefferson, and Columbia, known as Collins Circle Apartments. The tax account number for the property is R14040-0080.
2. Collins Circle is a 124-unit apartment building with landscaped courtyard over a parking garage and approximately 7,300 square feet of retail space. The property was first granted a ten year tax exemption 04/15/1998 for all 124 residential units including the commercial space (Ordinance # 172274).
3. Rose Smart Growth Investment Fund (RSGF) Collins Circle LLC will retain 52 of the 124 units affordable at 60% Median Family Income (MFI) for the remainder of a 60 year long term affordability contract entered into on 12/22/99, originally under a Portland Development Commission loan regulatory agreement. The long term affordability contract ends December 2059.
4. Collins Circle conforms to the City of Portland Comprehensive Plan, other relevant Council-adopted area plans and policies, and the applicable regulations for the reasons contained in the Planning and Sustainability Commission Report and Recommendation. These plans, policies, and regulations include the Central City Plan; the CX, Central Commercial Zone and Plan designations; and the Livable City Housing Initiative.
5. Collins Circle contains public benefits outlined in the original tax exemption application and has demonstrated the economic need necessary for approval of an extension of the original ten year property tax exemption on the improvement value pursuant to ORS 307.618(2).
6. On January 2nd, 2008 the City extended the New Multiple Unit Housing Property Tax Exemption moratorium by Ordinance 181500 which directed the City to not accept new applications for the New Multiple-Unit Housing Property Tax Exemption Program until December 31, 2009, except for projects where 100 percent of the housing units are affordable to low-income households.

7. Because the moratorium has expired, and because Collins Circle is not a new application, the conditions of the moratorium do not apply.
8. ORS 307.612 (2) provides that if multiple-unit housing is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States, the city or county may extend the exemption provided by ORS 307.600 to 307.637 through June 30 of the tax year during which the termination date of the contract falls.
9. ORS 307.618(2) provides that the city or county may approve an application filed under ORS 307.615 if the city or county finds that; as in the case of housing that is or becomes subject to a low income housing assistance contract with an agency or subdivision of this state or the United States, it is important to the community to preserve or establish the housing as low income housing and it is probable that the housing would not be produced, be established or remain as low income housing with the exemption being granted.
10. While the term “low income” is not defined in either the State statutes that enable the NMUH program, or in City Code Chapter 3.104, “low income” is understood to be terms that restrict the rent to a rate below market and or terms that restrict the income of the household.
11. Section 3.104.030 of the City Code provides that a calculation of the present internal rate of return is used to determine the applicant’s economic need for the exemption to retain the affordability. Portland Housing Bureau has the responsibility for reviewing the financial need for the exemption and the feasibility of the project.
12. On April 7th, 2011, the Portland Housing Bureau Housing Investment Committee reviewed the proposed tax exemption extension request and recommended that the application be approved for a twenty year extension on a finding that the tax exemption is necessary to make the project feasible at rental rates affordable to a wider range of household incomes than would otherwise be possible without the tax exemption. The attached financial analysis of this project, Exhibit A, shows the internal rate of return over the next twenty years will remain below the threshold of 10 percent.
13. The attached reports from the Portland Housing Bureau and Planning Sustainability Bureau are attached as legislative intent and findings. The exhibits are listed here;
 - Exhibit A: Portland Housing Bureau Recommendation and Financial Analysis of Collins Circle
 - Exhibit B: RSGF Collins Circle LLC Application
 - Exhibit C: Memo to Planning and Sustainability Commission from Portland Housing Bureau regarding Collins Circle
 - Exhibit D: Memo to City Council from the Planning and Sustainability regarding Collins Circle

14. The PHB Housing Investment Committee concluded that although the project is eligible by State Statute for an additional 48 year tax exemption extension for the length of the affordability agreement, 20 years would be enough to stabilize the project.
15. Furthermore, the Portland Housing Bureau determined that an exemption for less than 20 years could jeopardize the project due to a risk that private lenders underwriting the refinancing of RSGF Collins Circle LLC first mortgage in year eight may not rely on the renewal of the LTE in year 11. That outcome would materially limit the sizing of the new senior debt and require RSGH to invest an additional \$1M-plus equity in the project. The additional debt scenario would undermine the effectiveness and intent of the LTE program to help retain affordable housing for the length of a long term affordability contract.
16. The Planning and Sustainability Commission is responsible for ensuring the project is responsive to the Comprehensive Plan and other area plans. On April 26th, 2011, the Planning Sustainability Commission held a public hearing and found that the project complies with the eligibility requirements of Section 3.104.010 of the Municipal Code. The development conforms to the Comprehensive Plan, other relevant Council-adopted area plans and policies, and the applicable regulations for the reasons contained in the Planning and Sustainability Commission Report and Recommendation. These plans, policies, and regulations include the Central City Plan; the CX, Central Commercial Zone and Plan designations; and the Livable City Housing Initiative.
17. At their meeting, the Planning Sustainability Commission voted to recommend to City Council a 10 year tax exemption extension with an option to extend an additional 10 years, for a total of 20 years. The additional 10 year tax exemption extension will be granted if the Extended Use Agreement (EUA) is honored; it still meets area plans and if there is still an economic need because the Internal Rate of Return (IRR) is still below 10%. The approval is also subject to the public benefit conditions set forth in the Planning and Sustainability Commission Report and Recommendations and contained in this ordinance.
18. Notwithstanding the 10 year extension recommendation of the Planning and Sustainability Commission, which is advisory, it is in the public interest that the Portland Housing Bureau recommendation for a 20 year extension of the limited property tax exemption for Collins Circle be adopted in order to meet the City's goals for housing as stated in the Central City Plan and the Livable City Housing Initiative and to meet the housing production goals of the Central City 2000 Plan.

NOW, THEREFORE, the Council directs:

- a. The application of RSGF Collins Circle LLC for a 20-year property tax exemption extension for the 52 affordable units and prorated portion of parking, pursuant to ORS 307.618(2) is hereby approved for the following property known as Collins Circle:

Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition; Tax Account Number R14040-0080.

b. The application described in paragraph "a" above is approved subject to the following conditions:

1. The apartment units are maintained as rental housing and may not convert to condominiums or any other ownership arrangement during the twenty year term of the property tax exemption extension.
2. Collins Circle provides the original public benefits described in Ordinance # 172274, 52 affordable apartment units and any other public benefits are provided in accordance with agreements reached by the relevant review bodies and agencies, including but not limited to the Planning and Sustainability Bureau, the Portland Housing Bureau.
3. The project complies with all applicable standards of Title 33, Planning and Zoning, as well as all conditions of approval of any land use and design reviews.

c. The Portland Housing Bureau will provide copies of this Ordinance to the applicant and the Multnomah County Tax Assessor as prescribed by Section 3.104.050(1) (d) of the Code of the City of Portland.

Section 2. The Council declares an emergency exists because this property tax exemption is an essential element for the timely assurance to funders participating in this project; therefore, this ordinance shall be in full force and effect from and after its passage by the Council.

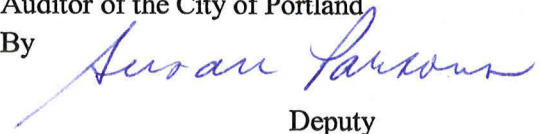
Passed by the Council: JUN 08 2011

Commissioner Nick Fish
Prepared by: Kim McCarty
Date Prepared May 25, 2011

LaVonne Griffin-Valade

Auditor of the City of Portland

By



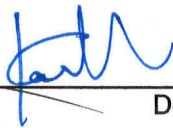

Deputy

820481

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Agenda No.
ORDINANCE NO. 184658
 Title

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INTRODUCED BY Commissioner/Auditor: Commissioner Nick Fish	CLERK USE: DATE FILED <u>JUN 03 2011</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: Margaret Van Vleet Prepared by: Kim McCarty Date Prepared: 05/25/2011	ACTION TAKEN:
Financial Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Not Required <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 June 8, 2011	
City Attorney Approval 	

AGENDA TIME CERTAIN <input checked="" type="checkbox"/> Start time: 2:00 pm Total amount of time needed: 30 mins (for presentation, testimony and discussion) CONSENT <input type="checkbox"/> REGULAR <input type="checkbox"/> Total amount of time needed: _____ (for presentation, testimony and discussion)
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FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	<input checked="" type="checkbox"/>	
2. Fish	<input checked="" type="checkbox"/>	
3. Saltzman	<input checked="" type="checkbox"/>	
4. Leonard	<input checked="" type="checkbox"/>	
Adams	<input checked="" type="checkbox"/>	