

ORDINANCE No. 185074

*Authorize the conveyance to The Yards Phase C Limited Partnership of a portion of real property known as the Yards at Union Station, a loan of \$565,000 for the purchase price of the real property, a loan of up to \$4.4M in tax increment financing to be used with funding from other sources to develop an affordable housing project, and a limited tax exemption under Code Chapter 3.104 for the resulting new multi-unit housing (Ordinance)

The City of Portland ordains:

SECTION 1. The Council finds that:

1. On December 22, 1995, the Portland Development Commission (“PDC”) and GSL Properties, Inc. (“GSL”) entered into an Amended and Restated Disposition and Development Agreement (the “DDA”) which set forth the conditions under which PDC was to convey to GSL certain real property on which GSL was to develop a series of new mixed-income multifamily units in four phases. The real property consisted of multiple sub-parcels which are collectively known as the Yards at Union Station (“the Yards”). The DDA was part of a multi-phase residential and retail redevelopment of a former 7-acre brownfield behind Union Station. The first three phases of development under the DDA have been completed, adding a total of 535 new, mixed-income housing units to the City core.
2. The final phase of developing the Yards under the DDA, known as Phase C, remains to be completed on the undeveloped parcels of the Yards, which parcels are legally described in Exhibit A, including any rights and interests appurtenant thereto (the “Property”).
3. On June 16, 2010, the City Council authorized four intergovernmental agreements (Ordinance No. 183903), which transfer certain housing functions from PDC to the Portland Housing Bureau (“PHB”), including PDC’s assignment and PHB’s assumption of the City’s obligations under DDA. PDC conveyed the Property to PHB on October 13, 2010.
4. The DDA has been amended five times during the development of the Yards. Amendment No. 5 to the DDA, dated December 6, 2007, sets forth the following principal terms for Phase C:
 - i. A purchase price of \$1,850,000 for the Property;
 - ii. A loan from PDC for up to \$3,700,000;
 - iii. A schedule of performance which anticipates the completion of construction by December 31, 2009; and
 - iv. A scope of development which includes the construction of a minimum of 70 rental units to be rented to households earning 60%

of median family income or less, and 6 permanent supportive housing studio units to be rented to households earning 30% median family income or below. The supportive housing units were conditioned on the City's ability to secure sufficient project-based Section 8 vouchers.

5. Since the date of Amendment No. 5, it has become necessary to amend the DDA again. First, the City amended the boundaries of certain urban renewal areas, which amendment resulted in the Property being transferred from the Downtown Waterfront URA to the River District URA in 2008. The downturn in the real estate market has caused a decrease in the value of the Property. An appraisal conducted by Western Realty Advisors, Inc. on February 2, 2011 values the Property at \$565,000. At the same time, the pricing of tax credits under the federal Low-Income Housing Tax Credit program has decreased, requiring additional funding from the City in order to complete Phase C. The City has been unable to secure Section 8 vouchers for Phase C.
6. In light of these circumstances, PHB and GSL desire to amend the DDA to reflect the current intent of the parties and to modify the material terms of the DDA as follows:
 - i. The purchase price of the Property will be set at the current appraised value of \$565,000.
 - ii. The City's financing of Phase C will consist exclusively of a loan for no more than \$4,400,000 in River District tax increment financing and a promissory note in favor of PHB for the purchase price of the Property. The terms of the City's financing are summarized in Exhibit B.
 - iii. The schedule of performance will be amended to complete Phase C no later than February 28, 2014.
 - iv. The scope of development will eliminate the supportive housing units. Instead, Phase C will construct 6 studio, 48 one-bedroom and 26 two-bedroom units, all to be rented to households earning 60% or less of median family income, and the addition of 48 parking spaces. (The Property and any development on the Property at the completion of Phase C as contemplated by the DDA, as amended, is referred to in this Ordinance as the "Project".)
7. A condition of the City's financing for Phase C is financial participation from other public and private sources. Among those sources, Oregon Housing and Community Services will issue tax exempt bond financing in an estimated amount of \$7,657,000 for construction and \$4,830,000 for permanent financing. These bonds will be purchased by JPMorgan Chase, the senior construction and permanent lender. In addition, City Real Estate Advisors, as the tax credit investor, will provide equity in an approximate amount of \$4,624,000.

8. Pursuant to the DDA, the City will have a right of reversion in title to the Property during the construction period as a default remedy if the development of Phase C does not proceed as planned.
9. GSL has formed the Yards Phase C Limited Partnership ("Owner") as the tax credit entity which will purchase the Property; obtain financing for Phase C, build, own and operate the Project.
10. The Owner has applied for a ten-year limited tax exemption for the residential improvements and parking under §3.104 of the Portland City Code. When completed, the Project will meet the public benefits and rate of return test requirements under the City Code.
11. It is in the public interest that the limited property tax exemption for Project be approved in order to meet the City's goals for housing as stated in the City's Comprehensive Plan (Ordinance No. 172954).
12. PHB and the Bureau of Planning and Sustainability (BPS) have recommended approval of the limited tax exemption for the Project under Section 3.104 of the Code. The recommendations from both PHB (Exhibit C) and BPS (Exhibit D) are attached.
13. The amount of limited tax exemption available under Section 3.104 of the Code is governed by the provisions of Section 307.606(1) of the Oregon Revised Statutes.

NOW, THEREFORE, the Council directs:

- a. The conveyance of the Property to the Owner and the City's financing for Phase C, consisting exclusively of a \$565,000 promissory note and not more than \$4.4 million in tax increment financing from the River District URA in accordance with the terms and conditions set forth in Exhibit B, are hereby approved subject to the satisfaction of the following:
 1. conditions prior to the closing of construction financing:
 - i. receipt by PHB of an executed gross maximum price contract in form and substance acceptable to PHB;
 - ii. commitments from other lenders and investors in a minimum amount set forth in the Sources and Uses table, attached hereto as Exhibit E;
 - iii. receipt of all due diligence required by PHB;
 - iv. all necessary permits required for PHB to issue a notice to proceed; and

2. by the time of construction completion, obtain a No Further Action determination from the Oregon Department of Environmental Quality with respect to the Property, by managing removal of site materials during construction according to the Contaminated Media Management Plan prepared by PBS Environmental (June 2008); and
 3. such other requirements as may reasonably be imposed by PHB in order to complete Phase C.
- b. So long as the amount of the City's financing described in paragraph 1 above is not increased, the Director of PHB is authorized to approve any other amendment to the DDA and to execute a bargain and sale deed, regulatory agreements, loan documents, and such other documents in form and substance as may be required to complete Phase C as contemplated by this Ordinance, all subject to the approval as to form of such documents by the City Attorney's Office.
- c. The 10-year limited tax exemption for the Project is approved subject to the following conditions:
1. The Owner and any subsequent owner of the Project will provide the public benefits listed in the Public Benefits section of the accompanying report (Exhibit C) and any other public benefit in accordance with agreements reached or conditions imposed by the relevant review bodies and agencies, including but not limited to the Bureau of Planning and Sustainability, the Portland Housing Bureau, and the Historic Landmarks Commission or Design Review Commission, as appropriate.
 2. The Owner and any subsequent owner of the Project will comply with all applicable standards of Title 33, Planning and Zoning, as well as all conditions of approval of any land use and design reviews.
 3. The Project will not convert to condominiums within the 10-year property tax exemption.
 4. Rental rates for all units in the Project will be at levels affordable to low income households earning up to 60 percent or less of the area median income for the Portland Metropolitan Area by unit size (as published from time to time by the U. S. Department of Housing and Urban Development), including utilities, during the ten year term of the exemption.
 5. The actual amount of the exemption is subject to ORS 307.606(1).
- d. PHB will provide copies of this Ordinance to the Owner and the Multnomah County Tax Assessor.
- e. 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 up to the amount of \$4.4 million.

SECTION 2. The Council declares that an emergency exists because a delay in the City's funding would impair the ability of participants in Phase C to adhere to a timeline required by other financing sources and would delay the development of Phase C and the availability of construction jobs; therefore, this ordinance shall be in full force and effective from and after its passage.

Passed by the Council: DEC 14 2011
Commissioner: Nick Fish
Prepared by: Siobain Beddow
Date Prepared: December 2, 2011

LaVonne Griffin-Valade

Auditor of the City of Portland

By  Deputy

Agenda No.
ORDINANCE NO.
Title

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(Ordinance) *Chapter*

<p>INTRODUCED BY Commissioner/Auditor: Nick Fish</p> <hr/> <p>COMMISSIONER APPROVAL</p> <p>Mayor /Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish <i>[Signature]</i></p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p> <hr/> <p>BUREAU APPROVAL</p> <p>Bureau: Portland Housing Bureau Bureau Head: Traci Manning</p> <p>Prepared by: Siobain Boddow Date Prepared: December 2, 2011</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>Council Meeting Date December 14, 2011</p> <p>City Attorney Approval <i>[Signature]</i> CITY ATTORNEY</p>	<p>CLERK USE: DATE FILED <u>DEC 09 2011</u></p> <hr/> <p style="text-align: right;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <i>[Signature]</i> Deputy</p> <hr/> <p>ACTION TAKEN:</p>
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AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p> <p>CONSENT <input type="checkbox"/></p> <p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: <u>20 minutes</u> (for presentation, testimony and discussion)</p>

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