



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

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**188025**

DATE: September 9, 2016  
TO: Portland City Council  
FROM: Dory Van Bockel, PHB Housing Program Coordinator  
SUBJECT: Application for a ten-year Multiple-Unit Limited Tax Exemption (MULTE) for **9101 Foster** located at 9101 SE Foster Rd

**Project Description:**

9101 Foster, LLC has applied to PHB for the MULTE Program for their proposed mixed-use development, 9101 Foster (the "Project"), at 9101 SE Foster located in Southeast Portland within the Lents neighborhood and Lents Town Center Urban Renewal Area (URA). The site is currently vacant. The Project will consist of 54 apartments and ground-floor commercial space in a four-story building on SE Foster Road between SE 91<sup>st</sup> and 92<sup>nd</sup> Avenues.

The 54 apartments include 16 units (30%) with restricted affordability at 60% of median family income (MFI) or below. The remaining units in the project will be rented at market rates. The Project will consist of three studio units, 36 one-bedroom units, six two-bedroom units and nine three-bedroom units, with the affordable units distributed evenly amongst the unit types. The building will be about 65,504 gross square feet with roughly 43,563 square feet of residential space, 14,582 square feet of common areas or open space and another 7,359 square feet for the commercial space.

**Proposed Unit Mix**

Unit Type	Square Footage	Total Unit Count	Unit count at 60% MFI	60% MFI Rent charged/with utility expense*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent charged/ with utility expense*
Studio	508	3	1	\$680/\$767	2	\$875/\$962
One Bedroom	645-800	36	10	\$701/\$812	26	\$1,107/\$1,218
Two Bedroom	1,000-1,050	6	2	\$834/\$968	4	\$1,350/\$1,484
Three Bedroom	1,050-1,200	9	3	\$955/\$1,113	6	\$1,550/\$1,708
<b>Total</b>	<b>764 Average</b>	<b>54</b>	<b>16</b>	<b>\$764/\$885 Average</b>	<b>38</b>	<b>\$1,190/\$1,310 Average</b>

\*Utility allowances used to predict utility expenses based on the 2016 Schedule of Utility Allowances for properties receiving Housing Choice Vouchers published by Home Forward: \$87 for studios, \$111 for 1-bedroom units, \$134 for 2-bedroom units, and \$158 for 3-bedroom units.

Project amenities include a publicly accessible plaza, common area tenant storage rooms and a resident and community laundry room. All of the units will feature similar finishes, as is appropriate for the market, however units will not have individual washers and dryers.

The Project will provide 31 off-street surface parking spaces, half of which will be tuck-under. There will be 46 interior bike racks in a secured room for tenants with outside bike racks for general use. The Project is less than two blocks away from a MAX green line station, is immediately along the #14 and #71 bus lines and is only a short walk to the #10 bus line. The site has close access to Interstate 205 and connectivity to the rest of Portland and surrounding areas.

Within the Lents neighborhood, the Project is situated amongst a variety of businesses in an area that is a current focus of redevelopment by the City of Portland. Businesses include a bike shop, restaurants and retail spaces. The area is also home to the Lents International Farmers Market. The site is blocks from Lents, Glenwood and Bloomington Parks, as well as the Springwater Corridor and Lents Community Garden. The site currently has a “Complete Neighborhood Score” or “walkability” score of 70, out of 100, based on the level of walkable access to amenities and commercial services.

As required by the MULTE Neighborhood Contact process, the architect contacted the Lents Neighborhood Association on behalf of the applicant and presented the Project at a neighborhood meeting.

Portland Development Commission (PDC) currently owns the property, which will be conveyed to 9101 Foster LLC prior to commencement of construction. The limited liability company is a single purpose entity created by PDC specifically for this Project. The General Contractor selected is Bremik Construction, and a property manager has not been identified yet.

Before applying for the MULTE Program, PDC inquired with Multnomah County about qualifying for a tax exemption as a public agency, without pursuing the MULTE Program. Multnomah County determined that the project and PDC would not meet the criteria required in order to receive a tax exemption other than what is available through the MULTE Program.

### **Public Benefits:**

Whereas the MULTE Program has many goals, including the promotion of residential development in transit oriented areas and city centers, the public benefits most at the forefront of the program are affordability, equity and accessibility.

**Affordability** – 30% of the apartment units for rent in this Project will be affordable to households earning 60% or less of area MFI. This exceeds the minimum requirement that 20% of units be affordable. The affordable units will be distributed evenly amongst the unit mix.

**Equity** – PDC has implemented a racial impact equity assessment towards the planning, development and marketing of the Project. As such, PDC will work directly with the General Contractor to facilitate reaching the City’s mandate of at least 20% participation by Minority Women and Emerging Small Business (MWESB) firms in the construction of the Project. Because

the requirement exceeds the MULTE goal of achieving 20% MWESB participation, PHB is not requiring the applicant to contract with a third party technical assistance provider. PDC and the General Contractor will participate in activities such as pre-bid planning, outreach and assistance to MWESB sub-contractors, open houses, bid reviews, and post-bid support in order to be successful. PDC is required to report both quarterly to the City's procurement office, as well as a summary of all efforts and successes post construction.

The applicant has also committed to working with local community organizations to market to target audiences with a demonstrated need and will make marketing materials available in multiple languages. PHB will be coordinating with the property management team to help ensure that the project is affirmatively marketed.

In addition, at least half of the commercial space in the Project will be designed and targeted for leasing to small businesses owned by people with lower income and from communities of color by lowering the traditional barriers facing business owners.

**Accessibility** – The residential units will be built to meet all minimum Americans with Disabilities Act and Fair Housing Act requirements, including elevator service. The Project will also be built to have at least five percent, three, of the units be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities. These public benefits will remain beyond the period of the exemption into perpetuity.

**Application 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 reasonably consistent with industry standards and other projects, and tested eligibility for the tax exemption by examining financial performance under three different scenarios.

Rents of the otherwise affordable units would need to increase by 55%, an average of over \$400 per affordable unit, in order for the Project to be as profitable as it would be with the exemption. This analysis confirms that (i) the Project with restricted affordability at 60% MFI would not be financially feasible without the benefit of the property tax exemption, and (ii) the Project would not deliver the public benefits without 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 MULTE program at approximately \$68,353, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$634,496, assuming a four percent discount rate and a three percent annual assessment increase. The City's portion of the foregone revenue over ten years is estimated at \$209,384, or 33% of the total.

The Project is located within the Lents Town Center URA. Staff will confirm with the City's Debt Manager that the Project fits within the requirements of the existing bond covenants.

Being within the Lents Town Center URA, the Project will benefit from Tax Increment Financing (TIF) through loans from both PDC and PHB. Subject to City Council approval and other processes, the Project is receiving roughly \$15M in TIF from PDC and \$1.15M from PHB, based on the assumption that a tax exemption would be granted.

**CONDITIONS:**

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

**RECOMMENDATION:**

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the residential portions of the Project, including associated residential parking, to be built by PDC, 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.