



CITY OF
PORTLAND, OREGON

PORTLAND HOUSING BUREAU

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Exhibit A

DATE: April 5, 2017

TO: Portland City Council

FROM: Dory Van Bockel, PHB Housing Program Coordinator
Jill T. Chen, PHB Housing Portfolio Finance Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **Pettygrove Apartments** located at 2216 NW Pettygrove Street

Project Description:

WDC Construction, LLC proposes to build a housing development, Pettygrove Apartments (the "Project"), at 2216 NW Pettygrove Street, in the Northwest District neighborhood within NW Portland. Currently, an unoccupied office sits on the property. The Project will consist of 45 garden-style apartments in a four-story building with a basement on the corner of NW 22th Avenue and NW Pettygrove Street.

The 45 apartments include 9 units (20%) with restricted affordability at 60% of area median income (AMI) or below. The remaining units in the project will be rented at market rates. The Project will consist 41 studios and 4 one-bedroom units. The building will be about 17,600 gross square feet which will be all residential space.

Proposed Unit Mix

Unit Type	Square Footage	Total Unit Count	Unit Count at 60% AMI	60% AMI Rent charged/with utility expense*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent charged/ with utility expense*
Studio	202-402	41	8	\$703/\$772	33	\$1,125/\$1,175
One Bedroom	384-559	4	1	\$735/\$827	3	\$1,550/\$1,600
Total	309 Average	45	9	\$706/\$778 Average	36	\$1,160/\$1,210 Average

*\$69-92 utility allowances were used to predict utility expenses based on the 2016 Schedule of Utility Allowances for Section 8 Properties published by Home Forward.

The Project will feature high ceilings, granite counter tops, and high-end interior finishes. The Project will not provide any vehicle parking. Secure bike parking will be available, and each unit

with have a bike rack inside. Residents will be able to access work opportunities and needed services without using a car. The Project will one block from NW 23rd, a major bus line (#15) with peak service every 30 mins; it is also two blocks from the Portland streetcar.

Within the Northwest District neighborhood, the Project is situated amongst multi-family and single-family homes and businesses of all kinds including restaurants, coffee shops, offices and retail spaces. The site is located in the Slabtown neighborhood and a block from popular NW 21st and 23rd Avenues, with Wallace Park and Couch Park near-by, and is within walking distance of New Seasons and Trader Joes grocery stores. The site has a “Complete Neighborhood Score” or “walkability” score of 96, out of 100, based on the level of walkable access to amenities and commercial services. The site has good access to Interstate 405 and connectivity to the rest of Portland and surrounding areas.

As required by the MULTE Neighborhood Contact process, the applicant has notified the Northwest District Association and the Neighbors West Northwest about the project and requested to present the project at a neighborhood meeting. No meetings have been requested.

The property is owned by Redwood PDX LLC and will be developed by WDC Construction, LLC. Mark R. Madden Revocable Trust is one of the members of and the appointed Manager of Redwood PDX LLC. Mark R. Madden is the Trustee and Manager, respectively, of both the trust and WDC Construction, LLC. WDC Construction, LLC will be its own General Contractor for the development and another arm of the company, WDC Properties (also known as EKO Living Apartments) will provide property management services. WDC Construction, LLC has been approved in April 2016 for three MULTEs, Cathedral Flats located at 7220 N Burlington in St. Johns which is one block from this Property, Redwood Apartments located at 233 NW 16th Avenue, and Powell Apartments located at 3730 SE Powell Boulevard. WDC has another MULTE at 8432 N Syracuse Street which is being considered at the same time.

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 – 20% of the apartment units for rent in this Project will be affordable to households earning 60% or less of AMI. The affordable units will be distributed evenly amongst the unit mix.

Equity – The applicant has committed to specific strategies to ensure MWESB participation. WDC Construction, LLC, is planning to enter into an agreement with Metropolitan Contractor Improvement Partnership (MCIP) to provide technical assistance around MWESB subcontracting with a goal of achieving 20% MWESB participation. The contract includes assistance with pre-bid planning, outreach to MWESB contractors, open houses, bid reviews, assistance to contractors, post-bid support and a summary of efforts and successes post construction. PHB will be coordinating with the property management team to help ensure that the project is affirmatively marketed.

Accessibility – The residential units will be built to meet all minimum Americans with Disabilities Act and Fair Housing Act requirements. The Project will also be built to have 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. On the first floor three units will be a fully accessible unit

and the other six will be adaptable units. 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 and returns under three different scenarios.

Rents of the otherwise affordable units would need to increase by 58% which precludes any units affordable at 60% MFI.

This analysis confirms that (i) the Project 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 \$89,580, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$825,012, 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 \$ 275,004, or 33% of the total.

The Project is receiving private financing so will not be receiving any funding from PHB.

CONDITIONS:

The Project will be required to carry an extended use agreement and submit Project financial 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 to be built by WDC Development, LLC, 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. The HIPP Senior Program Manager will review any proposed changes and can approve any slight variances not increasing the value of the tax exemption.