



CITY OF
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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

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **SW Park + Columbia Apartments** located at SW Park Ave and SW Columbia St.

Project Description:

BDC/SW Broadway, Inc. has applied to PHB for the MULTE Program for their proposed housing development, SW Park + Columbia Apartments (the "Project"), which is located on the corner of SW Park Avenue and SW Columbia Street on the 1400 block of SW Park Avenue in downtown Portland. The Project will be built on a roughly 10,000 square foot site that is currently a parking lot.

The Project is a seven-story building with a ground-floor lobby, parking garage and three residential loft units and the above floors all residential. The 11 parking spaces will be reserved for residential use. There are 73 apartments including 24 units (33%) with restricted affordability at 80% of area median income (AMI) or below. The affordable units will be distributed evenly amongst the unit types.

Proposed Unit Mix

| Unit Type | Total Unit Count | Unit Count at 80% AMI | 80% AMI Rent charged/with utility expense* | Un-restricted Market Rate Unit Count | Un-restricted Market Rent charged/ with utility expense* |
|-------------------|------------------|-----------------------|--|--------------------------------------|--|
| Studio | 42 | 14 | \$972/\$1,072 | 28 | \$1,372/\$1,427 |
| One Bedroom | 28 | 9 | \$1,028/\$1,100 | 19 | \$2,151/\$2,223 |
| Two Bedroom Lofts | 3 | 1 | \$1,233/\$1,320 | 2 | \$3164/3,251 |
| Total | 73 | 24 | \$1,004/\$1,067 Average | 49 | \$1,747/\$1,810 Average |

*Utility allowances used to predict utility expenses are based on the 2016 Schedule of Utility Allowances for properties receiving Housing Choice Vouchers published by Home Forward: \$55 for studio units, \$72 for 1-bedroom units and \$87 for 2-bedroom loft units.

The building will be about 53,000 gross square feet including roughly 48,000 square feet for the residential units and around 5000 square feet for the common areas and open space. The planned

building envelope will feature a combination of brick, concrete and metal. The Project plans include rooftop indoor and outdoor gathering areas, overlooking the Park Blocks.

The site is within 150 feet of multiple bus lines including numbers 38, 45, 55, 58, 68, 6, 92 and 96. located along. The site has a “Walk Score” of 99, “Transit Score” of 100 and a “Bike Score” of 92, out of 100 according to walkscore.com based on the level of access to amenities and commercial services.

As required by the MULTE Neighborhood Contact process, the applicant is notifying and requesting a meeting regarding the Project with the Portland Downtown Neighborhood Association and Neighbors West/Northwest Coalition.

The site is owned by Front & Pine, LLC, which has a ground lease agreement with BDC/SW Broadway, LLC for development of the Project by the related entity, BDC Advisors, LLC. A property management company for the Project has not been identified yet.

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 – 33% of the apartment units for rent in this Project will be affordable to households earning 80% or less of area AMI. The Project is eligible to have restricted rents at 80% AMI because the Project’s market rents are at or exceed 120% of AMI. The affordable units will be distributed evenly amongst the unit mix.

Equity – The project will meet the programs’ equity requirements by hiring a third-party technical advisor to make sure qualifying contractors are aware of the Project for bidding on work with a goal of reaching 20% participation by Minority, Women and Emerging Small Business (MWESB) contractors in the construction of the Project.

The third-party technical assistance contract will include engagement with the general contractor in activities such as pre-bid outreach meetings with sub-contractors, matching scopes of work to available firms’ expertise, and advertising in local and minority newspapers.

PHB will be coordinating with the property management team to help ensure that the project is affirmatively marketed.

Accessibility – Pursuant to Section 504 of the Rehabilitation Act of 1973, a minimum of 5% of the project’s total living units, four units, will meet the requirements of Adaptable units (Type A).

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 98%, over double the affordable rents, which precludes any units affordable at 80% AMI.

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 \$141,442, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$1,302,657, 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 \$429,877, or 33% of the total.

The Project is not located in an urban renewal area. It is receiving private financing and will not be receiving any direct funding from PHB. By providing additional affordable units above the minimum 20% required by the MULTE program, the developer's adjacent development project, Broadway Tower, is receiving additional floor area ratio capacity.

CONDITIONS:

The Project will be required to have an extended use agreement recorded on title to the property requiring annual reporting of tenant income and rents for the affordable units during the exemption period, according to the terms of City Code 3.103.070(A).

RECOMMENDATION:

Staff recommends that the Portland City Council approve a ten-year property tax exemption for the residential portions of the Project, including the associated residential parking area, to be built by BDC/SW Broadway, 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 further proposed changes and can approve any slight variances not increasing the value of the tax exemption.