



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 **Block 33** located at 125 NW 4th Ave.

Project Description:

Guardian Real Estate Services, LLC has applied to PHB for the MULTE Program for their proposed mixed-use development, Block 33 (the "Project"), which consists of the block between NW 4th and 5th Avenues and between NW Couch and Davis Streets in Old Town Chinatown within the Downtown Waterfront Urban Renewal Area. The Project will be built on a roughly 40,000 square foot site that is currently a surface parking lot.

The Project is a mixed-use, ten-story building with a ground-floor retail space, four floors of office space and five floors of apartments above. 218 subterranean structured parking spaces will be available within two floors of planned parking that will be under separate ownership and available by lease to the various tenants. There are 167 apartments including 33 units (20%) 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	70	14	\$1,059/\$1,112	56	\$1,825/\$1,878
One Bedroom	70	14	\$1,122/\$1,191	56	\$2,467/\$2,536
Two Bedroom	27	5	\$1,346/\$1,429	22	\$3,275/\$3,358
Total	167	33	\$1,129/\$1,194 Average	134	\$2,331/\$2,396 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: \$53 for studio units, \$69 for 1-bedroom units and \$83 for 2-bedroom units.

The building will be about 324,000 gross square feet including roughly 135,000 square feet of residential space and about 184,000 square feet commercial space. The building will have over 5,000 square feet of common areas and open space. The main office and residential entry is planned on

NW 4th Avenue. The Project plans include rooftop amenity space and multiple gathering areas for the various uses of the building.

The site is located along the MAX yellow, orange and green lines and is blocks away from the red and blue lines. In addition, multiple bus lines, including numbers 35, 44, 4, 8, 9, 20, 17, 54 and 56 all run along NW 5th and 6th Avenues as well. The site has a “Walk Score” of 99, “Transit Score” of 94 and a “Bike Score” of 99, 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 has notified and requested a meeting regarding the Project with the Old Town Chinatown Neighborhood Association and Neighbors West/Northwest Coalition.

The site is owned by Block 33 Investment Partners LLC, which includes the developer Guardian Real Estate Services, LLC. Guardian Real Estate Services, LLC will also be involved in the property management of the project.

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 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 applicant plans to contract with MCIP and NAMC Oregon in order for the general contractor to engage in activities such as to hold pre-bid outreach meetings with sub-contractors, match 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. The applicant plans to engage in a marketing strategy to support a lottery application process such as the one used in marketing their Block 67/Yard project.

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

Financial 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 \$459,940, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$4,235,968, 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 \$1,397,869, or 33% of the total.

Because the Project is located within an urban renewal area, PHB staff will confirm with the City's Debt Manager that the Project fits within the requirements of the existing bond covenants. The Project is receiving private financing and will not be receiving any direct funding from PHB, however the SDC Exemption Program is available through a pilot program in Old Town Chinatown to units with income restricted at 100% AMI or below.

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, but not any of the parking area, to be built by Guardian Real Estate Services, 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.