



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

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **Woody Guthrie Place Apartments** located at 5728 SE 91st Ave

Project Description:

Rose Community Development Corporation (Rose CDC) has applied to PHB for the MULTE Program for their proposed housing development, Woody Guthrie Place Apartments (the "Project"), which is located at 5728 SE 91st Avenue at the intersection with SE Reedway Street in the Lents neighborhood within the Lents Town Center Urban Renewal Area. The Project will be built on a roughly 32,000 square foot site that is currently vacant.

The Project is a five-story building with a ground-floor lobby and three residential loft units and the above floors all residential. The 11 parking spaces will be reserved for residential use. There are 64 apartments including 16 units (25%) with restricted affordability at or below 60% of area median income (AMI).

Proposed Unit Mix

Unit Type	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*
One Bedroom	39	4	\$764/\$825	35	\$1,100/\$1,161
Two Bedroom	15	7	\$916/\$990	8	\$1,320/\$1,394
Three Bedroom	9	5	\$1,055/\$1,143	4	\$3,164/\$3,268
Manager's Unit	1				\$0
Total	64	16	\$921/\$997 Average	47	\$1,163/\$1,228 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: \$61 for 1-bedroom units, \$74 for two-bedroom units and \$88 for 3-bedroom units.

The building will be about 60,000 gross square feet including roughly 48,000 square feet for the residential units and around 12,000 square feet for the common areas and open space. The Project plans include a community room, covered patio and a play structure.

The site is about 1,000 feet from the MAX green line stop in addition to the number 14, 10 and 73 bus lines. The site has a “Walk Score” of 77, “Transit Score” of 59 and a “Bike Score” of 95, 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 the Lents Neighborhood Association and the East Portland Neighborhood Office about the project and requested to present the project at a neighborhood meeting.

The site is owned by the Portland Development Commission (PDC), which has a disposition and development agreement with Rose CDC, a non-profit housing organization for development of the Project. Rose CDC will partner with Home Forward to provide Housing Choice Vouchers at the project and form a partnership to own the Project. Cascade Management has been identified as the property management company for 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 – 25% of the apartment units for rent in this Project will be affordable to households earning 60% or less of area AMI. In fact, the affordable units will be restricted at 30% AMI or below, which exceeds the MULTE Program minimum of 20% affordable at or below 60% AMI. The Project financing structure is furthermore limiting the rest of the units to be affordable at either 80% or 100% AMI or below. The MULTE Program requires that affordable units will be distributed evenly amongst the unit mix, and in this Project a greater percentage of the larger units will be made available to the lowest income residents.

Equity – Rose CDC and the General Contractor, Walsh Construction, will work directly with PDC and PHB to facilitate reaching the City of Portland’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. 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. The Project is required to report both quarterly to the City’s procurement office, as well as a summary of all efforts and successes post construction.

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, three 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 9%, which precludes any units affordable at 60% AMI or below, let alone would make it impossible for the project to provide the deeper affordability it is offering.

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.

As a non-profit housing provider, Rose CDC is eligible to apply for the City of Portland's Non-Profit Low-Income Rental Tax Exemption Program (Non-Profit Program) available through City Code 3.101, however only the units with income restricted at or below 60% AMI would be eligible for the tax exemption under that program. The MULTE will allow for all of the housing units and associated common areas and parking to benefit from the exemption. Rose CDC may still pursue the Non-Profit Program for the 25% of the project that would qualify and would then be eligible to exempt a portion of the taxes due on the value of the land as well.

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 \$70,526 staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$649,531, 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 \$214,345, 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 direct funding from PHB, and also is benefiting from the SDC Exemption Program.

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 Rose, CDC, 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.