



Portland Housing Bureau

Portland Housing Advisory Commission
Tuesday, November 5, 2013
Steel Bridge Conference Room
421 SW 6th Ave
Portland, OR 97204

Agenda

<i>AGENDA TOPIC</i>	<i>LEAD</i>	<i>ACTION</i>	<i>TIME</i>
Welcome & Review Meeting Purpose, Review Minutes	Marc Jolin	Approve	3:00 – 3:05
Consolidated Plan Amendment	Siobain Beddow	Approve	3:05 – 3:15
Public Testimony			3:15- 3:25
BMP • \$1.7M Update	Traci Manning/Marc Jolin	Discussion	3:25 – 3:45
Strategic Plan Update	Daniel Ledezma		3:45 – 4:00
2014/15 Budget Process	Traci/Leslie/Daniel		4:00 – 4:55
For the Good of the Order	Marc Jolin		4:55 – 5:00

Materials for all meetings will be posted on PHB's website:
www.portlandonline.com/PHB/PHAC.

Upcoming Public PHAC meetings: Dec. 3

Accessibility: To help ensure equal access to City programs, services and activities, the City of Portland will reasonably modify policies/procedures and provide auxiliary aids/services to persons with disabilities. Call 3 days in advance to request special assistance for ADA accessibility. 503-823-2375, TTY, 503-823-6868.

Language Services: To help ensure equal access to City programs, services and activities, the City of Portland will reasonably provide translation services with at least 48 hours advance notice. 503-823-2375, TTY 503-823-6868.



Portland Housing Bureau

Portland Housing Advisory Commission
Tuesday, October 1, 2013
 3:00 p.m. – 5:00 p.m.
 Portland Housing Bureau
 421 SW 6th Ave, Ste 500
 Portland, OR 97204

- ✓ = PHAC public member action item
- ▶ = PHB staff member action item

Meeting Minutes

Members Present: Marc Jolin, Rey España, Colin Rowan, Deborah Imse, Elisa Harrigan, and Sarah Zahn.

Members Excused: Jesse Beason, Carmen Rubio, Andrew Colas, and Christine Lau.

Staff Present: Traci Manning, Daniel Ledezma, Liam Frost, Dory Van Bockel and David Sheern.

Agenda Item	Discussion Highlights	Outcomes / Next Steps
Welcome & Review Meeting Purpose	Marc Jolin welcomed everyone to the October PHAC meeting. PHAC members reviewed and approved September minutes.	✓ Approved
MULTE Applications Review	<p>Dory Van Bockel introduced and summarized two applications for Multi Unit Limited Tax Exemptions, the Abigail and Hazelwood Plaza.</p> <p>Elisa Harrigan questioned whether the lot for the Hazelwood proposal was a lot where 60 tenants lived over ten years ago. She mentioned that at the time, renters were promised by compensation by PDC if the property was sold.</p> <p>Elisa suggested that checking for such agreements should be part of the application review process.</p> <p>Colin Rowan asked whether there is compliance monitoring for financial performance of projects.</p> <p>Dory confirmed that PHB performs annual compliance monitoring.</p>	

Agenda Item	Discussion Highlights	Outcomes / Next Steps
	<p>Rey Espana asked how equity was factored into the application process. Dory said that we use the city's threshold of 20% construction should be Minority / Women owned or emerging small businesses (MWESB). Rey said that 20% is nowhere near enough. Dory informed the group that our indirect investments do not have construction coordinators who "can go the extra mile" in terms of recruiting MWESB subcontractors.</p> <p>During her summary of the Abigail application, Dory fielded questions on unit size, whether the project will be mixed use, and the points system used to evaluate a project.</p> <p>Dory confirmed that 3 bedroom units in certain areas receive more points; that the Abigail will indeed be mixed use with Impact NW leasing the ground floor.</p> <p>Dory told the group that there is a maximum score of 100 points an applicant could achieve. Mark Jolin asked why the threshold was so low if there are 100 allowable points. Dory explained that affordability is a priority and it makes projects difficult to reach a high threshold. This decision was a result of a number of conversations.</p> <p>Mark wanted to know if applications were being turned away. Dory said that it is only the second year and that it is still growing.</p> <p>Traci mentioned that the Big Look began as the crash was beginning. It was designed in such a way to expect more competition. Even though we removed green building points people are going that route anyway. This is a three year policy and at the end we'll review it and see if we are all meeting the objectives we need to meet.</p> <p>Marc invited PHAC to comment on the MULTE Applications and presentation. No comments or concerns.</p>	
Public Testimony	No public testimony.	
Inclusionary Housing	<p>Daniel introduced Janet Byrd, Neighborhood Partnerships, to discuss Inclusionary Housing. In Portland we are seeing increasing need because rents are rising and housing availability is decreasing. Are we using and maximizing the tools that we have to help combat these concerns?</p> <p>Janet discussed Inclusionary Housing strategies and the discussions that have been going.</p>	

Agenda Item	Discussion Highlights	Outcomes / Next Steps
	<p>There is a Legislative workgroup that will be named and convened by Representative Reardon (sp?). The Housing Alliance has this issue of Inclusionary Housing on its 2015 agenda.</p> <p>These inclusionary Housing strategies are important because we want to see an increase in access in both rentals and homeownership. We want to create access to opportunities. We want to increase the health of families and decrease the racial and economic disparities.</p> <p>We achieve Inclusionary Housing and create effective strategies by anti-discrimination laws, education and enforcement, and housing subsidies and planning tools. Inclusionary Zoning typically falls into mandatory or voluntary categories. It is a requirement placed on builders to include lower cost housing which can be subsidized housing within market rate property or relate to the type of construction. It often refers to a requirement to either do an inclusion in the development moving forward or pay an in lieu fee. The fee has been the more typical application of inclusionary zoning (for ex. CA).</p> <p>Colin asked what a voluntary requirement was. Janet said that it is considered an aspiration goal and is a very low requirement.</p> <p>Janet went on to state why Inclusionary Housing does not happen on its own. Land is expensive and housing development is costly. Developers are maximizing profit. Affordability is the biggest barrier. Lack of resident access and we are aware of discriminatory practice. There is a market preference for homogenous and higher end development. This makes for an easier profit margin. Mixed use properties have proven harder to manage and can be a challenge. All of these reasons cause people to shy away from this.</p> <p>In many communities, housing expertise has been a problem. This is not necessarily the case in Portland. Land use laws are very unique and changes the way developers function outside of the Metro areas. Our wages are relatively low and credit markets are weak. All of these factor into why Inclusionary Housing does not happen on its own.</p> <p>We have a preemption on mandatory Inclusionary Zoning in Oregon.</p> <p>Colin asked if the central issue is how smaller developments are more challenging because you have the acquisition of land costs across a smaller number of units. Janet responded,</p>	

Agenda Item	Discussion Highlights	Outcomes / Next Steps
	<p>yes, because it would be hard to make a smaller number of units absorb all of the costs to allow for a few number of 10% affordability units.</p> <p>If we look at the state level where housing subsidy resources we see that we are targeting about 50%-60% MFI so we are using these subsidies wisely. We cannot have a conversation about housing without looking at how the pot of funds and resources are shrinking dramatically. Our group is looking at performance and looking at the map of urban and suburban developments.</p> <p>We are seeing in many parts of the state a “Workforce Housing Market”. It is 50%-80% of MFI. It’s not a high end workforce. People are still having a real hard time lining up credit and making developments happen.</p> <p>The Fair Housing Council of Oregon is holding a couple of summits in the next couple of months. They will be rolling out a tool kit to help affirmatively further fair housing. The City of Portland has the Opportunity Lens and Tax Abatement program which are efforts towards Inclusionary Housing. There was a Coalition in the Legislative Session that just passed that was trying to lift the preemption. We did support it.</p> <p>The agenda for 2015 is trying to look at the resource and policy side of Inclusionary Housing and how to make it a bigger conversation. We’re looking at resources that could possibly be expanded to help meet our goals. A group is looking closely at tax abatement and exemptions. House Bill 2639 will require a lot of education moving forward to implement it.</p> <p>The Housing Alliance is meeting and convening. We set up a resource page that will be distributed. Janet welcomed everyone to participate and join in the conversation on Inclusionary Housing.</p> <p>Daniel asked how we think about our role in regards to the market. We will continue to work with our partners and provide subsidy, but we are at a point where we need to think more about Inclusionary Housing.</p> <p>Marc mentioned he is struggling with the frame around Inclusionary Housing and not Inclusionary Zoning. The strategies seem to differ. The concept is great, but from a policy and messaging standpoint that there are different conversations around each depending on whether you are talking about Housing or Zoning.</p>	

Agenda Item	Discussion Highlights	Outcomes / Next Steps
	<p>Janet responded by saying that zoning is a piece of a strategy and mandatory and preempted in Oregon. There are a lot of things that are a lot like inclusionary zoning, but already do happen and can happen with the preemption in place. There's a lot of political energy around Inclusionary Zoning, but there are a lot of other things that need to be done. We need to think of things around a bigger frame, and there are other options we could do tomorrow.</p> <p>Marc asked if we should be thinking more in terms of how we engage the private side to be a part of this larger conversation and solution.</p> <p>Sarah Zahn stated it was a great point and question. She said that it needs to be used as a tool and should be used to reach the 60%-100%MFI band. We may not get as deep affordability, but provide incentives to these private developers to want to participate. You have to think strategically to get them involved. Private developers have investors and people they have to answer to, as well. It is a fine balance.</p> <p>Daniel discussed how you have to decide what the right compromise is for everyone. To what degree to we score equity? We want to extract public benefit, but how do we work within a market context where we incentivize private market.</p> <p>Elisa noted that she liked the regional approach. Inclusionary Zoning is a tool to be supported regionally. We need our suburban neighbors to address the need. Developers are not just staying in one area and as renters here in Portland want to buy outside of the city, we want to support their decisions and support a realistic view of housing.</p> <p>Marc agreed with the regional piece and struggled with how far these incentives get you in terms of real diversification of income levels. We're a long way from creating obligation.</p> <p>Janet responded by saying she shared his concern. She thinks that's why the enforcement at the Federal level to affirmatively further fair housing is so exciting.</p> <p>Traci stated that Commissioner Saltzman is interested in these questions. He'll be asking private developer partners what it will take to get them into the business of helping us on these issues. It is a first step and a good step. I am struck by, once again, we are tiny part of the real estate market. Maybe we can get things done in this market that will benefit us.</p>	

Agenda Item	Discussion Highlights	Outcomes / Next Steps
<p>Portland Housing Opportunity Analysis</p>	<p>Daniel introduced a Meet and Greet activity on the Portland Housing Growth and Opportunity Analysis (PHGOA). Everyone was be given the opportunity to go around the room and look at the eight different maps and geographies.</p> <p>David reviewed the PHGOA process. He discussed the 95% draft of the report that was presented at the meeting. The main product was the Opportunity Map that provided indicators such as jobs, housing, and access to transportation. He asked people for recommendations on the report.</p> <p>Daniel then asked everyone in the room to go around to each station and review each of the maps.</p> <p>The meeting adjourned after the PHGOA activity.</p>	

DRAFT

PORTLAND HOUSING ADVISORY COMMISSION

Your Comments: There needs to be more - Sect. 8, Affordable housing units and Project Based housing units for people (over 50%) on fixed income like Sen. Security Budget. Example: I get by on \$830. my work deduction for student loans, trying to find an affordable unit at \$400. for 1 BR. 650 sq. ft. is difficult. I have been on waiting list for 2 yrs. and am a former nurse, L.V. with 30 years experience in CCU units. I am Do you wish to speak at today's hearing? Yes No retired nurse 65 yrs old, and do volunteer work.

Name J. Veronica Sommer Today's Date October 2013
Representing W.A.A.F. - Womens Affordable Housing Trust
Address 627 N.W. 18th Ave Portland, Oregon 97209
Email Veronica_Cantata@yahoo.com Phone _____

Thank you for sharing your thoughts.

OPENING OF PUBLIC COMMENT PERIOD

NOTICE OF PROPOSED AMENDMENT TO STATEMENT OF OBJECTIVES AND USE OF LOAN FUNDS (\$2,400,000) UNDER SECTION 108 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974. AS AMENDED, AND AMENDMENT TO CITIES OF PORTLAND AND GRESHAM, MULTNOMAH COUNTY CONSOLIDATED ANNUAL PLAN FOR FISCAL YEAR (FY) 2013 TO INCORPORATE FUNDING AND ACTIVITIES UNDER A LOAN TO HACIENDA COMMUNITY DEVELOPMENT CORPORATION TO CONSTRUCT THE HACIENDA BUILDING AT 6706 NE KILLINGSWORTH STREET.

October 2, 2013

Amendment No. 2013-11

TO ALL INTERESTED AGENCIES, GROUPS AND PERSON:

On Wednesday, November 1, 2013, the City of Portland proposes to amend its Consolidated Plan Action Plan FY 2013-2014 as follows:

The City intends to use the Section 108 revolving loan pool to fund the site clearance for and new construction of the Hacienda Building, a commercial building next to the Villa de Clara Vista Apartments at 6706 NE Killingsworth Portland, Oregon by allocating \$2,400,000 (Section 108) to the non-profit agency, Hacienda CDC, or a related entity. The project will house Hacienda's corporate and property management offices, with 10% of the total square footage allocated to potential future retail. The purpose of this notice is to provide an opportunity for public comment on this amendment and the proposed amendment to the cities Portland and Gresham, Multnomah County Consolidated Plan One-Year Action Plan for FY 2013.

The Consolidated Plan is a requirement of HUD as a condition of receiving certain federal funding. The Plan identifies the cities Portland and Gresham, Multnomah County overall needs for affordable and supportive housing, homeless shelters and services for community and economic development, and for building public and private partnerships. The proposed program modification utilizing Section 108 Loan Program funding will have no adverse impact on any projects and activities already a part of the One-Year Action for FY 2013. The provision of this opportunity for comment is in accordance with Portland and Gresham, Multnomah County Consolidated Plan for substantive amendment to the Consolidated Plan.

PUBLIC COMMENTS

Copies of the amendment will be available for review on September 26, 2013 online at www.portlandonline/phb/ and at the front desk located at the Portland Housing Bureau, 421 SW 6th Avenue, Suite 500, or by calling Siobain Beddow, Housing Development Finance Coordinator, 503.823.3273. The location mentioned above is accessible to person with disabilities.

For additional information or to write comments, citizens should please contact the Portland Housing Bureau, Attention: Siobain Beddow, Housing Finance Coordinator, 421 SW 6th Avenue, Suite 500, Portland, OR 97204-1629 or sent to siobain.beddow@portlandoregon.gov. Written comments should be received at the above address or email by Wednesday, November 1, 2013. If comments are received, they will be considered.

The Portland Housing Bureau is committed to a policy of nondiscrimination in all its programs, services and activities and will provide reasonable accommodation upon request. To request special accommodations call 503-823-2383.

Siobain Beddow
Housing Development Finance Coordinator
Portland Housing Bureau
421 SW 6th Ave., Suite 500
Portland, OR 97204
503.823.3273
503.823.2973 fax
(503) 823-6868 TTY
siobain.beddow@portlandoregon.gov



CITY OF PORTLAND, OREGON

**(DRAFT) PROJECT-SPECIFIC APPLICATION
FOR SECTION 108 LOAN GUARANTEE**

FROM

**U.S. DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

FOR

**HACIENDA BUILDING
6706 NE KILLINGSWORTH AVE, PORTLAND, OR**

**IN THE AMOUNT OF
\$2,650,000**

October 15, 2013

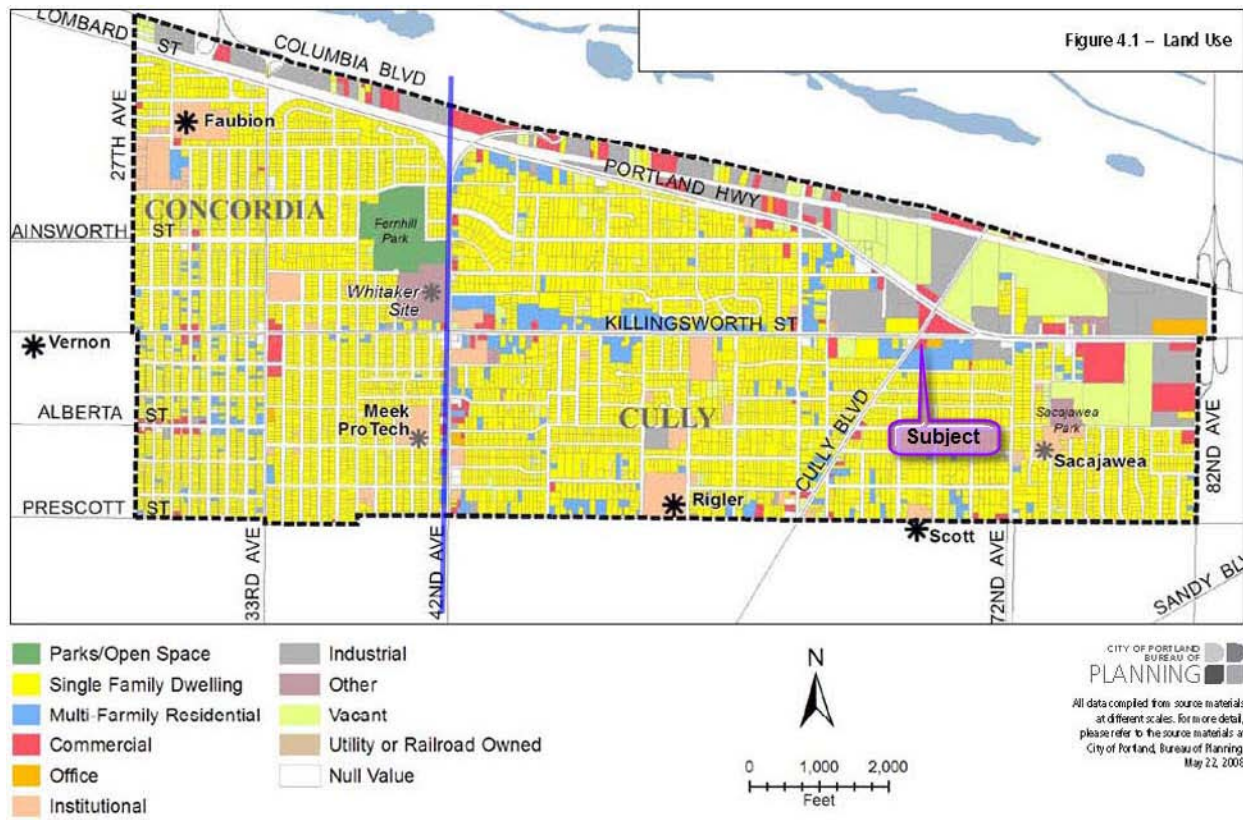
I. Project Description – Hacienda Building

The proposed Hacienda Building is a 2-story office building with a minor retail commercial component located on a 13,441 square foot, trapezoidal-shaped site at the southeast corner of NE Cully Blvd and NE Killingsworth Street, in the Cully neighborhood in the City of Portland's Northeast District. The subject is being constructed by Hacienda CDC, a non-profit housing and community service entity, for substantially owner-occupancy. The Hacienda Building was designed to serve Hacienda CDC's specific missions, and Hacienda CDC will occupy all of the office space (9,779 rentable square feet). The 1,127 square foot retail space will be rented. Demolition of an existing commercial building on the site is required to clear the site for new construction.

The building will be of wood frame construction, will have an exterior of smooth fiber cement panels, and will be of average-plus quality. The Hacienda Building will have a personalized interior layout. The Hacienda Building was designed to serve Hacienda CDC's specific missions. A portion of the 1st floor will contain the property management offices for Hacienda CDC's apartment buildings which adjoin it on the east and southeast, and which face it across NE Cully. The concrete walkways and other hardscape were designed to flow seamlessly into the apartment areas.

The parcel on which the proposed project sits was once part of the Villa de Clara Vista project, but was acquired by Hacienda Community Development Corporation (HCDC), an Oregon nonprofit corporation (HCDC), on July 31, 2013.





Only 2.0% of the land in the Cully neighborhood is currently zoned commercial, while a rate of 10% is more common for neighborhoods city-wide. NE Cully Boulevard and an adjacent segment of NE Killingsworth Street between NE 60th Avenue and Cully Boulevard are designated as a “main street” in the Metro Region 2040 Growth Concept Plan and the City of Portland’s Transportation System Plan. However, the commercial corridor area is hindered by zoning designations that do not match the needs or desires of the community, nor the characteristics of a Metro regional plan designated “main street”.

While some Cully residents work within the neighborhood study area, the great majority commute elsewhere. Though the Cully neighborhood itself may be short on jobs and businesses, it lies directly south of the large industrial and employment area extending along the Columbia Boulevard corridor, and around Portland International Airport.

HACIENDA CDC

Hacienda CDC is a mission-driven nonprofit organization formed in 1993 “to improve the overall livability of low-income Hispanics by developing a permanent resource of decent and affordable housing, educational, economic development and related activities that benefit low-income Hispanics and others in the State of Oregon.” In addition to housing, Hacienda provides culturally-specific supportive services to enhance the lives of the residents and the surrounding community. Hacienda’s programs, provided by bilingual/bicultural staff, include afterschool programs for youth, adult education, healthy living classes, homeownership & foreclosure prevention counseling and economic development opportunities. Hacienda also provides safe, secure and supportive housing for victims of domestic violence and their children.

Hacienda currently owns and operates 381 units serving 1,621 low income individuals, 80 percent of whom are first or second generation immigrants including a large population of Somali Refugees. Of the resident population enumerated for 2012, 93% were from a community of color, 56% were children, and the average household income for the average household size of 4 persons, was \$21,625. The median income for a family of four in the area was \$73,000 in 2012, and the directly measured resident average household income for that same period comes in at under 30% MFI.

DEVELOPMENT TEAM

The development team for the acquisition and remodel of the property will include: Catherine Kes, Hacienda’s Housing Development Director; Scott Edwards Architecture, a firm experienced in commercial, mixed use and affordable housing projects, which was selected for its culturally sensitive approach to the predominately Hispanic community (in HCDC’s immediately adjacent and nearby properties); Colas Construction, Inc (Oregon MBE/DBE certified) is the selected, experienced general contractor.

II. Sources and Uses

A. Use of Proceeds:

USES	Permanent
Acquisition Costs	312,500
Construction Costs ¹	3,030,000
Development Costs	864,443
Developer fee	100,000
TOTAL USES	4,306,943

B. Sources of Proceeds:

SOURCES	Const/Permanent
PHB Section 108 loan ²	2,650,000
New Markets Tax Credit Equity	855,000
Sponsor Cash	319,443
Sponsor Land	312,500
Oregon Dept of Energy	50,000
Deferred Developer Fee	100,000
Energy Trust	20,000
	4,306,943

III. Conditions of Approval: Conditions of any commitment will include:

¹ Includes 5% contingency

² Due to the need to close by January 9, 2014, there are bridge loans for construction being assembled by Craft3, a CDFI lender and Wells Fargo who is also the investor on the NMTC. Because Craft3 loan’s interest rate is expected to be higher than either Wells Fargo or PHB (perhaps as high as 10%) PHB’s Section 108-funded loan may enter into the construction phase rather than being the takeout permanent funding to minimize the construction loan interest.

- **Verification of costs** – PHB will review an updated development budget based on the final rehab cost estimate for the project and the terms and structure of the final financing package.
- **Debt Coverage Ratio (DCR)** – PHB will confirm that the total amount of debt service from the permanent loan remains within an acceptable debt coverage ratio relative to the project’s stabilized Net Operating Income (NOI). DCR is measured as NOI/Total Debt Service. This is not expected to reach 1.15:1, but be closer to 1:1 due to the high proportion of owner-occupied space.

•

IV. Section 108 submission requirements:

A. Community Development Objectives

The Portland Housing Preservation Fund is the HUD Section 108 Guaranteed Loan Pool created in 2008 to further the City of Portland's affordable housing preservation and permanent supportive housing goals as priority considerations, with other projects qualifying for Section 108 funding also considered eligible. This project-specific application meets the goals of the Preservation Fund and is consistent with the City’s 2011-16 Consolidated Plan and the 2012-2013 Action Plan including the following specific goals:

Priority 1: Rental Housing: Increase the production and preservation of rental housing, with an emphasis on rental homes for households who face the greatest challenges finding housing in the private market.

Priority 3: Homeownership: Invest in programs and strategies proven to assist low and moderate income families to sustainably purchase a home or retain a home they already own.

Priority 5: Economic Opportunity: Invest in comprehensive, evidence-based programs that assist adults and youth to improve their economic condition by increasing their incomes and assets.

B. Description of how the Proposal meets one of the Criteria in 24 CFR 570.203(a)(2)(i)(A) - National Objectives and is an eligible activity under section 570.201.

Section 570.200(a)(2) requires that all CDBG activities meet one of three National Objectives. Section 570.208 defines the three national objectives as: a) benefit to low and moderate income families; b) aid in the prevention or elimination of slums or blight; and c) meeting other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community where other financial resources are not available.

This project-specific application for the Hacienda Building provides direct benefit to low and moderate income households for both and thus meets National Objective 570.208(a)(2)(i)(A), an area benefit to limited clientele. Hacienda provides housing and services to persons with low to moderate incomes in five primary census tracts: 74, 75, 76, 77, and 40.01.

- The combined population count of the census tract comprising the primary service area is 21,763, with 58% of that total qualifying as persons with low and moderate incomes.
- Four of the five census tracts are Qualified Census Tracts
- All of the tenants of the properties owned and managed by HCDC in the named census tracts have incomes at or below 60% of area median income (AMI), with the majority earning 40% to 50% of AMI.
- HCDC provides emergency housing and support to victims of domestic violence
- HCDC provides homeownership Support via HUD Certified Housing Counselors
 - Pre-purchase homeownership counseling
 - Foreclosure prevention counseling
 - Mortgage payment assistance program
- HCDC provides community economic development programs
 - Small Business Development Class
 - Micro Mercantes Food Business Incubator
 - Plaza Comunitaria Adult Education
 - Portland Mercado Project
- HCDC provides Youth and Family Services
 - Academic support
 - Cultural enrichment
 - Health services

C. Eligibility under 24 CFR 570.200(a)(2) CDBG activities.

Each project assisted with Section 108 guaranteed loan funds must meet one of the eligibility requirements listed in 24 CFR 570.703. The use of Section 108 guaranteed loan funds to assist in the financing of the Hacienda Building qualifies as eligible under 570.703(i)(1) – activities eligible under 570.203(a). Specifically, the Hacienda Building new construction meets the requirements at 570.208(a)(2)(i) a resulting in an area benefit to a limited clientele. The project owner is a private non-profit.

D. Eligibility under 24 CFR 570.703, Section 108 eligibility and criteria

Each project assisted with Section 108 guaranteed loan funds must meet one of the eligibility requirements listed in 24 CFR 570.703. Because the original application was for a loan pool, the individual loans will qualify under several eligible activities: 570.703(a)acquisition; (b)payment of interest; (c)clearance, demolition, removal; (d)site preparation; (e)payment of issuance or underwriting services related to 108;

(f) economic development activities.

This project qualifies under uses for acquisition, clearance/demolition/removal, site preparation, and economic development activities.

D. Underwriting Standards for Section 108 Assisted Projects – Project Evaluation

1. Project Underwriting - While section 570.209 Guidelines for evaluating project costs and financial feasibility do not apply to this project, the City of Portland has chosen to broadly follow the guidelines in evaluating the application for Hacienda Building.

a. Reasonableness of the Proposed Project Costs

Staff has reviewed the proposed project costs. The scope of work was developed by the project sponsor in consultation with the project architect and Colas Construction. The development budget is based on a detailed estimate by the contractor and third party quotes.

The appraisal notes development costs exceed those estimated by Marshall Valuation Service by 65%; further detailing that they can provide no support for the project's total development costs of \$4,056,000³ when the replacement cost new estimate is \$2,460,000.

Staff reviewed the budget and can locate nearly \$460,000 in differences in the indirect costs, the bulk of which (\$310k) is related to the New Markets Tax credit structuring. Hard cost contingency is another \$130k. Initial site conditions relating to environmental cleanup are another \$150k. But there is still an \$835k difference between Marshall and this development budget. Some of the soft cost differences are present in the initial development costs, such as engineering, design, permits etc. that are not accounted for in the appraiser's replacement cost budget.

The design is open and cantilevered as well as focused on achieving Earth Advantage Commercial Gold Certification. This causes increased costs for structural steel in an amount of \$125k that one wouldn't normally expect to see in a two-story building, and concrete used as a design feature throughout as well as upgraded wood finishes increases those costs beyond what would normally be encountered.

b. Commitment of all Sources of Funds.

Is a condition of closing.

³ Appraisal was based upon development costs which did not include prevailing wage rates in the construction budget.

c. Feasibility of the Project.

The project's feasibility was evaluated by the City using the underwriting guidelines adopted for the loan pool and determined to be feasible with the financing structure proposed. The two key underwriting parameters are Loan to Value (LTV) and Debt Coverage Ratio (DCR). An appraisal by Integra Realty Resources for Wells Fargo, and dated August 22, 2013 did not inform a lending decision because the valuation was made according to instructions by Wells Fargo which excluded owner-occupied income in determining value for the income capitalization approach. Owner-occupied space is 90% of the project's square footage. This places LTV in excess of 80%. Because additional collateral may be necessary for the 108 loan the City will use its full faith and credit guarantee to provide the necessary security in accordance with the resolution passed by the Council in June 2008.

The project's debt capacity was also reviewed. A review of the pro forma financials shows that the restructured project's NOI is projected to be about \$160,547⁴. Utilizing an underwriting rate of 3%⁵ for the Section 108 loan, the current NOI provides a 1.01 DCR on the first mortgage which is sufficient to pay the debt service, and to fully amortize the Section 108 loan during a 20 year term. PHB will retain the right to review the project operating pro forma prior to funding in order to re-confirm that the funding terms proposed here are still reasonable.

d. Return on owner's equity.

The rents are intended to cover operating expense and debt service only, not generate positive cash flow. Staff could require a minimum debt service coverage ratio of 1.15:1, but this would simply increase the rents HCDC must pay, without any real benefit to either PHB or HCDC. So it only makes sense to require a 1.0:1 since HCDC has to come out of pocket anyway if tenant rents are short, or expenses run high. If the commercial tenant rents are higher than expected, the opposite is true, and HCDC may end up reducing their own per square foot rents.

The initial rents are higher than what HCDC pays currently for combined annual rents, however within 8 years, the beneficial aspect of a fixed mortgage payment versus an annually escalating lease payment is realized.

In any event, because HCDC will occupy 90% of the space, and only intends to cover expenses and debt service with rents rather than sent a return on investment target, it is unlikely that the return on their initial

⁴ Based upon \$2.4MM initial application amount. HCDC is attempting to source grant funds to close the difference between \$2.4MM and \$2.65MM amounts mentioned.

⁵ PHB is willing to fix the rate to the borrower, shouldering the upside interest rate risk.

\$300k in cash equity will ever achieve much, if anything, in the way of a return.

e. Collateral

The City's Section 108 loan will eventually take a first-position deed of trust in the real estate. Construction/bridge lenders (Wells Fargo and Craft3) will have superior positions until PHB takes out their financing. As mentioned above, the loan to value for may exceed 100% and therefore additional security is required.

An updated appraisal dated August 22, 2013 valued the property at \$925,000 as if stabilized. The 9.5 to 10% cap rate reflected in the updated appraisal appears appropriate, and when applied to NOI produces a value of approximately \$1.6 million for the entire project.

The negative pressures on the appraisal include:

- Existing foreclosed office space nearby that cannot lease for as little as \$23 psf
- Specialized use
- Owner occupancy is 90% of the space post construction

While the appraiser's evaluation of the market for office space in this area must be relied upon, one office building in foreclosure and unable to lease up even at \$23 psf rents, the most likely use of the proposed Hacienda office building is by any successor in interest to Hacienda CDC, should they ever dissolve. The building's proximity to the majority of HCDC's property holdings is material, though not exclusive, to its likely future reuse.

A Phase 2 report by Evren Northwest, Inc, dated 9/11/13 detailed eight areas of concern, including two potential underground tanks. Hacienda states that the Oregon Department of Environmental Quality advises that these areas of concern will likely result in a No Further Action letter, which will be a requirement.

The entire Portland Preservation Loan Pool carries a full faith and credit guarantee from the City of Portland and this guarantee will be used to provide the necessary collateral for this project.

f. Development Team Capacity and Experience

The development team includes Hacienda's Housing Development Director who managed the development of their most recent project, Miraflores as well as the rehabilitation of Villa de Suenos and Los Jardines. The project's architect is Scott Edwards Architecture, a Portland

firm whose portfolio reflects a wide variety of construction project types, including several multifamily, mixed use and habitat sensitive types of development. The selected general contractor is Colas Construction, Inc. whose projects range from multifamily mixed use to purely commercial, including achieving Earth Advantage certifications and highly sensitive tenants in place multifamily rehabilitation projects.

g. Developer Commitment

The project has the commitment of the Hacienda CDC, which currently owns and operates several multifamily tax credit projects in the vicinity of the office building site, as well as leasing out community and office space at the proximate Ortiz Center. Nearby multifamily projects include, Miraflores, Clara Vista Townhomes, Los Jardines, Vila de Suenos, Villa de Clara Vista and the Vista de Rosas (in closing). Hacienda has a long-term interest in the project and the surrounding client community that it serves. Their property and administrative management offices will be brought together in one location in the proposed building. HCDC is contributing over \$300k in cash and another \$300k in land to the financing of the project.

h. Character of the Principals

As a mission-driven nonprofit organization, Hacienda exists to “develop a permanent resource of decent and affordable housing, educational, economic development and related activities that benefit low-income Hispanics and others in the State of Oregon.” Specifically, Hacienda develops and operates affordable rental housing and provides a broad array of supportive services to enhance the lives of the residents and the surrounding community. It has over 15 years of experience in the creation, operation and preservation of affordable housing in Oregon and maintains a staff of highly experienced development and property management specialists to carry out its projects.

i. No Substitution of CDBG funds for Private Sources

Based on the review of the appraisal and the project’s operating projections by staff, the project’s sponsors have accessed all reasonably attainable funding for the project.

j. To the extent practicable the Section 108 funds should be disbursed on a pro rata basis

Timing of Section 108 funds are currently being worked out, since they may replace bridge financing early to reduce construction interest costs. If the Section 108 funding does take out interim/bridge financing this may be the only funding source remaining and so would have to disburse on a draw basis.

2. Standards for evaluating public benefit

Hacienda Building is qualified as eligible under Section 570.703(h) – housing rehabilitation as permitted under 570.202. Specifically, the project meets the requirements at 570.202(a)(1) and (b)(1) as eligible rehabilitation and preservation of “privately owned buildings and improvements for residential purposes.” Therefore, the public benefit standards at 570.209 do not apply.

E. A Description of the Pledge of CDBG Guarantee

The City of Portland understands that if the participants in this Section 108 loan fund fail to make timely payments and as a result the City fails to make a required payment on its Section 108 obligation, HUD will deduct the missed payment from the CDBG Letter of Credit and in accepting this loan guarantee, the City of Portland has pledged its CDBG funds and all other applicable grants as security for the guarantee.

F. Schedule of Principal Repayment

BALANCE \$2,650,000⁶

HACIENDA BUILDING


August 1, 2014		August 1, 2024	
August 1, 2015		August 1, 2025	
August 1, 2016		August 1, 2026	
August 1, 2017		August 1, 2027	
August 1, 2018		August 1, 2028	
August 1, 2019		August 1, 2029	
August 1, 2020		August 1, 2030	
August 1, 2021		August 1, 2031	
August 1, 2022		August 1, 2032	
August 1, 2023		August 1, 2033	

⁶ May only require \$2.4MM, will not be finalized until early to mid November, searching for additional grant funds to cover prevailing wage increase to construction costs
 Hacienda Building HUD Application 11



Office of Mayor Charlie Hales
City of Portland

TO: City Bureau Directors
City Budget Managers and Contacts

FROM: Mayor Charlie Hales 

DATE: October 3, 2013

SUBJECT: Fiscal Year 2014-15 General Fund Budget Guidance

The financial situation the City of Portland faces in FY 2014-15 has been greatly improved by fiscal decisions made by the City Council last spring, and by excellent work in our bureaus.

We made the hard choices needed to balance the budget. We reduced more than 140 full-time equivalent positions throughout the City and reduced cost-of-living adjustments for City employees by \$1.7 million. We asked bureaus to develop budgets at only 90% of current service levels, and in the end made difficult cuts to City programs. In fact, the Adopted Budget makes ongoing cuts of almost \$2 million more than necessary in order to fund critical one-time priorities. I asked my fellow Commissioners to form subcommittees to look at innovation, best practices, and other ways to save money, and they responded with a menu of creative options, many of which were included in the adopted budget. Finally, I asked our Bureau managers to restrain purchases and expenses during the last few months of Fiscal Year 2012-13, and they delivered, producing real savings that now put us in a more sound financial condition.

In January, we faced an ongoing deficit of more than \$20 million from three main causes: the creation of the new Multnomah County Library District; the costs of complying with the Department of Justice agreement that changes how the Police interact with the mentally ill; and the need to fix the City's habit of funding ongoing programs with one-time dollars.

As a result of the actions taken by Council and the bureaus, the City has turned the corner and addressed the short and long-term fiscal challenges that we were facing. While we do not know what the future holds, the latest updates from the City Budget Office show continued economic growth, property value increases, and relatively low inflation.

FY 2014-15 Guidance

Given the difficult cuts that bureaus are currently implementing and the relatively positive economic outlook, I am proposing a "stabilization budget" for FY 2014-15. I will not be asking General Fund bureaus to submit additional reduction packages or undergo a modified zero-based budget approach this year. General Fund bureaus should plan to submit their requested budgets at their Current Appropriation Level, which CBO will publish in late November.

As always – but perhaps even more important in a year focused on stabilization – I encourage bureaus to develop realignment packages that focus existing resources more directly on your core mission and on Council priorities. These realignments can be small, such as moving a staff person from one program to another, or large, such as eliminating an entire program and shifting the resources to a higher priority service.

The City Budget Office will issue the preliminary FY 2014-15 five-year forecast in November, and it is likely that additional ongoing General Fund resources will be available. However, as Portland and other governments have seen in recent years, it is important that we maintain fiscal discipline even during periods of revenue growth. The City Council will convene on November 5th to talk about Portland as a city – the people, the economy, our values and beliefs – and the role the City government plays in our community. In that work session, Council will outline specific priorities for the FY 2014-15 budget, and these priorities will help you as you develop your bureau budgets. Additional guidance will be forthcoming regarding add packages for next year, but it is safe to say that I will only be looking for add packages that focus on the highest priorities facing the City.

Summary

The City's fiscal outlook is brighter as a result of the reductions that we made in the current year and overall economic growth. Those reductions are challenging for you, as bureau directors, to implement, while maintaining core services important to the residents of Portland. I want to thank you for your continued efforts. I believe that continuing current service levels for another year, while making careful, calibrated strategic investments in key priorities, will ensure that the City stays on a fiscally sustainable path, now and into the future.

CC: Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Steve Novick
Commissioner Dan Saltzman
Auditor Lavonne Griffin-Valade



Dan Saltzman, Commissioner

Traci Manning, Director

FY 2014-2015 Budget - PHB Public Involvement

The Portland Housing Bureau values accountability and transparency. This fiscal year, PHB will provide multiple public opportunities for community involvement and feedback in the development of PHB's FY 2014-15 budget.

The Portland Housing Advisory Committee (PHAC) is the community-led volunteer body charged with voicing public concerns and advising PHB leadership on the strategic direction of the bureau. The PHAC consists of diverse membership representing several key stakeholder groups that inform PHB's work. PHAC members in addition to staff members (including union representation) function as the PHB Budget Advisory Committee (BAC).

This year, PHB will hold two general public forums outside of the PHAC meetings, in addition to dedicating three PHAC meetings, where the budget will be the main agenda topic. At each PHAC meeting and public forum, public testimony will be taken. PHB staff, in coordination with our partners will work to widely publicize all meetings and encourage broad and diverse public involvement and testimony.

BAC Membership

Jesse Beason, PHAC Chair

Marc Jolin, PHAC Executive Committee

Deborah Imse, PHAC Executive Committee

Andrew Colas, PHAC

Rey Espana, PHAC

Elisa Harrigan, PHAC

Carter MacNichol, PHAC

Colin Rowan, PHAC

Carmen Rubio, PHAC

Sarah Zahn, PHAC

Kim McCarty, PHB Staff Rep, AFSCME

Paul Stewart, PHB Staff Rep

PHB FY 2014-15 Budget - Public Involvement Schedule

October	<ul style="list-style-type: none"> • PHB Develops Budget Schedule and Process • PHB Outreach for Budget
November	<ul style="list-style-type: none"> • 11/5 – PHAC (BAC) Budget Process for FY 2014-15 • 11/20 – Community Needs Hearing
December	<ul style="list-style-type: none"> • 12/6 – 2nd PHAC Budget Meeting – Review Draft Budget
January	<ul style="list-style-type: none"> • 1/7 – 3rd PHAC Budget Meeting • TBD – PHAC Retreat • TBD - FY 2014-15 Requested Operating budget due to OMF Financial Planning
February	<ul style="list-style-type: none"> • TBD – Community Priority Hearing • 2/4 – PHAC Budget Update

Key City of Portland Budget Milestones FY 2014-15

October	
November	<ul style="list-style-type: none"> • TBD – Budget Kick off: Budget Calendar and Budget Instructions to bureaus
December	
January	<ul style="list-style-type: none"> • TBD - FY 2015 Requested Operation Budget due to OMF Financial Planning
February	<ul style="list-style-type: none"> • TBD – Respond to OMF technical review
March	<ul style="list-style-type: none"> • TBD – PHB Budget Presentation to City Council
April	<ul style="list-style-type: none"> • TBD – Mayor releases proposed Budget
May	<ul style="list-style-type: none"> • TBD – Budget Committee Meeting, Public hearings
June	<ul style="list-style-type: none"> • 6/20 – Council action to Adopt FY 14-15 Budget

PHAC – BAC Budget Analysis – FY 2013-14

Draft December 21, 2012

To evaluate the PHB budget, the Budget Advisory Committee has established the following principles to guide their decision making process.

Guiding Principles

1. Retain PHB’s Strategic Plan priorities, while recognizing that these are long term goals and focus on core services.
2. When making cuts, try not to dismantle system capacity, including at PHB in light of recent 30% reductions in people.
3. Ensure that budget decisions support increasing access to programs and funding for communities of color and reduce historical disparities in outcomes.
4. Continue to support unique market opportunities that support PHB’s investments in homeownership purchase and retention for communities of color.
5. Proactively tell the story of PHB investments and make time to educate new Council members about PHB priorities, particularly the work of us and our partners towards equity.

Equity Lens – Baseline information provided will inform staff analysis of equity impacts of proposed budget scenarios.

1. Briefly describe action and desired results

See description of FY 2013-14 GF budget cut scenarios – #1-4.

2. Who are the racial/ethnic groups currently served? How will each group be affected?

PHB Demographic Information (From PHB Dashboard) by Strategic Plan Investment Priorities

	Strategic Plan Investment Priority #1	Strategic Plan Investment Priority #2	Strategic Plan Investment Priority #3	Strategic Plan Investment Priority #4
FY 10/11	29% Communities of Color (CoC) living in portfolio Preservation: 24% MWESB Rehab: 41% MWESB NC:10% MWESB HDF: N/A	STRA/Prevention: 61% CoC Supportive Housing: 42% CoC Healthy Homes: N/A Home Repair Loans: 27% CoC Home mini rehab: 41% CoC	Homebuyer Fairs: N/A Homebuyer Ed: 35% CoC Homebuyer FA:48% CoC Tax exemptions & Fee Waivers: 38% CoC	Shelter and Emergency Services: 34% CoC

FY 11/12	NA % CoC living in portfolio Preservation: 31% MWESB Rehab: 37% MWESB NC: 25% MWESB HDF: 28% MWESB	Prevention: 65% CoC Supportive Housing: 38% CoC Healthy Homes: 40% CoC Home Repair Loans: 40% CoC Home mini rehab: 40% CoC	Homebuyer Fairs: 79% CoC Homebuyer Ed: 39% CoC Homebuyer FA: 55% CoC Tax exemptions & Fee Waivers: 40% CoC	Shelter and Emergency Services: 39% CoC
Difference between FYs in service to CoC	Preservation: +6% Rehab: -4% NC: +15%	Prevention: +4% Supportive Housing: -4% Home Repair Loans: +13% Home mini rehab: -1%	Homebuyer Ed: +4% Homebuyer FA: +7% Tax exemptions and Fee Waivers: +2%	Shelter and Emergency Services: +5%

3. What are the racial disparities related to this project and how will you track progress towards reducing disparities?

According to the ACS data for 2007-2012 (which is widely acknowledged to have undercounts of communities of color) 42% of people in poverty in Portland are members of communities of color with large disparities between each specific community and the white community living in poverty. For example 35% of the African American community lives in poverty compared to 13% of the white community that lives in poverty. African Americans are twice as likely as the total population to live in poverty.

To meet the need and to begin to try to reduce the racial and ethnic disparities, PHB programs that focus on assisting low income people, should reach for at least serving 42% communities of color.

Population Demographics

	Census 2010*	Census 2010 % Population	% of Population in Poverty	% of Community in Poverty**
Black/African American	52,090	7%	12%	35%
Native American	21,533	3%	3%	37%
Latino/Hispanic	80,138	11%	19%	29%
Asian & Pacific Islanders	69,485	9%	8%	18%
White	532,275	72%	58%	13%
Total Communities of Color	223,246	30%	42%	28%
Total Population	737,902			17%

*Please note that these numbers are "alone or in combination with other races" numbers , and that this number "overcounts" the total population by 2.4% (or 17,619 people).

**In each race, this is the percentage of the community living in poverty.

For example, of the 21,533 Native American people living in Multnomah County, 37% live in poverty.

Please note that these numbers are 5 year ACS data 2007-2011.

4. How does the proposed action expand opportunity and access for City Services?

PHB Service Contracts

	Strategic Plan Investment Priority #1	Strategic Plan Investment Priority #2	Strategic Plan Investment Priority #3	Strategic Plan Investment Priority #4
FY 10/11	0 new contractors \$0 new funding 3 Competitive funding processes: CHDO Operating, Fall NOFA, Gateway	3 new contractors \$1.6 million new funding 2 Competitive funding processes: Mayor’s Million, Healthy Homes	0 new contractors \$1.3 M new funding 2 Competitive funding processes: NSP, HOPS	1 new contractors \$0 new funding 1 Competitive funding process: Winter Shelter RFP
FY 11/12	1 new contractors: \$0 new funding: 1 Competitive funding process: Fall NOFA	0 new contractors: \$1.37 M new funding: 2 Competitive funding processes: STRA RFP, HOPWA SPINS	0 new contractors: \$600,000 new funding 2 Competitive funding process: MCC Allocation, NSP	0 new contractors: \$ 20K new funding: 0 Competitive funding process

5. How does the proposed action promote racially inclusive collaboration and civic engagement? (Is there community support for or opposition to the proposal? Why?)

Public Involvement/Public Engagement Processes

	Strategic Plan Investment Priority #1	Strategic Plan Investment Priority #2	Strategic Plan Investment Priority #3	Strategic Plan Investment Priority #4
FY 10/11	Con Plan PHAC Analysis of Impediments	Con Plan PHAC CCEH 10 YP Reset Healthy Homes Mayor’s Million process*	Con Plan PHAC LTE Big Look	Con Plan PHAC CCEH 10 YP Reset Street Count
FY 11/12	Con Plan PHAC FHAC PHB/OON Equity Agenda	Con Plan PHAC CCEH 10 YP Reset Healthy Homes	Con Plan PHAC LTE Big Look	Con Plan PHAC CCEH 10 YP Reset

* Mayor’s million process involved committee including Julia Meier, Director of the Coalition of Communities of Color and led to JOIN/Black Parent Initiative collaboration, and improved RFP goals/outcomes around equity.

6. How does the proposed action affect systemic change and address institutional racism? What is the method for tracking progress?

Legislative Agenda/Policy Changes/Advocacy

	Strategic Plan Investment Priority #1	Strategic Plan Investment Priority #2	Strategic Plan Investment Priority #3	Strategic Plan Investment Priority #4
FY 10/11	30% Set Aside		Foreclosure Legislation LTE Legislation	
FY 11/12	Fair Housing		LTE Legislation	

Save the Safety Net Campaign

7. How does the proposed project support work force equity or contracting equity?

	Strategic Plan Investment Priority #1	Strategic Plan Investment Priority #2	Strategic Plan Investment Priority #3	Strategic Plan Investment Priority #4
FY 10/11	1 of ___ Culturally Specific Contractors/providers:	2 of 16 Culturally Specific Contractors/providers 14 Culturally specific sub contractors <ul style="list-style-type: none"> • HF: STRA – 8 (4 culturally specific agencies, 4 culturally-focused programs) • Human Solutions: HNB - 6 	4 of 7 Culturally Specific Contractors/providers	0 of 13 Culturally Specific Contractors/providers: 1 culturally specific sub-recipient
FY 11/12	0 of ___ Culturally Specific Contractors/providers:	2 of 17 Culturally Specific Contractors/providers: 14 Culturally specific sub contractors <ul style="list-style-type: none"> • HF: STRA – 8 (4 culturally specific agencies, 4 culturally-focused programs) • Human Solutions: HNB - 6 	4 of 7 Culturally Specific Contractors/providers:	0 of 13 Culturally Specific Contractors/providers: 1 culturally specific sub-recipient

8. Are there any unintended consequences for certain populations and/or communities? Are there strategies to mitigate any negative impacts?

URA location – Homeownership and Rental Development
Definition of Homelessness and Vulnerable