



# PORTLAND HOUSING BUREAU

Portland Housing Advisory Commission  
Tuesday, November 18, 2015  
1:30 p.m. – 2:30pm  
Portland Housing Bureau, Ste. 500  
421 SW 6<sup>th</sup> Ave.  
Portland, OR 97204

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

## November MULTE Hearing Meeting Minutes - FINAL

**Members Present:** Betty Dominguez, Cobi Lewis, Daniel Steffey, Dike Dame, Maxine Fitzpatrick, , Sarah Zahn, Thomas Brenneke, Wayne Miya

**Members Excused:** Amy Anderson, Elisa Harrigan, Jean DeMaster (LOA), Nate McCoy, Stephen Green

**Staff Present:** Matthew Tschabold, Cheyenne Sheehan

**Guests Present:** Dory Van Bockel

Agenda Item	Discussion Highlights	Outcomes / Next Steps
<b>Call to Order and Roll Call</b>	Sarah calls meeting to order. Cheyenne reads roll call. Sarah explains that there will be public testimony allowed after the details of each application is reviewed.	
<b>Vancouver Apartments MULTE Application</b>	<p>Dory Van Bockel, the Program Coordinator for the MULTE program, begins a presentation on the <a href="#">MULTE Program</a> (scroll to page 2) goals, benefits, and application process; then begins detailing the 2015 applications being presented at today’s hearing (scroll to page 8). She also states that all MULTE applications will be brought before the PHAC as an opportunity for the Commission and the public to weigh in on applications before they go in front of Council for approval.</p> <p><b>ADMINISTRATIVE NOTE:</b> Dory presented updates to the foregone revenue calculations in her presentation. Those updates have been made to the presentation and materials posted to the PHB website and referenced in these minutes.</p> <p>Details of the Vancouver Avenue Apartments MULTE Application are presented (<a href="#">scroll to page 9</a>). The rents of the affordable units for this project (up to 60% MFI) include utility expenses (pg. 11). The project includes a number of amenities (pg. 12), parking and transportation options (pg. 13).</p>	

	<p>Page 14 of the presentation details the value of the tax exemption and the City of Portland’s (COP) portion of the foregone revenue.</p> <p>Dike asks for the start and end dates of the project. The representative from Marathon, Aaron, answers that the Mississippi Apartments will commence construction in January 2016 and construction is projected to be complete in 24 months. The Vancouver Apartments will commence construction in April/May of 2016 is project to complete in 24 months or a little less. Both apartment projects will be two-buildings each.</p> <p>Dory explains that the affordable units will be mixed among the unit types and will not necessarily be located all in one building. The program requires that amenities be available in both buildings regardless of whether the units are affordable or market rate.</p> <p>Maxine asks if the developer will be giving any consideration to filling units with displaced NE Portland residents. Matthew responds that discussions are ongoing in relation to the preference policy – the developers have shown strong interest in supporting the community both in MWESB contracting and lease-up.</p> <p>Betty asks about the developer’s marketing plan. In the write-up it says that the developer has identified 17 different community organizations to work with to highlight residents who are disabled, seniors, low to moderate income earners, and communities of color – she is interested in hearing more about that when the developer makes his presentation.</p> <p>Matt explains that the preference policy structure is being finalized but that is one part of the program requirements. The bureau is working on building out some infrastructure to support the preference policy; that work is ongoing but he expects the preference policy will be finalized in mid-December. After that the implementation infrastructure of the preference policy will be put in place and will most likely require open implementation lease-up, lottery lease-up etc.</p>	
<p><b>Mississippi Avenue Apartments MULTE Application</b></p>	<p>Details of the Mississippi Avenue Apartments MULTE Application are presented (<a href="#">scroll to page 15</a>). The rents of the affordable units for this project (up to 80% MFI) include utility expenses (pg. 17). The project includes a number of amenities (pg. 18), parking and transportation options (pg. 19).</p> <p>Page 20 of the presentation details the value of the tax exemption and the City of Portland’s (COP) portion of the foregone revenue.</p>	

	<p>Matthew points out that on page 20 the reason that the 10-year aggregate does not equal ten-times the 1-year estimated exemption is because the out-years are discounted back.</p>	
<p><b>Public Testimony</b></p>	<p>The vice president of Marathon Acquisition and Development, Aaron Wigod, makes a statement and answers questions from the PHAC as follows:</p> <p>Marathon is a local company that has been in operation for 35 years developing multi-family properties. They are a vertically integrated company who develops, builds, and acquires properties, and holds/manages them over the long term and rarely sells assets. They have been involved with the MULTE program before and have two other MULTE projects, Glendoveer Woods and The Wilmore. Marathon has provided developer perspective and feedback to PHB during the process of revamping the MULTE program and they know the program well.</p> <p>These two projects are in good locations with the Mississippi project at the corner of Mississippi and Fremont and the Vancouver Apartments at the NE and SE corners of Vancouver and Shaver. These are quality projects with mostly brick exteriors - all units have balconies, wood floors, granite counter tops, stainless appliances, tile bathrooms, glass showers etc. They are “condo quality” projects. Additional amenities include fitness centers, community rooms, and bike amenities (including bike parking, bike showers, and bike repair rooms). There are rooftop terraces with barbecues, fireplaces, sports courts, and outdoor theaters – these projects are top level in regards to amenities and quality.</p> <p>The equity component of these projects is one of the considerations that Marathon gives to the City/PHB/community in exchange for the tax exemption. Another component is the affordability – there is a significant disparity between the affordable and the market rate rents. That lost income eats up most of the exemption which is not a huge economic benefit to the developers. In his opinion, this is the biggest reason that the program is not being used more often by developers.</p> <p>One of the recent changes to the MULTE program is to incent developers to use MWESB contractors. PHB required Marathon to contract with one of two third-parties to drive MWESB bids – one of these agencies is the Metropolitan Contractor Improvement Partnership (MCIP) and the other is the National Association of Minority Contractors - Oregon (NAMCO). Marathon is essentially engaging both of these agencies to increase MWESB bidders. Together they have come up with a goal of 20% and they all believe this is achievable. Tony Jones the executive director of the MCIP is in attendance today and he will say a few words. Nate McCoy is the head of NAMCO but could not attend today. Working together they have come up with a strategy to first recruit MWESB contractors that Marathon</p>	

has worked with in the past. Also MCIP and NAMCO will contact all of their members and ensure they are aware of the contracting opportunities available and solicit bids. Marathon will hold 5 different bid periods and open houses for each of these projects for MWESB contractors in order to supply all the necessary information to submit a bid.

Marathon has also agreed to allow MWESB contractors to subcontract scopes of work, which they don't normally do, to allow them to work together because many of the MWESB's aren't big enough to handle projects of this size on their own.

Marathon will do many kinds of reporting to PHB on their MWESB efforts and outcomes. MCIP will prepare reports for those bid periods to include info on bid solicitations, open house attendance, communications etc. Marathon will track who made bids and the reasons why contractors were/weren't selected.

In regards to Marathon's affirmative marketing plan they went to great lengths with The Wilmore project, in the same neighborhood, to partner with community organizations to ensure that targeted/identified populations are being placed in the affordable units. The 15 affordable units are ethnically diverse and are equally split between African Americans, Hispanics, and Whites – they won't know the breakdown of the market rate units for a while as they are still leasing up. They don't think they would have had as much diversity without their community partners. Six of the affordable units went to veterans and they are proud of that – for veterans the first month of rent is free. They will be working with many of the same community partners to fill the new projects' affordable units.

Marathon is planning universal design on all units to make them accessible/adaptable for individuals with disabilities that are above the requirements of the FHA and ADA.

This neighborhood has a specific need for affordable housing. As an example, when they opened The Wilmore, within three days there were 100 people on the waiting list for the 15 affordable units.

Although 57 affordable units doesn't sound like a lot, it will make a big difference in the neighborhood and will have positive impacts on displacement and retaining neighborhood diversity. They believe these projects are worthy of the exemptions and they would like the support of the PHAC.

Betty asks what happens to tenants in affordable units at the end of the 10 year tax exemption period if they can't afford the market rate rent required.

Aaron answers that the end result is they will have to move out – this is one of the criticisms of the program is the tax exemption to provide affordability is only ten years. They would be interested in renewing the exemptions if that were an option, it's currently not. They will be as sensitive as possible in making sure the tenants have plenty of notice so they have time to move. He would be happy to be referred to organizations who may have transition support if there are suggestions.

Tom asks what the annual rent discount is in year one – he states that Aaron indicated they aren't making money on these units.

Aaron is not certain of the total. The affordable rents in both projects are about 55% of market rent range. He didn't mean to imply they aren't making any money, but in his opinion it's not worth the effort, exercise, management, and everything they do for the economic benefit – he says it's something they like to do for the community. On Mississippi the benefit of the exemption is roughly \$70K net annually. The taxes are about \$360K – after taking the foregone revenue and the additional dollars for the utilities the net comes to about \$70K. That one is worth it economically. On Vancouver the net is around \$15K - 20K, which he doesn't see as worth it. They struggled to decide whether to do 60% or 80% MFI – if they had chosen 80% MFI it would be more worthwhile but would have less benefit to the community. They do see one of the benefits of the program is an economic hedge against market fluctuation which is attractive to long-term holders, but not an incentive for short term holders.

Tom states that the last time Marathon applied for the MULTE they were not confident in their ability to achieve the MWESB contracting component, he wonders if that has changed.

Aaron answers that in the past the MWESB component was part of the MULTE but it didn't include much guidance for developers and they didn't know how to reach that goal. Now it includes technical assistance (NAMCO and MCIP) which changes their confidence level.

Tony Jones, the executive director of Metropolitan Contractor Improvement Partnership makes a statement: MCIP is a business center for contractors – they have a center where contractors can find information about jobs, they do about two workshops per month on different business topics and aspects of growing their businesses and increasing profitability. They also do one on one coaching and counseling with developers, contractors, and agencies to help build capacity and attain utilization on projects – they've been in business since 2008. They currently work closely with about 50 contractors per year building business skills and

	<p>relationships with developers. Tony welcomes the changes that have been made to the MULTE which mitigate concerns he had about the previous program. MCIP does have a track record of success on projects like Marathon’s – they have done work on Edith Green-Wendell Wyatt Federal building, helping them achieve 27% MWESB participation as well as other successful projects (ODOT and Erickson Fritz apartments). In working together with Aaron and Nate, they have come up with a strategy they believe will be successful. The five open houses, or technical workshops, provide an opportunity for small businesses to connect with the project managers and build relationships, ask questions, raise concerns, and each party can get a feel for each other and determine if they should work together. MCIP supports the contractors in their growth, but they do not do their bids for them, or even review the bids. They are there as a resource and to provide oversight to these small businesses so that when they do submit a bid, it is thorough and complete. He feels very confident that they will hit the 20% goal across the board.</p> <p>Stephen Gomez, a Boise resident, makes a statement. He is on the neighborhood association board and chairs the land use and transportation committee for the neighborhood. Through that context he has had exposure to Aaron and Marathon in the past. The neighborhood association wrote a letter of support for these projects to PHB and he would like to give context to that. The Boise neighborhood is from Fremont North to Skidmore and West from I-5 to MLK roughly. Although it’s a small neighborhood, it has three high density streets with Vancouver, Williams, and Mississippi within the neighborhood boundary. Census data underscored the changes in the neighborhood. In 1990 neighborhood census showed that the neighborhood was 68% African American and 26% White – by 2010 it was 24% African American and 69% White. This is mainly a rental community which is part of the reason why there has been so much displacement. In 1990 the median home value was \$69K, in 2010 it was \$337K. There has been significant development in the main corridors because of mixed use zoning with virtually no other types of development. There are currently 1200 units of new housing in various stages of completion from planning, permitting, and construction. Of those, only The Wilmore has 15 affordable units. The neighborhood has supported this application because displacement is real in the community and this is concrete action. They recognize this is not the strongest possible program to provide affordable units for lower income families and that single family homes are also needed, but this is what is available today.</p>	
<p><b>North Hollow Apartments MULTE Application</b></p>	<p>Dory continues her presentation with details of the North Hollow Apartments MULTE Application (<a href="#">scroll to page 21</a>) being developed by Molasky Group. The rents for the affordable units for this project (up to 80% MFI) do not include utility allowances (pg. 23).</p>	

	<p>The project includes a number of amenities (pg. 24), parking and transportation options (pg. 25).</p> <p>Page 26 of the presentation details the value of the tax exemption and the City of Portland’s (COP) portion of the foregone revenue.</p> <p>All three of these MULTE projects are in areas with high walkability scores and neighborhood amenities.</p> <p>Cobi asks whether students are eligible for the affordable units.</p> <p>Javier answers that income earning students are eligible, but full time students without income are not eligible.</p>	
<p><b>Public Testimony</b></p>	<p>Lisa Wiley, a member of the public asks the following question: PDC offered similar incentives for developers to provide affordable units in South Waterfront, however the developers did not follow through as promised. To her knowledge there has been minimal oversight and follow through. She asks what PHB proposes to ensure that developers who promise to build affordable units actually complete those and if there are any enforcement actions the bureau can take.</p> <p>Dory explains that when PHB provides funds or tax exemptions for projects there is an extended use agreement that is signed and recorded on the property title. As part of this agreement the property owners and/or property managers participate in PHB’s asset management department’s annual monitoring. These owners/managers do submit their tenant lease-up information which includes tenant income and rent amounts. Then annually, during the 10 years of the tax exemption tenant move-outs and move-ins for affordable units are reported regularly. This process remains in force even if the owner sells the property.</p> <p>Betty asks Dory, since the developer is not in attendance today, if she knows any details about their plans on targeted business and community outreach for the affordable units.</p> <p>Dory answers that this developer, like Marathon, will participate in third party technical assistance. There is a technical assistance provider currently engaged with Molasky Group/Skanska and they have agreed to work with PHB on outreach and lease-up. PHB has already received a copy of their contract with the technical assistance provider and they will be using similar strategies as were discussed earlier by Aaron and Tony.</p>	

	<p>Betty comments that it should be recognized that a single person at 60% MFI is making \$30k per year which is not a high salary and she respects the choice to provide housing at these income levels.</p> <p>Sarah asks to hear about next steps for these applications.</p> <p>Dory responds that these application will go forward with approval and appear at Council on December 12<sup>th</sup>, tentatively scheduled. These are not emergency ordinances so they will not go into effect until January 2016. Once the council approves the projects will begin construction soon after and these units will be available in a couple of years. There are still a few applications in the pipeline that are eligible under the 2015 cap – she expects the cap to be fully utilized for 2015; at which point they will move forward with the applications within the cap for 2016.</p> <p>There will be updates to the PHAC on where these applications are at regular PHAC meetings since budget is a large part of PHAC’s discussions for the next few meetings.</p>	
<b>Meeting Adjourned</b>	Sarah thanks everyone for coming to the hearing and adjourns the meeting.	