



**Portland
Housing
Bureau**

Portland Housing Advisory Commission

Wednesday, November 18, 2015

1:30 p.m. – 2:30 p.m.

Portland Housing Bureau

421 SW Ave., Suite 500

Portland, OR 97204

PHAC MULTE Hearing Draft Agenda

AGENDA TOPIC	LEAD	ACTION	TIME
Call to Order, Roll Call • Quorum = 8 Members	Sarah Zahn	-	1:30 -1:35
Vancouver Apartments MULTE Application	Dory Van Bockel	Review	1:35 – 1:45
Public Testimony	-	-	1:45 – 1:50
Mississippi Avenue Apartments MULTE Application	Dory Van Bockel	Review	1:50 – 2:00
Public Testimony	-	-	2:00 – 2:05
North Hollow Apartments MULTE Application	Dory Van Bockel	Review	2:05 – 2:15
Public Testimony	-	-	2:15 – 2:20
Meeting Adjourned	Sarah Zahn	-	2:30

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

Upcoming Public PHAC meetings: December 1, 2015

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.



Multiple-Unit Limited Tax Exemption (MULTE) Program

Public Hearing at PHAC

November 18, 2015

1:30 – 2:30pm

MULTE Program

- The MULTE Program encourages private developers to include affordable units and other public benefits in their projects
- Projects approved for the program receive a ten-year exemption from the taxes due on the newly built structure

Public Benefits

- **Affordability** – At least 20% of the units must be rented to households earning no more than 80% MFI
- **Accessibility** – Exceeding minimum standards by making at least 5% of the units adaptable-ready in order to be fully accessible to meet the needs of people with disabilities and seniors

Public Benefits

- **Equity**
 - Engaging a consultant to provide more Minority, Women and Emerging Small Business (MWESB) contracting opportunities
 - Working with PHB to connect those most in need of housing to the available units through relationships with community partners

Application Process

- PHB can approve up to \$3 million of foregone revenue based on applications received each year
- Developers apply prior to having their building permit issued
- Applications are reviewed to test that the affordable units would not be included in the project without the exemption

Application Process

- PHB's Housing Investment Committee reviews the staff analysis of applications
- Notice of this public hearing was sent out 3 weeks before the meeting
- Applicants have engaged neighborhood associations prior to applying for the MULTE
- Final approval of applications received at City Council

2015 Applications

Applications:

- Vancouver Avenue Apartments – N Portland
- Mississippi Avenue Apartments – N Portland
- North Hollow Apartments – SW Portland

Total new units to be built: 409

Total new affordable units: 82

Vancouver Avenue Apartments





Vancouver Avenue Apartments

- Boise Neighborhood – N Vancouver & Shaver
- 2 buildings – 5 stories
- Mixed use; 3 commercial units
- 136 residential rental units – **27 units (20%) at 60% MFI or below**
 - 38 studios
 - 56 1-bedroom units
 - 42 2-bedroom units

Vancouver Avenue Apartments

Unit Mix & Rents

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 60% MFI	60% MFI Rent*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent*
Studio	529	38	8	\$772	30	\$1449
One Bedroom	606	56	11	\$827	45	\$1649
Two Bedroom	924	42	8	\$993	34	\$2249
Total / Average	683 Avg	136	27	\$860 Avg	109	\$1781 Avg

*Utility expenses are included in the affordable unit rents. The market units will have a separate billing to pay utilities.

Vancouver Avenue Apartments

Amenities

- Landscaped rooftop terraces on both buildings
- Exercise room
- Self-service bicycle repair shop
- Transportation coordination center
- Balconies on each unit and high-end finishes, air-conditioning
- Universal Design Accessibility Features

Vancouver Avenue Apartments Parking & Transportation

- 69 off-street parking spaces for residential use
- 182 bicycle parking spaces
- On major bus line, close-by three others

Vancouver Avenue Apartments

Exemption Amount

Estimated value of exemption

First year:	\$354,367
10-year:	\$3,263,660
10-year (COP 1/3):	\$1,077,008

Monthly value per unit

Affordable unit:	\$1,094
Affordable unit (COP 1/3):	\$361
Average difference in rents:	\$921
(between market and restricted)	

Mississippi Avenue Apartments





Mississippi Avenue Apartments

- Boise Neighborhood – N Cook & Fremont at Albina
- 2 buildings – 4 and 5 stories
- Mixed use; 5 commercial units
- 152 residential rental units – **30 units (20%) at 80% MFI or below**
 - 51 studios
 - 69 1-bedroom units
 - 32 2-bedroom units

Mississippi Avenue Apartments

Unit Mix & Rents

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 80% MFI	80% MFI Rent*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent*
Studio	518	51	10	\$1030	41	\$1636
One Bedroom	601	69	14	\$1103	55	\$1787
Two Bedroom	1012	32	6	\$1323	26	\$2705
Total / Average	660 Avg	152	30	\$1247 Avg	122	\$1932 Avg

*Utility expenses are included in the affordable unit rents. The market units will have a separate billing to pay utilities.

Mississippi Avenue Apartments

Amenities

- Ground-floor, covered community terrace
- Roof-top garden terraces atop both buildings
- Exercise room
- Self-service bicycle repair shop
- Transportation coordination center
- Balconies on each unit and high-end finishes, air-conditioning
- Universal Design Accessibility Features

Mississippi Avenue Apartments Parking & Transportation

- 74 off-street parking spaces for residential use
- 255 bicycle parking spaces
- On major bus line, close-by three others; less than ½ mile from MAX

Mississippi Avenue Apartments Exemption Amount

Estimated value of exemption

First year:	\$496,229
10-year:	\$4,570,183
10-year (COP 1/3):	\$1,508,160

Monthly value per unit

Affordable unit:	\$1,378
Affordable unit (COP 1/3):	\$455
Average difference in rents:	\$685
(between market and restricted)	

North Hollow Apartments



SERA 1501 SW TAYLOR
12.10.2013

VIEW FROM SOUTHEAST 1

EA14-138632 DAR

www.portlandoregon.gov/phb



North Hollow Apartments

- Goose Hollow Neighborhood – SW 15th & Taylor
- 6 stories
- Mixed use; about 30,000 sq feet commercial space
- 121 residential rental units – **25 units (20%) at 80% MFI or below**
 - 64 studios/loft studios
 - 46 1-bedroom units
 - 11 2-bedroom units

North Hollow Apartments

Unit Mix & Rents

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 80% MFI	80% MFI Rent*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent*
Studio/ Studio Lofts	560	64	13	\$938/ \$1029	51	\$1404-1650
One Bedroom	700	46	9	\$979/ \$1103	37	\$1850
Two Bedroom	1100	11	2	\$1168/ \$1324	9	\$2420
Total / Average	662 Avg	121	24	\$973/ \$1081	97	\$1719

*Utility allowances used to predict utility expenses based on the 2015 Schedule of Utility Allowances for Section 8 Properties published by Home Forward: \$91 for studios, \$124 for 1-bedroom units and \$156 for 2-bedroom units.

www.portlandoregon.gov/phb

North Hollow Apartments Amenities

- Rooftop lounge
- Community room
- Outdoor terrace with a movie screen
- Dog washing station
- High-speed fiber internet
- Universal Design Accessibility

North Hollow Apartments Parking & Transportation

- 65 underground parking spaces for residential use
- 184 bicycle parking spaces
- Close-by multiple bus lines, streetcar and MAX

Mississippi Avenue Apartments

Exemption Amount

Estimated value of exemption

First year:	\$310,902
10-year:	\$2,863,349
10-year (COP 1/3):	\$944,905

Monthly value per unit

Affordable unit:	\$1,036
Affordable unit (COP 1/3):	\$342
Average difference in rents:	\$638
(between market and restricted)	

2015 Multiple-Unit Limited Tax Exemption Applications

Project Name/ Applicant	Project Type, Total Units, Affordability	Unit Mix	URA, Neighborhood, Area	Amenities	Parking & Transportation	Estimated 1 st Year of Tax Exemption
Mississippi Avenue Apartments	<ul style="list-style-type: none"> • 2 buildings – 4 and 5 stories • 152 residential rental units • 30 units (20%) at 80% MFI or below • Mixed-use; 5 commercial units 	<ul style="list-style-type: none"> • 51 studios • 69 1-bedroom units • 32 2-bedroom units 	<ul style="list-style-type: none"> • Interstate Corridor URA • Boise Neighborhood • N Cook and N Fremont at N Albina 	<ul style="list-style-type: none"> • Ground-floor, covered community terrace • Roof-top garden terraces atop both buildings • Exercise room • Self-service bicycle repair shop • Transportation coordination center • Balconies on each unit and high-end finishes, air-conditioning • Universal Design Accessibility Features 	<ul style="list-style-type: none"> • 74 off-street parking spaces for residential use • 255 bike parking spaces • On major bus line, close-by three others; less than ½ mile from MAX 	\$496,229
Vancouver Avenue Apartments	<ul style="list-style-type: none"> • 2 buildings – 5 stories • 136 residential rental units • 27 units (20%) at 60% MFI or below • Mixed use; 3 commercial units 	<ul style="list-style-type: none"> • 38 studios • 56 1-bedroom units • 42 2-bedroom units 	<ul style="list-style-type: none"> • Interstate Corridor URA • Boise Neighborhood • N Vancouver and N Shaver 	<ul style="list-style-type: none"> • Landscaped rooftop terraces on both buildings • Exercise room • Self-service bicycle repair shop • Transportation coordination center • Balconies on each unit and high-end finishes, air-conditioning • Universal Design Accessibility Features 	<ul style="list-style-type: none"> • 69 off-street parking spaces for residential use • 182 bicycle parking spaces • On major bus line, close-by three others 	\$354,367
North Hollow Apartments	<ul style="list-style-type: none"> • 6 stories • 121 residential rental units • 25 units (20%) at 80% MFI or below • Mixed use; about 30,000 sq feet commercial space 	<ul style="list-style-type: none"> • 64 studios/loft studios • 46 1-bedroom units • 11 2-bedroom units 	<ul style="list-style-type: none"> • SW Portland • Goose Hollow Neighborhood • SW 15th & SW Taylor 	<ul style="list-style-type: none"> • Rooftop lounge • Community room • Outdoor terrace with a movie screen • Dog washing station • High-speed fiber internet • Universal Design Accessibility Features 	<ul style="list-style-type: none"> • 65 underground parking spaces for residential use • 184 bike parking spaces • Close-by multiple bus lines, streetcar and MAX 	\$310,902
Total Projects: 3	Total Proposed Units: 409 Total Affordable Units: 82		Total Units Affordable at 60% MFI or below: 27 Total Units Affordable at 80% MFI or below: 55	estimated \$1,161,498 in first year foregone revenue		

Changes to the MULTE Application Materials - November 18, 2015

Revised Financial Evaluation from Project Write-up								Monthly Value of Exemption per Unit - from presentation	
Project	Foregone Rev 1 yr	Foregone Rev 10 yr	Foregone Rev 10-yr to City	Rate of return w/ exemption	Rate of return w/out exemption	rent % increase	Amount of rent increase necessary	Monthly Value/Unit	Monthly Value/Unit - COP
Vancouver Ave	\$ 354,367.00	\$ 3,263,660.00	\$1,077,008	5.2%	1.8%	143%	\$ 1,282.00	\$ 1,094	\$ 361
Mississippi Ave	\$ 496,229.00	\$ 4,570,183.00	\$ 1,508,160.00	5.5%	1.4%	135%	\$ 1,516.00	\$ 1,378	\$ 455
North Hollow	\$ 310,902.00	\$ 2,863,349.00	\$ 944,905.00	8.0%	3.1%	94%	\$ 1,184.00	\$ 1,036	\$ 342
Total \$ 1,161,498.00 \$ 10,697,192.00 \$3,530,073									

Originally Submitted Financial Evaluation from Project Write-up								Monthly Value of Exemption per Unit - from presentation	
Project	Foregone Rev 1 yr	Foregone Rev 10 yr	Foregone Rev 10-yr to City	Rate of return w/ exemption	Rate of return w/out exemption	rent % increase	diff between unit rents	Monthly Value/Unit	Monthly Value/Unit - COP
Vancouver Ave	\$ 304,853.00	\$ 2,807,643.00	\$926,522	5.5%	2.5%	122%	\$ 1,050.00	\$ 941	\$ 310
Mississippi Ave	\$ 368,764.00	\$ 3,396,252.00	\$ 1,120,763.00	5.7%	2.6%	100%	\$ 1,250.00	\$ 1,024	\$ 338
North Hollow	\$ 574,267.00	\$ 4,053,502.00	\$ 1,337,656.00	8.2%	0.0%	244%	\$ 1,658.00	\$ 1,914	\$ 632
Total \$ 1,247,884.00 \$ 10,257,397.00 \$3,384,941									



CITY OF
PORTLAND, OREGON

PORTLAND HOUSING BUREAU

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Kurt Creager, Director
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portlandoregon.gov/PHB

DATE: November 18, 2015

TO: Portland Housing Bureau (PHB) Investment Committee with expanded representation from the Planning and Sustainability Commission and Multnomah County

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **Vancouver Avenue Apartments** located at N Vancouver Avenue and N Shaver Street

Project Description:

Vancouver Avenue Apartments, LLC proposes to build a mixed-use development, Vancouver Avenue Apartments (the “Project”), at the Northeast corner and Southeast corners of the N Vancouver Avenue and N Shaver Street intersection on multiple lots. The Project will consist of 136 apartments and three ground-floor commercial units within two five-story buildings across N Shaver Street from each other. The site is located in the Boise Neighborhood of inner North Portland and is within the Interstate Corridor Urban Renewal Area.

The 136 apartments include 27 units (20%) with restricted affordability at 60% of median family income (MFI) or below. The remaining units in the project will be rented at market rates. The Project will consist of 38 studio units, 56 one-bedroom units and 42 two-bedroom units. The two buildings will total approximately 142,846 gross square feet combined including 101,411 square feet of residential space, 8,878 square feet of commercial space and 32,557 square feet of common area and support space.

Proposed Unit Mix

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 60% MFI	60% MFI Rent*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent*
Studio	529	38	8	\$772	30	\$1449
One Bedroom	606	56	11	\$827	45	\$1649
Two Bedroom	924	42	8	\$993	34	\$2249
Total	683 Avg	136	27	\$860 Avg	109	\$1781 Avg

*Utility expenses are included in the affordable unit rents. The market units will have a separate billing to pay utilities.

The Project's two five-story structures will feature a mixed brick and stucco exterior, with balconies off all of the units. Entries to the Project will be covered from weather, and vehicle access will be from the back and side of the Project with the majority of those spaces tucked under the second floor of the buildings. Amenities of the Project include landscaped rooftop terraces on each building, a self-service bicycle repair shop, an exercise room, and a transportation coordination center. All units will feature high-end finishes including hardwood and tile flooring and granite countertops, as well as air conditioning.

The Project will have 69 secure, off-street parking spaces available to residents and no spaces designated for commercial use. There will also be a total of 182 bicycle parking spaces. The Project is on the Southbound N Vancouver bike lane and one block West, N Williams Avenue features a recently enlarged bike lane. The site is directly across the street from the 44 bus line stop, and is within a short walk of three other lines.

There are several schools in the neighborhood including early childhood programs. Recently renovated Dawson Park along with three other parks are located within half a mile. The site is directly on N Vancouver Avenue which is the one-way southbound path of the Williams/Vancouver Corridor. A grocery store and numerous options for shopping and dining are located along the corridor. The close-by Mississippi District and Martin Luther King Jr. Blvd. offer additional shopping and services. Also, the site is close-by the Legacy Emanuel Hospital campus and several other medical offices. Interstate 5 is nine blocks to the west, easily connecting the neighborhood to downtown. The site has a "Complete Neighborhood Score" or "walkability" score of 78, out of 100, based on the level of walkable access to amenities and commercial services.

As required by the MULTE Neighborhood Contact process, the applicant has notified the Boise Neighborhood Association of the project and their application for the MULTE. Furthermore, the applicant has met with the neighborhood association and made changes to the Project design in response to feedback received. The Boise Neighborhood Association has submitted a letter of support to PHB for the Project and its inclusion of affordable units.

The Project will be developed by Marathon Acquisition & Development, Inc., Marathon Construction Services, LLC is the General Contractor for construction, and Marathon Management, Inc. will provide property management services. Robert G. Johnson is the principal of all of the Marathon entities. The applicant, whose manager is also Robert G. Johnson, owns all the parcels on which the Project will be constructed.

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 60% or less of area MFI. The affordable units will be distributed evenly amongst the unit mix. By demonstrating that market rents are above 120% MFI in the area, affordable units at 80% MFI are allowed per the program guidelines. The Project will provide units at a lower affordability threshold than the program requirements would allow.

Equity – The applicant has committed to specific strategies to ensure MWESB participation and working with specific local non-profit organizations to market to target audiences with a demonstrated need. Marathon Construction Services, LLC (Marathon), as the General Contractor, has entered into an agreement with Metropolitan Contractor Improvement Partnership (MCIP) for MCIP to provide technical assistance around MWESB subcontracting with a goal of achieving 20% MWESB participation. The agreement includes a subcontract with National Association of Minority Contractors of Oregon (NAMCO). Together, MCIP and NAMCO are contracted to assist Marathon with pre-bid planning, outreach to MWESB contractors, open houses, bid reviews, assistance to contractors, post-bid support and reporting both quarterly to the City’s procurement office and a summary of all efforts and successes post construction. The applicant identified 32 MWESB firms with whom they have past experience, including six minority owned businesses.

The applicant has also developed a marketing plan which highlights efforts to reach seniors, people with disabilities and those with low to moderate income, including Communities of Color, by contacting and meeting with non-profit organizations, local businesses and churches, and government agencies. The applicant identifies 17 different organizations, with focus areas of need to be met by the units. Veterans will not pay application fees and will receive one month of free rent with a year-long lease in combination with outreach to agencies serving Veterans for lease-up of the units.

Accessibility – The residential units will have elevator access and meet all Americans with Disabilities Act and Fair Housing Act requirements. The units and common areas have been designed with Universal Design components above and beyond the minimum ADA and FHA requirements, making the Project more livable and comfortable for tenants and visitors with disabilities as well as seniors. Included in the design features are no-step entries and the fully accessible rooftop terrace. The Project will also be built to have five percent of the units be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities. These public benefits will remain beyond the period of the exemption into perpetuity.

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.

The monthly rents are inclusive of standard utility expenses. Only the market rate units are billed back for the cost of monthly utilities.

The initial equity investment will receive a small return during operation but can only be repaid upon sale or refinance, not from available cash flow.

Using the pro forma and financial information provided by the applicant, staff developed three ten-year projections of the Project’s financial performance:

- Scenario 1 – with the tax exemption;
- Scenario 2 – without the exemption and with rents maintained at Scenario 1 level; and

- Scenario 3 – without exemption and with rents increased to create same rate of return as scenario 1.

Scenario 1 shows the ten-year average cash on cash rate of return with the exemption for the improvements is 5.2%.

Scenario 2 shows that the rate of return without the exemption is 1.8% over the 10-year evaluation period using the same rental rates because of the increased property taxes. The debt coverage ratio is also too low for the proposed debt and would require a higher equity contribution or additional collateral that would further reduce the investor return. Without the additional collateral, the investor return is unattractive so it is certain that a project that maintains 20% of the unit rents at the 60% MFI affordable rental levels would not be built without the property tax exemption.

Scenario 3 eliminates the MULTE exemption and uses imputed rents in order to arrive at the same investor return as Scenario 1 with no tax exemption for the improvements. Rents of the otherwise affordable units would need to increase by 143%, over double the affordable rents, or an average of \$1282 a month per unit higher overall, without the tax exemption which precludes any units affordable at 60% MFI being included in this project without the tax exemption.

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 \$354,367, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$3,263,660 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 \$1,077,008, or 33% of the total.

The Project is located within the Interstate Corridor Urban Renewal Area. Staff confirmed 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 funding from PHB.

CONDITIONS:

The Project will be required to carry an extended use agreement and submit Project financial information annually during the exemption period, according to the terms of City Code 3.103.070(A).

RECOMMENDATION:

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the residential portions of the Project, including associated residential parking, to be built by Vancouver Avenue Apartments, 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.



CITY OF
PORTLAND, OREGON
 PORTLAND HOUSING BUREAU

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 Kurt Creager, Director
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DATE: November 18, 2015

TO: Portland Housing Bureau (PHB) Investment Committee with expanded representation from the Planning and Sustainability Commission and Multnomah County

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **Mississippi Avenue Apartments** located at N Mississippi, N Albina and N Borthwick Avenues between N Fremont and Cook Streets

Project Description:

Mississippi Avenue Apartments, LLC proposes to build a mixed-use development, Mississippi Avenue Apartments (the “Project”), with one portion of the project on N Fremont Street between N Mississippi and N Albina Avenues and the other portion on N Cook Street between N Albina and N Borthwick Avenues on multiple parcels which currently is vacant land. The Project will consist of 152 apartments and five commercial units within one five-story building and another four-story building across N Albina Avenue from each other. The Project site is located in the Boise Neighborhood of inner North Portland and is within the Interstate Corridor Urban Renewal Area.

The 152 apartments include 30 units (20%) with restricted affordability at 80% of median family income (MFI) or below. The remaining units in the project will be rented at market rates. The project will consist of 51 studio units, 69 one-bedroom units and 32 two-bedroom units. The buildings will total approximately 154,733 gross square feet combined including 108,354 square feet of residential space, 7,631 square feet of commercial space, 6,264 square feet of common area space and 32,484 square feet devoted to circulation, parking and support space.

Proposed Unit Mix

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 80% MFI	80% MFI Rent*	Un-restricted Market Rate Unit Count	Un-restricted Average Market Rent*
Studio	518	51	10	\$1030	41	\$1636
One Bedroom	601	69	14	\$1103	55	\$1787
Two Bedroom	1012	32	6	\$1323	26	\$2705
Total	660 Avg	152	30	\$1247 Avg	122	\$1932 Avg

*Utility expenses are included in the affordable unit rents. The market units will have a separate billing to pay utilities.

The Project's two structures will feature a brick and colored metal panel exterior, with large balconies off all of the units. Amenities of the Project include a ground-floor covered community terrace as well as roof-top garden terraces atop both buildings, large lobbies with custom, local art, a self-service bicycle repair shop, an exercise room, and a transportation coordination center. All units will feature high-end finishes including hardwood and tile flooring and granite cabinets, as well as air conditioning.

The Project will have 74 secure, off-street parking spaces available to residents and no spaces designated for commercial use. There will also be a total of 255 bicycle parking spaces. The Project site is close to the Williams/Vancouver bikeway. It is directly on the 4 bus line, and is within a short walk of three other lines, as well as within a half mile of the MAX yellow-line light rail.

There are several schools in the neighborhood including SEI Academy which is a public charter school located at the non-profit agency, Self Enhancement, Inc. Recently renovated Dawson Park along with five other parks are located within half a mile. The site is on N Mississippi Avenue which has a vibrant commercial strip including numerous shops, restaurants and entertainment. A grocery store is located less than half a mile away. Also, the site is close-by the Legacy Emanuel Hospital campus and several other medical offices. The site has a "Complete Neighborhood Score" or "walkability" score of 86, out of 100, based on the level of walkable access to amenities and commercial services.

As required by the MULTE Neighborhood Contact process, the applicant has notified the Boise Neighborhood Association of the project and their application for the MULTE. Furthermore, the applicant has met with the neighborhood association to present the Project and accept feedback on the design. The Boise Neighborhood Association has submitted a letter of support to PHB for the Project and its inclusion of affordable units.

The Project will be developed by Marathon Acquisition & Development, Inc., Marathon Construction Services, LLC is the General Contractor for construction, and Marathon Management, Inc. will provide property management services. Robert G. Johnson is the principal of all of the Marathon entities. The applicant, whose manager is also Robert G. Johnson, owns all the parcels on which the Project will be constructed.

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 will be affordable to households earning 80% or less of area MFI. The affordable units will be distributed evenly amongst the unit mix. By demonstrating that market rents are above 120% MFI in the area, affordable units at 80% MFI are allowed per the program guidelines.

Equity – The applicant has committed to specific strategies to ensure MWESB participation and working with specific local non-profit organizations to market to target audiences with a demonstrated need. Marathon Construction Services, LLC (Marathon), as the General Contractor, has entered into an agreement with Metropolitan Contractor Improvement Partnership (MCIP) for

MCIP to provide technical assistance around MWESB subcontracting with a goal of achieving 20% MWESB participation. The agreement includes a subcontract with National Association of Minority Contractors of Oregon (NAMCO). Together, MCIP and NAMCO are contracted to assist Marathon with pre-bid planning, outreach to MWESB contractors, open houses, bid reviews, assistance to contractors, post-bid support and reporting both quarterly to the City's procurement office and a summary of all efforts and successes post construction. The applicant identified 32 MWESB firms with whom they have past experience, including six minority owned businesses.

The applicant has also developed a marketing plan for residents which highlights efforts to reach seniors, people with disabilities and those with low to moderate income, including communities of Color, by contacting and meeting with non-profit organizations, local businesses and churches, and government agencies. The applicant identifies 17 different organizations, with focus areas of need to be met by the units. Veterans will not pay application fees and will receive one month of free rent with a year-long lease in combination with outreach to agencies serving Veterans for lease-up of the units.

Accessibility – The residential units will all have elevator access, and meet Americans with Disabilities Act and Fair Housing Act requirements. The units and common areas have also been designed with Universal Design components above and beyond the minimum ADA and FHA requirements, making the Project more livable and comfortable for tenants and visitors with disabilities as well as seniors. Included in the design features are no-step entries and the fully accessible rooftop terrace. The Project will also be built to have five percent of the units be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities. These public benefits will remain beyond the period of the exemption into perpetuity.

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.

The monthly rents are inclusive of standard utility expenses. Only the market rate units are billed back for the cost of monthly utilities.

The initial equity investment will receive a small return during operation but can only be repaid upon sale or refinance, not from available cash flow.

Using the pro forma and financial information provided by the applicant, staff developed three ten-year projections of the Project's financial performance:

- Scenario 1 – with the tax exemption;
- Scenario 2 – without the exemption and with rents maintained at Scenario 1 level; and
- Scenario 3 – without exemption and with rents increased to create same rate of return as scenario 1.

Scenario 1 shows the ten-year average cash on cash rate of return with the exemption for the improvements is 5.5%.

Scenario 2 shows that the rate of return without the exemption is 1.4% over the 10-year evaluation period using the same rental rates because of the increased property taxes. The debt coverage ratio is also too low for the proposed debt and would require a higher equity contribution or additional collateral that would further reduce the investor return. Without the additional collateral, the investor return is unattractive so it is certain that a project that maintains 20% of the unit rents at the 80% MFI affordable rental levels would not be built without the property tax exemption.

Scenario 3 eliminates the MULTE exemption and uses imputed rents in order to arrive at the same investor return as Scenario 1 with no tax exemption for the improvements. Rents of the otherwise affordable units would need to increase by 135%, double the affordable rents, or an average of \$1516 a month per unit higher overall, without the tax exemption which precludes any units affordable at 80% MFI being included in this project without the tax exemption.

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 \$496,229, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$4,570,183 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 \$1,508,160 or 33% of the total.

The Project is located within the Interstate Corridor Urban Renewal Area. Staff confirmed 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 funding from PHB.

CONDITIONS:

The Project will be required to carry an extended use agreement and submit Project financial information annually during the exemption period, according to the terms of City Code 3.103.070(A).

RECOMMENDATION:

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the residential portions of the Project, including associated residential parking, to be built by Mississippi Avenue Apartments, 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.



CITY OF
PORTLAND, OREGON

PORTLAND HOUSING BUREAU

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DATE: November 18, 2015

TO: Portland Housing Bureau (PHB) Investment Committee with expanded representation from the Planning and Sustainability Commission and Multnomah County

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **North Hollow Apartments** located at SW 15th Avenue and SW Taylor Street

Project Description:

Goose Hollow Apts, LLC proposes to build a mixed-use development, North Hollow Apartments (the “Project”), at 1501 SW Taylor Street at SW 15th Avenue and SW Taylor Street in the Goose Hollow neighborhood. A vacant commercial building and parking lot make up the site currently. The mixed-use Project will consist of 121 apartments and ground-floor commercial space within a six-story building.

The 121 apartments include 25 units (20%) with restricted affordability at 80% of median family income (MFI) or below. The remaining units in the project will be rented at market rates. The Project will consist of 39 studio units, 25 studio-loft units, 46 one-bedroom units and 11 two-bedroom units. The building will be 122,619 gross square feet including 92,760 square feet of residential space, 29,859 square feet of commercial space.

Proposed Unit Mix

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 80% MFI	80% MFI Rent charged/with utility expense*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent including utility expense*
Studio/ Studio Loft	560	64	13	\$938/\$1029	51	\$1404-1650
One Bedroom	700	46	9	\$979/\$1103	37	\$1850
Two Bedroom	1100	11	2	\$1168/\$1324	9	\$2420
Total	662 Avg	121	24	\$973/\$1081	97	\$1719

*Utility allowances used to predict utility expenses based on the 2015 Schedule of Utility Allowances for Section 8 Properties published by Home Forward: \$91 for studios, \$124 for 1-bedroom units and \$156 for 2-bedroom units.

The Project's six-story structure will feature a concrete, stucco and fiber cement panel exterior, with black vinyl windows and fiberglass doors. Features offered in the Project include a dog washing station, a rooftop lounge, community room and an outdoor terrace with a movie screen. The units will be finished with high-quality materials, come with stainless steel appliances including washers and dryers and be wired with high-speed fiber internet.

The Project will have an adjacent parking structure with 65 underground parking spaces available to residents and no spaces designated for commercial use. Any charges to the tenants for parking will be voluntary. Parking for 184 bikes will be included in the project. The Project is only a couple of blocks from the MAX light rail blue and red lines as well as multiple bus lines and the Portland Streetcar.

Within the Goose Hollow neighborhood, the Project is situated around a mix of residential, office and retail spaces. The site is within only a couple of blocks from the Pearl District, Downtown Portland and the Northwest District with additional abundant amenities. A multitude of shops and restaurants, Providence Park athletic field, the Multnomah Athletic Center and Pioneer Courthouse Square are within a short walking distance, just a few blocks away. There are several schools in the area with Lincoln High School close-by and Portland State University, Pacific Northwest College of Art and two elementary schools less than a mile away. Tenants also will have easy access to many medical facilities as well as a major grocery store. Interstate 405 is a couple blocks away, connecting the Project to the rest of the Portland metro area. The site has a "Complete Neighborhood Score" or "walkability" score of 76, out of 100, based on the level of walkable access to amenities and commercial services.

As required by the MULTE Neighborhood Contact process, the applicant has notified the Goose Hollow Neighborhood Association of the project and requested to present the project at a neighborhood meeting, which they did in 2014 as part of Design Review standards.

The Project will be developed by PH Goose Hollow, LLC, part of the Molasky Group of Companies who has another project currently under construction which has been approved for the MULTE, the Sky3 Apartments. Skanska is the General Contractor for construction, and Greystar will provide property management services. The applicant, Goose Hollow Apts, LLC, whose members are PH Goose Hollow, LLC and Langley OPC Manager, LLC, owns the land on which the Project will be constructed. The manager of Goose Hollow Apts, LLC is PH Goose Hollow MMM, Inc.

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 MFI. The affordable units will be distributed evenly amongst the unit mix. By demonstrating that market rents are above 120% MFI in the area, affordable units at 80% MFI are allowed per the program guidelines.

Equity – The applicant has committed to specific strategies to ensure MWESB participation and working with specific local non-profit organizations to market to target audiences with a demonstrated need. PH Goose Hollow, LLC, as the developer, has entered into an agreement with Donaldson Enterprises, DMWESB Consulting & Training (Donaldson) for Donaldson to provide

technical assistance around MWESB subcontracting with a goal of achieving 20% MWESB participation. Donaldson is contracted to assist the developer with pre-bid planning, outreach to MWESB contractors, open houses, bid reviews, assistance to contractors, post-bid support and reporting both quarterly to the City's procurement office and a summary of all efforts and successes post construction. PHB will be coordinating with the property management company, Greystar, to help ensure that the project is affirmatively marketed to best meet target audiences.

Accessibility – The residential units will have elevator access, meeting all minimum Americans with Disabilities Act and Fair Housing Act requirements. The units and common areas have also been designed with Universal Design components above and beyond the minimum ADA and FHA requirements, making the Project more livable and comfortable for tenants and visitors with disabilities as well as seniors. The Project will also be built to have five percent of the units be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities. These public benefits will remain beyond the period of the exemption into perpetuity.

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.

The monthly rents do not include utility expenses. Tenants will either pay the utilities themselves or be billed back for the cost of monthly utilities. The maximum affordable rents reflect the base rent paid by the tenants and the utility calculation.

Using the pro forma and financial information provided by the applicant, staff developed three ten-year projections of the Project's financial performance:

- Scenario 1 – with the tax exemption;
- Scenario 2 – without the exemption and with rents maintained at Scenario 1 level; and
- Scenario 3 – without exemption and with rents increased to create same rate of return as scenario 1.

Scenario 1 shows the ten-year average cash on cash rate of return with the exemption for the improvements is 8%.

Scenario 2 shows that the rate of return without the exemption is 3.1% over the 10-year evaluation period using the same rental rates because of the increased property taxes. The debt coverage ratio is also too low for the proposed debt and would require a higher equity contribution or additional collateral that would further reduce the investor return. Without the additional collateral, the investor return is unattractive so it is certain that a project that maintains 20% of the unit rents at the 80% MFI affordable rental levels would not be built without the property tax exemption.

Scenario 3 eliminates the MULTE exemption and uses imputed rents in order to arrive at the same investor return as Scenario 1 with no tax exemption for the improvements. Rents of the otherwise

affordable units would need to increase by 94%, an average of \$1184 a month per unit higher overall, without the tax exemption, which precludes any units affordable at 80% MFI.

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 \$310,902, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$2,863,349 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 \$944,905, or 33% of the total.

The Project is not located within an Urban Renewal Area and is receiving private financing so will not be receiving any funding from PHB.

CONDITIONS:

The Project will be required to carry an extended use agreement and submit Project financial information annually during the exemption period, according to the terms of City Code 3.103.070(A).

RECOMMENDATION:

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the residential portions of the Project, including associated residential parking, to be built by Goose Hollow Apts, 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.