



CITY OF  
**PORTLAND, OREGON**

PORTLAND HOUSING BUREAU

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**Exhibit A**

188528

DATE: April 5, 2017

TO: Portland City Council

FROM: Dory Van Bockel, PHB Housing Program Coordinator  
Jill T. Chen, PHB Finance Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **Church Apartments** located at 8432 N Syracuse Street

**Project Description:**

WDC Construction, LLC proposes to build a housing development, Church Apartments (the "Project"), at 8432 N Syracuse Street<sup>1</sup>, in the Cathedral Park neighborhood in the heart of St Johns. Currently, there is a single office that occupies the site. The Project will be in the middle of the block and consist of 22 garden-style apartments in a three-story building.

The 22 apartments include 5 units (22%) with restricted affordability at 60% of area median income (AMI) or below. The remaining units in the project will be rented at market rates. The Project will consist of 10 studios, four one-bedroom and eight two-bedroom units. The building will be about 16,000 gross square feet which will be all residential space.

**Proposed Unit Mix**

Unit Type	Square Footage	Total Unit Count	Unit Count at 60% AMI	60% AMI Rent charged/with utility expense*	Un-restricted Market Rate Unit Count	Un-restricted Market Rent charged/ with utility expense*
Studio	390	10	2	\$703/\$772	8	\$1,000/\$1,175
One Bedroom	469	4	1	\$734/\$827	3	\$1,150/\$1,200
Two Bedroom	617	8	2	\$879/\$993	6	\$1,450/\$1,500
<b>Total</b>	<b>485</b>	<b>22</b>	<b>5</b>	<b>\$772/\$864</b>	<b>17</b>	<b>\$1,200/\$1,292</b>
<b>Average</b>				<b>Average</b>		<b>Average</b>

\*\$69-114/unit utility allowance used to predict utility expenses based on the 2016 Schedule of Utility Allowances for Section 8 Properties published by Home Forward.

The Property is a 22-unit garden style apartment building that will feature high ceilings, granite counter tops, high-end finishes, in-unit stacked washer/dryers, and balconies for upper floor units.

<sup>1</sup> Portland Maps address is 7180 N Leavitt Ave.

The Project will not provide any vehicle parking and each unit features wall-mounted bicycle racks inside. The Project site is within two block of bus lines, the #75 and #44 and several block to #4 and #16. The project is located next to the post office and less than two blocks from the Safeway and downtown St. Johns.

Within the Cathedral Park neighborhood and main-street St Johns area, the Project is situated around a mix of single-family and multi-family residential, office and retail spaces, and restaurants. The site has a “Complete Neighborhood Score” or “walkability” score of 91, 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 Cathedral Park Neighborhood Association and the North Portland Neighborhood Services about the project and requested to present the project at a neighborhood meeting. The neighborhood associations have not been in contact with WDC Construction so no meeting has been scheduled.

The property is owned by Mark R. Madden Revocable Trust and will be developed by WDC Construction, LLC. Mark R. Madden is the Trustee and Manager, respectively, of the two entities. WDC Construction, LLC will be its own General Contractor for the development and another arm of the company, WDC Properties (also known as EKO Living Apartments) will provide property management services. WDC Construction, LLC has been approved in April 2016 for three MULTEs, Cathedral Flats located at 7220 N Burlington in St. Johns which is one block from this Property, Redwood Apartments located at 233 NW 16th Avenue, and Powell Apartments located at 3730 SE Powell Boulevard. WDC has another MULTE at 2216 NW Pettygrove which is being considered.

### **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 AMI. The affordable units will be distributed evenly amongst the unit mix.

**Equity** – The applicant has committed to specific strategies to ensure MWESB participation. WDC Construction, LLC, is planning to enter into an agreement with Metropolitan Contractor Improvement Partnership (MCIP) to provide technical assistance around MWESB subcontracting with a goal of achieving 20% MWESB participation. The contract includes assistance with pre-bid planning, outreach to MWESB contractors, open houses, bid reviews, assistance to contractors, post-bid support and a summary of efforts and successes post construction.

PHB will be coordinating with the property management team to help ensure that the project is affirmatively marketed.

**Accessibility** – The residential units will be built to meet all minimum Americans with Disabilities Act and Fair Housing Act requirements. The first floor units (or 8 out of total 22 units) in the Project are planned to be fully adaptable - two of these units will be Type A accessible and the balance six will be Type B - thus the Project will meet the five percent requirement per ADA and FHA standards

to accommodate tenants with disabilities. These public benefits will remain beyond the period of the exemption into perpetuity.

**Application Evaluation:**

Staff examined projected costs, debt, rents, utility allowances, and operating expenses to determine if the assumptions represent a reasonable expectation of how the Project will be developed and operate. Staff found both the development budget and the operating budget to be reasonable and reasonably consistent with industry standards and other projects, and tested eligibility for the tax exemption by examining financial performance and returns under three different scenarios.

Rents of the otherwise affordable units would need to increase by 106% which precludes any units affordable at 60% 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 \$41,864, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$385,564, 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 \$110,064 or 33% of the total.

The Project is located within the Interstate Corridor Urban Renewal Area (ICURA). Staff will confirm with the City's Debt Manager that the Project fits within the requirements of the existing bond covenants. The Project is receiving private financing so will not be receiving any funding from PHB.

PHB is requesting that all new homeownership and rental housing direct funding programs in the ICURA use the N/NE preference policy. This requirement necessitates an open application period, screening for preference points, and an ordered waitlist to access services. The preference policy prioritizes applicants whose families were subject to higher concentrations of urban renewal activity and the negative associated impact.

**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 to be built by WDC Development, LLC, or an affiliated entity because the Project meets the minimum threshold and public benefits requirements set forth in Section 3.103 of Portland's City Code. The HIPP Senior Program Manager will review any proposed changes and can approve any slight variances not increasing the value of the tax exemption.