

ORDINANCE No. 188567

*Authorize construction and permanent financing in an amount not to exceed \$5,766,360, and a ground lease with 72nd and Foster Limited Partnership for portions of City-owned property at 5005 SE 72nd Avenue to facilitate the affordable redevelopment project known as 72Foster (Ordinance)

The City of Portland ordains:

Section 1. The Council finds that:

1. On behalf of the City of Portland, the Portland Housing Bureau (“PHB”) administers affordable housing programs using resources, including tax increment financing (“TIF”) from urban renewal areas (“URAs”), including Lents Town Center Urban Renewal Area funds, to support the development of affordable housing.
2. On March 8, 2017, Council approved the transfer of certain real property located at property at 5005 SE 72nd Avenue in the Lents Town Center URA (“LTCURA”) (together, the “Property”) site from Prosper Portland (“Prosper”) to PHB through Ordinance No. 188273 to develop the Property into affordable housing.
3. A requirement of the transfer to PHB was the completion of required environmental remediation of the Property by Prosper, which has now been completed, and PHB has received a report detailing the remediation. Prosper was also required to register existing drywells on the Property.
4. As a result of the public solicitation “Notice of Funding Availability October 27, 2015”, PHB awarded \$5,000,000 in TIF resources (the “City Funding”) to REACH Community Development Corporation (“REACH”) for the redevelopment of the Property.
5. REACH proposed an approximately \$26,000,000 mixed-use new construction project comprised of 101 units of affordable housing and 8,800 square feet of ground floor commercial space (collectively, the “Project”). The affordable housing portion of the Project is segmented into 66 studio (381sf), 14 one-bedroom (618 sf), 12 two-bedroom (855 sf) and 9 three-bedroom units (1,129 sf). REACH will work with the Asian Healthcare Center (AHSC) to reach intergenerational Asian families for residential tenanting through its affirmative marketing plan, and with Hacienda CDC to identify businesses that may be ready to graduate from their Mercado space across SE 72nd Avenue from the Property. In a ground floor resident services space, AHSC will provide culturally specific resident services.
6. Twenty of the units in the Project will have project-based Section 8 vouchers, and will be affordable to households at or below 30% of median family income (“MFI”). Tenants occupying vouchered units need pay only 30% of their income, not an actual 30% rent. Depending on the unit type, the vouchered units would serve households earning from \$0 to \$23,310.

7. The remainder of the units in the Project will be affordable at or below 60% MFI, which depending on the size of the household could serve households ranging from \$31,380 to \$46,620, or below. Unsubsidized rents range from \$734 to \$1,072, depending upon unit size.
8. When President Trump announced intentions for significant tax reform, a funding gap appeared and tax credit prices dropped nationwide as a direct result. As a result, the City Funding needed to be increased by an additional \$766,360 of LTCURA TIF funds from the PHB 2017-19 budget (the "Additional Funds"), and the lease payment is \$1 for the 99-year ground lease (the "Ground Lease") to 72nd and Foster Limited Partnership. The City Funding and the Additional Funds result in city financing in an amount not to exceed \$5,766,360 (the "Total City Funding"). In addition to increased City funding, Oregon Housing and Community Services ("OHCS") has likewise increased its funding, and REACH has increased its deferred developer fee as well.
9. In order to facilitate the construction, operation and maintenance of the Project, PHB will enter into the Ground Lease generally in the form attached hereto as Exhibit A with 72nd and Foster Limited Partnership, or its affiliate ("Lessee").
10. PHB in partnership with REACH, KeyBank, OHCS, Key Community Development, Metro, and Freddie Mac is providing financing for this low-income housing tax credit (LIHTC) project. The Total City Funding is necessary to leverage more than \$18,129,454 of other public and private financing needed to construct the Project.
11. The Total City Funding will finance only the affordable units in the Project, not commercial space. Lessee will enter into a PHB 99-year regulatory agreement for the 101 units funded by the Total City Funding, and the Project is also subject to Inclusionary Housing.
12. On July 20, 2017, the PHB Housing Investment Committee recommended approval of the Total City Funding for the Project.

NOW, THEREFORE, the Council directs:

- a. The Director of PHB is hereby authorized to execute any and all financing documents necessary to provide an amount not to exceed \$5,766,360 to Lessee for the Project.
- b. The Director of PHB is hereby authorized to execute the Ground Lease and any other documents as may be required to lease the Property to the Lessee, subject to the approval as to form of such documents by the City Attorney's Office.
- c. The Director of PHB is authorized to approve amendments or modifications to the financing documents and to execute regulatory agreements, loan documents, trust deeds, and such other documents in form and substance as required to complete the financing authorized by this Ordinance, within the maximum amounts approved under this Ordinance, and subject to the approval as to form of such documents by the City Attorney's Office.

SECTION 2. The Council declares that an emergency exists because a delay in the City's approval would impair the ability of the Project to meet the timeline required by other financing sources, and would delay the Project and could affect the budget: therefore, this Ordinance shall be in full force and effective from and after its passage.

Passed by the Council: AUG 24 2017

Mayor Ted Wheeler
Prepared by: Siobain Beddow
Date Prepared: July 17, 2017

Mary Hull Caballero
Auditor of the City of Portland

By 
Deputy

Agenda No.
ORDINANCE NO. 188567
 Title

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INTRODUCED BY Commissioner/Auditor: Mayor Ted Wheeler	CLERK USE: DATE FILED <u>AUG 15 2017</u>
COMMISSIONER APPROVAL Mayor—Finance and Administration - Wheeler <i>KC</i> Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Eudaly	Mary Hull Caballero Auditor of the City of Portland By: <i>[Signature]</i> Deputy
BUREAU APPROVAL Bureau: Portland Housing Bureau Bureau Head: Kurt Creager <i>[Signature]</i> Prepared by: Siobain Beddow Date Prepared: July 17, 2017 Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget	ACTION TAKEN:
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	
City Auditor Office Approval: required for Code Ordinances	
City Attorney Approval: <i>[Signature]</i>	
Council Meeting Date August 23, 2017	

AGENDA TIME CERTAIN <input type="checkbox"/> Start time: Total amount of time needed: 30 minutes (for presentation, testimony and discussion)
CONSENT <input type="checkbox"/>
REGULAR X Total amount of time needed: 30 minutes (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	<input checked="" type="checkbox"/>	
2. Fish	2. Fish	<input checked="" type="checkbox"/>	
3. Saltzman	3. Saltzman	<input checked="" type="checkbox"/>	
4. Eudaly	4. Eudaly	<input checked="" type="checkbox"/>	
Wheeler	Wheeler	<input checked="" type="checkbox"/>	