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191913

Emergency Ordinance

*Authorize acquisition financing to Vital Housing or an affiliate not to exceed \$6 million to preserve affordability at Belmont Dairy Apartments

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. On behalf of the City of Portland, the Portland Housing Bureau (PHB) administers affordable housing programs including Construction Excise Tax (CET) resources to support the development and preservation of affordable housing.
2. Belmont Dairy Apartments is located at 3340 SE Morrison Street and consists of 85 units of rental housing with ground floor commercial space (Project). The Project was built in 1996 with low-income housing tax credit equity and includes 2 studios, 64 one-bedroom units, and 19 two-bedroom units.
3. The Project has a regulatory agreement with Oregon Housing and Community Services (OHCS) that requires 65 units to be rented to households earning up to 60% of area median income (AMI). The OHCS regulatory agreement expires December 31, 2026.
4. In 2024, the current owners of the Project placed it on the market. PHB offered acquisition financing to prevent the Project from converting to market-rate at the end of the OHCS regulatory period. Conversion would displace current tenants and prevent future low-income tenants from accessing housing in an amenity-rich neighborhood.
5. Vital Housing (Borrower) will acquire the Project with assistance from PHB financing totaling \$6,000,000 in CET funds. The Borrower will enter into regulatory agreements with PHB in accordance with City policies to maintain the affordability of the Project for up to 99 years. Sixty-seven (67) units, an increase of two units, will remain affordable to households earning 60% AMI or less.
6. The proposed City funding leverages over \$18 million in private financing.
7. On September 19, 2024, the PHB Housing Investment Committee recommended approval of the use of CET funds for the Project.

Introduced by

[Mayor Ted Wheeler](#)

City department

[Housing Bureau](#)

Contact

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Requested Agenda Type

Regular

Date and Time Information

Requested Council Date

October 16, 2024

Time Requested

15 minutes

NOW, THEREFORE, the Council directs:

- A. The Director of PHB is hereby authorized to execute any and all financing and related documents necessary to advance the project and provide an amount not to exceed \$6,000,000 to the Borrower or Vital Housing affiliate for acquisition of the Project.
- B. The Director of PHB is authorized to approve amendments or modifications to any and all financing and related documents, within the maximum amounts approved under this Ordinance, consistent with City housing policies, 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 increase the risk of displacement for current tenants; therefore, this Ordinance shall be in full force and effective from and after its passage.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council
October 16, 2024

Auditor of the City of Portland
Simone Rede

Impact Statement

Purpose of Proposed Legislation and Background Information

- This Ordinance requests City Council approval of up to \$6,000,000 in acquisition financing from Construction Excise Tax funds.
- The purpose of the financing is to preserve affordability at Belmont Dairy Apartments, an 85-unit mixed income project with ground floor commercial space (the Project). The Project was built in 1996 and has a current regulatory agreement from Oregon Housing and Community Services that restricts 65 units at 60% AMI.
- The OHCS regulatory agreement will expire on December 31, 2026. An earlier regulatory agreement with PHB expired in 2022.
- PHB offered acquisition financing, available to a preservation-oriented buyer, after the current owner placed the property on the market in early 2024.
- Vital Housing or an affiliate will acquire the Project with assistance from PHB's financing. The Project will be subject to a new 99-year PHB regulatory agreement, under which 67 units (an increase of 2 units) must remain affordable to households earning up to 60% AMI.

- Approval of the Ordinance will authorize the Director of PHB to execute all funding and related documents needed to advance the Project including acquisition and operation of the development as affordable housing.

Financial and Budgetary Impacts

- The financing amount requested in this legislation is included in the PHB FY 2024-2025 Adopted Budget.
- PHB will regulate and monitor the project for a term of 99 years, charging a fee over the life of the project to cover compliance monitoring costs.
- The Project received City loans for development of the Project; the outstanding principal and interest totaling approximately \$400,000 will be paid to PBOT and PHB at closing.

Economic and Real Estate Development Impacts

The Project is not expected to impact the cost of doing business or real estate or have any impact on other development projects in Portland. It will have a positive impact on the City's overall housing production goals by preserving existing affordable housing at a lower cost than new construction. Current residential and commercial tenants will be able to remain in their units; no adverse impacts are expected. The net present value of the rent differential between market and affordable rents over 99 years is approximately \$11.7 million.

Community Impacts and Community Involvement

- Preserves full-block, 85-unit, mixed-income and mixed-use project, including 67 affordable units that will be subject to new 99-year affordability agreement with City
- Preserves housing immediately above grocery store (H Mart) and close to transit, schools, and other neighborhood amenities
- Prevents potential displacement of at least 65 low-income households
- Estimated \$11.7 million in rent savings over 99-year affordability period, compared to market rate conversion scenario
- Project will continue to offer 65 off-street parking spaces with shared use between residents and H Mart customers
- Key amenities for residents include access to a 7,000 square foot landscaped courtyard, 2 lounges, a community room with kitchen, and bike storage

Community involvement:

- Current residential and commercial tenants have been notified of the pending sale. All tenants will be able to remain in their units. Vital Housing is exploring resident services offerings and opportunities to collaborate with H Mart on increasing food security for low-income neighborhood residents.

Unit Mix and Affordability

- Project Overview: Preservation of existing affordable housing
- Total Units: 85
- Permanently Affordable: 67

Unit Size	Total No. Units	Total @ 60% AMI	Total @ Market Rate	PSH Units	Project-Based Vouchers
• Studio	3	1	2	-	-
1-BR	63	47	16	-	-
2 BR	19	19	0	-	-
Total	85	67	18	-	-

100% Renewable Goal

Acquisition of the Project does not contribute to the City's renewable goal. However, Vital Housing intends to pursue funding after acquisition to improve energy efficiency, including potential rooftop solar.

Financial and Budget Analysis

This Ordinance requests City Council approval of up to \$6,000,000 in acquisition financing from Construction Excise Tax (CET) funds to preserve affordability at Belmont Dairy Apartments. Vital Housing or an affiliate will acquire the project with assistance from PHB's financing. The project will be subject to a new 99-year PHB regulatory agreement, under which 67 units (an increase of 2 units) must remain affordable to households earning up to 60% AMI.

Financing consists of a \$6,000,000 Housing Development Subordinate Loan (HDSL) at 0% interest for 60 years funded by CET proceeds. The financing amount requested in this legislation is included in the PHB FY 2024-2025 Adopted Budget. PHB indicates that the proposed City funding leverages over \$18 million in private financing. The project had formerly received City loans for development of its development; the outstanding principal and interest totaling approximately \$400,000 will be paid to PBOT and PHB at closing.

The bureau will regulate and monitor the project for a term of 99 years, charging a fee over the life of the project to cover compliance monitoring costs.

Document History

Item 878 Regular Agenda in [October 16, 2024 Council Agenda](https://www.portland.gov/council/agenda/2024/10/16)
(<https://www.portland.gov/council/agenda/2024/10/16>)

City Council

Passed

Aye (4): Mingus Mapps, Carmen Rubio, Dan Ryan, Rene Gonzalez

Absent (1): Ted Wheeler