



## Bureau of Planning and Sustainability

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April 11, 2011

### M E M O

To: Planning & Sustainability Commission

From: Uma Krishnan, Management Analyst

Cc: Kim McCarty, Portland Housing Bureau (PHB)

Subject: Requested Extension of Tax Exemption Granted to the Collins Circle Apartments

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Portland Housing Bureau (PHB) staff requests that the Planning & sustainability Commission review and make a recommendation to City Council on a requested 20-year extension of the tax exemption term for Collins Circle apartments. City Council approved a ten-year tax exemption under the City's New Multiple-Unit Housing tax exemption program for this project on May 20th, 1998 by Ordinance No. 172274. The exemption is set to expire June 30, 2011. In exchange for the extension, the owner will continue to maintain 52 units in this project affordable to low income households at or below 60 percent of area median income (MFI). The Collins Circle has a long-term use agreement (PDC regulatory Agreement, dated 12/22/99) that restricts 52 units to be affordable for a period of 60 years. The project owner, RSGF Collins Circle LLC, represented by Wendy Rowden, Managing Director, Investment Practice, requests the extension to preserve long-term affordability and meet the contractual obligation with PDC.

#### Site Information

The Collins Circle apartments are located at 1701 SW Columbia Street. The site size is 23,046 square feet and forms a narrow block immediately east of Collins Circle. The site is located on the block bounded by SW 17th, 18th, Jefferson, and Columbia. The site was used as a construction yard for materials and equipment for completion of the light rail construction. The site is zoned CXd, Central City Commercial, with a design overlay, and is in the Central City plan district (Goose Hollow).

**History:** The site had been purchased by Tri-Met during the construction of the extended light rail line to the western suburbs. A proposal to develop the site with a car wash was approved in 1991 but not developed (LUR 91-720). This became one of several sites specifically planned for transit supportive high density residential use within the Portland section of the Westside light rail. This project has received Design Review approval (LUR 98-43 DZ). On December 30<sup>th</sup>, 2010, Collins Circle was acquired by RSGF Collins Circle LLC, an affiliate of the Rose Smart Growth Investment Fund from owners Gerding Edlen Development Company.



## Project Information

Collins Circle Apartments is a 6-story, 124-unit apartment complex with ground level retail and 99 structured parking spaces located at 1701 SW Columbia Street Portland Oregon, in the Goose Hollow neighborhood of Portland (the Project). The Project is a transit-oriented development, located one block from the MAX light rail station at SW 18th Ave. and SW Jefferson St. The residential units cover 77,389 square feet that include 51 efficiency units, 55 one-bedroom units and 18 two-bedroom units. Being a mixed-use development, Collins Circle features approximately 7,200 square feet of ground-floor retail and commercial uses. The uses include restaurants, a food market, and an AllState office.

## Affordability of Rental Units

This property is subject to PDC Regulatory Agreement, dated 12/22/99 that restricts 52 units to be affordable to and rented to households with incomes at or below 60% of area median income (AMI) for a period of 60 years.

### UNIT MIX AND AFFORDABILITY:

Fifty two units (52) are proposed to be restricted at 60% AMI under this application. All fifty two units would remain affordable for the term of the extension of the tax exemption. The detailed unit breakdown and the Area Median Income (AMI) to be served are represented in the table below.

Unit		Net Rent	Affordability (% of AMI)		
Type	Number		Income	Rent	
<b>Affordable</b>					
Studio	23	656	60%	58.1%	
1 Bedroom	25	690	60%	58.3%	
2 Bedroom	4	849	60%	59.9%	
Subtotal/Weighted Average		52	687	60%	58.4%
<b>Market</b>					
Studio	28	730	NA	64.1%	
1 Bedroom	30	910	NA	74.8%	
2 Bedroom	14	1,293	NA	87.6%	
Subtotal/Weighted Average		72	915	NA	73.1%
Total/Weighted Average		124	903	NA	66.9%

In addition to meeting the affordability requirements, the NMUH tax abatement requires that the project provide at least one additional benefit from a specified list. Collins Circle provides the following designated benefit:

- About 42% of the units are rent and income restricted to households earning 60% or less of AMI. By City Code, a total of 25% of the rental units must be kept affordable to households at 80% AMI.

*(For more information, see the PHB staff memo.)*



## The Property Tax Exemption

The Collins Circle apartments were granted a 10-year limited tax exemption under City Code Chapter 3.104, the New Multiple-Unit Housing tax exemption program. This program is available in the Central City and urban renewal areas. This exemption applies to the improvements but not the land. The State Statutes that enable this program allow a tax exemption extension to be granted to existing projects that are subject, or will be subject, to a public assistance contract to provide low income housing until June 30 of the year that the affordability agreement expires. As mentioned, Collins Circle is under a 60 years regulatory agreement with PDC to keep 52 units income restricted till 2060.

## PHB Review

On February 23<sup>rd</sup>, 2011, PHB staff, Portland Department of Transportation, and Portland Bureau of Planning and Sustainability, and Multnomah County held a pre-application meeting with the Applicant to discuss the need for extending the tax abatement set to expire on June 30, 2011. Subsequently, the staff determined that the project met NMUH program requirements as specified in City Code Chapter 3.104 and also that there was indeed a need to extend the tax exemption, at least for the affordable units to keep the long-term affordability contract financially feasible. PHB staff evaluated the Project's financial feasibility and concluded that the projected 10-year IRR for the Project is substantially below the designated 10.0% maximum. This finding is summarized in the following table:

Project Component	Unleveraged 10-Yr IRR	
	With LTE	W/O LTE
Retail	-11.77%	-11.77%
Market Residential	-10.82%	-10.82%
Affordable Residential	-9.28%	-11.72%
Total	-10.67%	-11.19%

Based on program criteria review as applicable to the extension of tax exemption and financial feasibility analysis, the PHB Investment Committee approved the staff recommendation of a 20 year extension of the NMUH tax exemption for only the 52 affordable units in the Collins Circle Apartments, subject to further extension for full remaining term of the affordability agreement, upon meeting standards for tax exemptions to be enacted by the City Council, upon completion of the policy and procedure changes to the LTE programs under the "Big Look." The related limited tax exemption for the parking associated with the affordable units will be determined on a prorated basis. *(For more information, see PHB staff report and Financial Evaluation.)*

## Discussion

PHB staff has reviewed the proposed Collins Circle Apartments Limited tax exemption extension and concluded that it meets the requirements of City Code Chapter 3.104 Property Tax Exemption for New Multiple-Unit Housing (NMUH). The IRR is well below 10% with or without the tax exemption. The



limited tax exemption will ensure that the affordability can be retained long-term and allow the Owner to enhance the quality and long-term sustainability of the building. The existing residents will benefit from energy efficiency upgrades the Owner will make to receive LEED Silver certification under the LEED EB program. The existing ground floor commercial, which is fully taxable, provides neighborhood serving retail, including two restaurants, a convenience grocery, an insurance agent, and a coffee shop, at this transit served location.

### Planning Commission Review

City Code Chapter 3.104 requires the Planning Commission to review tax exemption requests under this program for consistency with City's Comprehensive Plan, Area plans & policies and to make a recommendation to City Council on the scope and nature of the public benefits provided by the proposed project.

#### Discussion and Findings:

Preserving the affordability on approximately 42% of the units in the Collins Circle by extending the term of the tax exemption supports the City's *Comprehensive Plan* Housing Policies on 'Housing Opportunity', 'Housing Affordability' and 'Neighborhood Stability'. These policies are:

- **Balanced Communities (Policy 4.7):** Strive for livable mixed-income neighborhoods throughout Portland that collectively reflect the diversity of housing types, tenures (rental and ownership) and income levels of the region. Under this policy, Objective G that calls for "encourage the development and preservation of housing that serves a range of household income levels are locations near public transit and employment opportunities" is well supported by the Collins Circle Apartments.
- **Housing Affordability (Policy 4.11):** Promote the development and preservation of quality housing that is affordable across the full spectrum of household incomes. Under this policy, Objective A that calls for "include strategies and actions that encourage the provision of housing affordable to all income levels in neighborhood, and community plans, and other area plans that pertain to housing" is well supported by the Collins Circle Apartments.
- **Housing Stability (Policy 4.14):** Stabilize neighborhoods by promoting: 1) a variety of homeownership and rental housing options; 2) security of housing tenure; and 3) opportunities for community interaction. Under this policy, Objective D that calls for "encourage the retention of existing rental housing at rent levels affordable to area residents" is supported by the Collins Circle Apartments.

In addition to the policies in the Comprehensive Plan, the project supports policies of maintaining affordable housing for the low-income in the Central City Plan and in the Downtown Housing Policy.

### City Council Review

If Planning & Sustainability Commission recommends approval for the extension of the tax exemption, City Council will be asked to approve an ordinance to extend the tax exemption by a 20 year extension of the NMUH tax exemption for only the 52 affordable units in the Collins Circle Apartments, subject to further extension for full remaining term of the affordability agreement, upon meeting standards for tax exemptions to be enacted by the City Council, upon completion of the policy and procedure changes to the LTE programs under the "Big Look." The related limited tax exemption for the parking associated with the affordable units will be determined on a prorated basis.



*Staff Recommendation: Recommend to City Council that the requested extension of the tax exemption for the 20 years extension of the NMUH tax exemption for only the 52 affordable units in the Collins Circle Apartments, subject to further extension for full remaining term of the affordability agreement, upon meeting standards for tax exemptions to be enacted by the City Council, upon completion of the policy and procedure changes to the LTE programs under the “Big Look.” The related limited tax exemption for the parking associated with the affordable units will be determined on a prorated basis.*

Attachments:

Zoning Map  
RSGF Application Narrative  
PHB Staff Report (without attachments)  
PHB Financial Evaluation

