

ORDINANCE NO. 184537

* Authorize the sale of nine single family houses located in the Interstate Corridor Urban Renewal Area to RENEW Kenton Homes LLC and approve tax increment funding to benefit income-eligible, first-time buyers (Ordinance)

The City of Portland ordains:

SECTION 1. The Council finds that:

1. Portland City Council Ordinance No. 183903, passed on June 16, 2010, authorized four intergovernmental agreements (IGA) between the City and Portland Development Commission (PDC) in support of the transition of housing functions to the Portland Housing Bureau (PHB). One of the IGA, the Assignment and Assumption Agreement (IGA # 30001468 executed on or about July 1, 2010, and as amended), proposed to transfer to PHB the responsibility for certain identified real property upon PHB's request.
2. The Assignment and Assumption Agreement includes nine homes which PDC purchased to assist in implementing the City's affordable housing goals under Tax Increment Financing (TIF) set-aside policy. The properties are within and the Interstate Corridor Urban Renewal Area (ICURA) and are 8920 N Drummond Ave., 3107 N Houghton Street, 3220 N Hunt Street, 9020 N Chautauqua Blvd., 8606 N Curtis Avenue, 3101 N Arlington Place, 3702 N Arlington Place, 3325 N Halleck Street, and 3309 N Halleck Street, in Portland, Oregon.
3. PHB has requested PDC convey these single family residential properties in accordance with the City-PDC Assignment and Assumption Agreement for the purpose of the project identified in this Ordinance.
4. On or about July 16, 2010, the City released a request for proposals (RFP) titled "Single Family Home Renovation Project" seeking proposals to rehabilitate approximately twenty residential homes in the Interstate Corridor and Lents Urban Renewal Areas including the above nine ICURA properties.
5. RENEW Kenton LLC, an Oregon limited liability company ("RENEW"), was selected as a responsive proposer for the renovation of the nine ICURA properties identified. RENEW was ranked highest by the Evaluation Committee of the eight proposals received for the ICURA properties. As compensation for the rehabilitation and renovation services, RENEW will receive a developer fee of \$58,500 for its completed services.
6. Upon the completion of renovation, the renovated properties will be added to the residential stock available to qualified homebuyers (identified as persons whose household incomes are at or below 80% of the median family income for the Portland area) and in permanent affordable homeownership under a land trust model. The renovation is expected to be completed by the end of January 2012.

7. In this project, PHB will require RENEW to enter into an agreement with a community land trust nonprofit corporation (with a PHB approved land trust model) that would assist RENEW in marketing the renovated properties for sale to qualified homebuyers and would require inclusion of permanent affordability covenants for the properties.
8. To mitigate and avoid risks and liabilities associated with property ownership (such as premises liability, property insurance and maintenance costs) for the City, a potential community land trust nonprofit corporation or qualified homebuyers, PHB determined that it would be prudent for the City to transfer title to RENEW during the property renovation period. PHB will lend \$1,440,000 in Interstate TIF funds to RENEW to acquire title to the properties (“acquisition loan”). In exchange, the City will receive a security interest securing repayment of the acquisition loan. PHB anticipates that sale of the renovated properties to qualified homeowners at PHB’s pre-identified prices will repay the acquisition loan.
9. Because the Portland housing market is subject to fluctuation depending on the numbers of available properties, willing sellers and interested buyers, there is some uncertainty as to whether actual sale of one of the renovated properties after the renovation period may yield the pre-identified sales prices despite due diligence by RENEW and the community land trust nonprofit. PHB will work with RENEW and the selected community land trust corporation to ensure that the end goal of bringing qualified homebuyers into affordable homeownership can be successfully achieved.
10. PHB has the authority to use TIF funds to assist qualified homebuyers with property renovation. In lieu of lending the funds to qualified homebuyers directly and in order to get the properties to a condition where qualified homebuyers may occupy homes in good condition without need for incurring expenses in repair following homeownership, PHB will lend RENEW up to \$592,000 in Interstate TIF funds (which approximates to a range of \$55,000 to \$72,500 that may be allocable for each property) for use in property rehabilitation. RENEW bears the risk of any renovation costs to make the homes habitable that may exceed the renovation loan amount. In exchange, the City will receive a security interest securing repayment of the renovation loan. However, upon sale of the renovated properties to qualified homebuyers, the renovation loan will convert to permanent affordability subsidy against each property.
11. The City intends that the renovated properties be as healthful as possible for the qualified homebuyers and their families. In the event that environmental remediation is necessary to address hazardous materials at any of the properties (such as mold, asbestos or oil tanks), PHB has set aside up to \$25,000 of Interstate TIF funds for environmental remediation, which has been included within the available allocation of the rehabilitation loan.
12. A PHB internal PHB report entitled “Single Family Home Rehabilitation Project – Renew Kenton, LLC” details the specifics of the transaction and is attached.

13. PHB will require RENEW to execute quit claim deeds prior to loan funding, and those quit claim deeds will be recorded in the event that RENEW defaults on its obligation to the City so that the City may expeditiously regain title and rights to the properties and ensure that the project can be completed.

PHB will execute a commitment letter, loan agreement, promissory notes, and line of credit trust deed and security agreement with RENEW.

14. The funding necessary to meet the City's obligation under for this project are included in the City's FY 2010-11 approved budget, and in the FY 2011-12 and FY 2012-13 budget forecasts for TIF expenditures in the ICURA.

NOW THEREFORE, the Council directs that:

- a. The Director of PHB is authorized a) to execute a commitment letter, a loan agreement, line of credit trust deed and security agreement, promissory notes and purchase and sale agreement with RENEW Kenton LLC, and documents conveying title, in accordance with the findings set forth above and the PHB internal report attached hereto as Exhibit A, and upon approval as to form of these documents by the City Attorney's Office, b) to accept quit claim deeds from RENEW to hold under appropriate escrow terms during this renovation project, and c) to expend funds in an amount not to exceed \$2,032,000 for acquisition and renovation of the specified ICURA residential properties.
- b. The Director of PHB is authorized to accept bargain and sales deeds and/or other documentations, upon approval to form by the City Attorney's Office, conveying title of the identified properties from PDC to the City.
- c. In the event that market conditions at the time of sale of a renovated home cannot reasonably yield the pre-identified sale price, the Housing Bureau Director, upon consultation with Commissioner in Charge, is authorized to adjust the pre-identified sales prices that RENEW can accept from qualified homebuyers subject to appropriate documentation of due diligence, valuation through appraisals and other market information while seeking to recover the maximum feasible amount from the sales.
- d. The Mayor and Auditor are hereby authorized to draw and deliver warrants chargeable to the PHB budget when demand is presented and approved by the proper authority up to the amount specified in paragraph a.

SECTION 2. The Council declares that an emergency exists because delay in funding would interrupt the project's ability to move forward on a timeline required by other financing sources and permitting deadlines, and would delay the provision of affordable housing and the availability of construction jobs; therefore, this ordinance shall be in full force and effective from and after its passage.

Passed by the Council: APR 20 2011

Commissioner: Nick Fish
Prepared by: Karl Dinkelspiel
Date Prepared: April 5, 2011

LaVonne Griffin-Valade
Auditor of the City of Portland

By

Susan Parsons
Deputy

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APR 15 2011

INTRODUCED BY
Commissioner/Auditor:
Nick Fish

COMMISSIONER APPROVAL

Mayor /Finance and Administration - Adams
Position 1/Utilities - Fritz
Position 2/Works - Fish *N. Fish*
Position 3/Affairs - Saltzman
Position 4/Safety - Leonard

BUREAU APPROVAL

Bureau: Portland Housing Bureau
Bureau Head: Margaret Van Vliet
M. Van Vliet

Prepared by: Karl Dinkelspiel
Date Prepared: April 5, 2011

Financial Impact Statement
Completed Amends Budget
Not Required

Portland Policy Document
If "Yes" requires City Policy paragraph stated
in document. Yes No

Council Meeting Date
April 20, 2011

City Attorney Approval
KAM

CLERK USE: DATE FILED _____

LaVonne Griffin-Valade
Auditor of the City of Portland

By: *[Signature]* Deputy

ACTION TAKEN:

AGENDA

TIME CERTAIN

Start time: _____

Total amount of time needed: _____
(for presentation, testimony and discussion)

CONSENT

REGULAR

Total amount of time needed: _____
(for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	✓	
4. Leonard	4. Leonard	✓	
Adams	Adams	✓	