

**ORDINANCE NO.** 184601

\* Authorize the sale of five single family houses located in the Lents Town Center Urban Renewal Area to ROSE Community Development Corporation. 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 five 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 the Lents Town Center Urban Renewal Area (LENTS) and are 6719 SE 86<sup>th</sup> Street, 6801 SE 86<sup>th</sup> Street, 8730 SE Rural Street, 8732 SE Rural Street, 6939 SE 91<sup>st</sup> Street in Portland, Oregon.
3. On or about April 13, 2011 PDC conveyed 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 five LENTS properties.
5. ROSE Development LLC, an Oregon limited liability company ("ROSE"), was selected as a responsive proposer for the renovation of the five LENTS properties identified. ROSE was ranked highest by the Evaluation Committee of the six proposals received for the identified LENTS properties. As compensation for the rehabilitation and renovation services, ROSE will receive a developer fee of \$60,000 for its completed services. ROSE will contract with Colas Construction, Inc, a local minority-owned company, to serve as general contractor and perform the rehabilitation work.
6. Upon the completion of renovation, the renovated properties will be purchased by qualified homebuyers (identified as persons whose household incomes are at or below 80% of the median family income for the Portland area). The renovation is expected to be completed by the end of January 2012.
7. ROSE will work with a nonprofit community land trust, Proud Ground, to assist ROSE in marketing the renovated properties at 6936 SE 91<sup>st</sup> and 6801 SE 86<sup>th</sup> to qualified

homebuyers. The land trust involvement will result in permanent affordability covenants for these properties. Because the property at 6801 SE 86th has accessibility modifications, ROSE will also partner with the non-profit corporation, Community Visions, to market this property to qualified households that might benefit from these modifications. The other three properties will be marketed by ROSE to qualified buyers.

8. To mitigate and avoid risks and liabilities associated with property ownership (such as premises liability, property insurance and maintenance costs) for the City or qualified homebuyers, PHB determined that it would be prudent for the City to transfer title to ROSE during the property renovation period. PHB will lend \$650,000 in LENTS TIF funds to ROSE 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 ROSE PHB will work with ROSE 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 ROSE up to \$335,000 in LENTS TIF funds for use in property rehabilitation. ROSE 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 \$10,000 of LENTS TIF funds for environmental remediation, which is included in the rehabilitation loan amount.
12. A PHB internal PHB report entitled “Single Family Home Rehabilitation Project – ROSE Development” details the specifics of the transaction and is attached.
13. PHB will require ROSE to execute quit claim deeds prior to loan funding, and those quit claim deeds will be recorded in the event that ROSE 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.

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

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, purchase and sale agreement with ROSE, and other documents as required to convey 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 ROSE to hold under appropriate escrow terms during this renovation project, and c) to expend funds in an amount not to exceed \$985,000 for acquisition and renovation of the specified LENTS residential properties.
- b. 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 ROSE 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.
- c. 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: MAY 18 2011

Commissioner: Nick Fish  
 Prepared by: Barbara Shaw  
 Date Prepared: May 11, 2011

**LaVonne Griffin-Valade**  
 Auditor of the City of Portland

By  Deputy

\* Authorize the sale of five (5) single family houses located in the Lents Town Center Urban Renewal Area to ROSE Community Development Corporation. and approve tax increment funding to benefit income-eligible, first-time buyers.  
(Ordinance)

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| <b>INTRODUCED BY</b><br>Commissioner/Auditor:<br><b>Nick Fish</b>  | CLERK USE: DATE FILED <u>MAY 13 2011</u>   |
| <b>COMMISSIONER APPROVAL</b>   | LaVonne Griffin-Valade<br>Auditor of the City of Portland<br><br>By: <br>Deputy |
| Mayor /Finance and Administration - Adams  |  |
| Position 1/Utilities - Fritz   |  |
| Position 2/Works - Fish <i>N. Fish</i>   |  |
| Position 3/Affairs - Saltzman  |  |
| Position 4/Safety - Leonard  |  |
| <b>BUREAU APPROVAL</b>   |  |
| Bureau: Portland Housing Bureau<br>Bureau Head: Margaret Van Vliet<br>        |  |
| Prepared by: Barbara Shaw<br>Date Prepared: May 11, 2011   |  |
| Financial Impact Statement<br>Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/><br>Not Required <input type="checkbox"/>    |  |
| Portland Policy Document<br>If "Yes" requires City Policy paragraph stated<br>in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> |  |
| Council Meeting Date<br>May 18, 2011   |  |
| <b>APPROVED AS TO FORM</b><br>City Attorney Approval<br><br>CITY ATTORNEY   |  |

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| <b>AGENDA</b>  |
| <b>TIME CERTAIN</b> <input type="checkbox"/>                                       |
| Start time: _____  |
| Total amount of time needed: _____<br>(for presentation, testimony and discussion) |
| <b>CONSENT</b> <input type="checkbox"/>  |
| <b>REGULAR</b> <input checked="" type="checkbox"/>                                 |
| Total amount of time needed: _____<br>(for presentation, testimony and discussion) |

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