

Portland, Oregon

FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Andrea Matthiessen	2. Telephone No. 823-3279	3. Bureau/Office/Dept. Portland Housing Bureau
4a. To be filed date 6/12/13	4b. Calendar (Check One) Regular <input type="checkbox"/> Consent <input checked="" type="checkbox"/> 4/5ths <input type="checkbox"/>	5. Date Submitted to Commissioner's office and FPD Budget Analyst: 5/29/13
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

* Approve amended application under the Multiple-Unit Limited Tax Exemption Program for The Wilmore Apartments located at 4327 North Williams Avenue (Ordinance)

2) Purpose of the Proposed Legislation:

This Ordinance provides City Council approval of a request to amend an approved application for a ten year property tax exemption under the Multiple Unit Limited Tax Exemption (MULTE) Program for The Wilmore Apartments located at 4327 North Williams Avenue.

3) Which area(s) of the city are affected by this Council item? (Check all that apply—areas are based on formal neighborhood coalition boundaries)?

- | | | | |
|--|------------------------------------|------------------------------------|---|
| <input type="checkbox"/> City-wide/Regional | <input type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input checked="" type="checkbox"/> North |
| <input type="checkbox"/> Central Northeast | <input type="checkbox"/> Southeast | <input type="checkbox"/> Southwest | <input type="checkbox"/> East |
| <input type="checkbox"/> Central City | | | |
| <input type="checkbox"/> Internal City Government Services | | | |

FINANCIAL IMPACT

4) Revenue: Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If so, please identify the source.

This Ordinance will not reduce future revenue coming to the City in the form of foregone property tax dollars; it is approving an amendment to a previously approved tax exemption application that does not have an impact on the amount of foregone revenue.

As previously approved by Council, the estimated total first year foregone revenue of this property is \$86,000. The estimated ten-year value of exempted tax revenue is approximately \$771,492 in today's dollars.

5) Expense: What are the costs to the City related to this legislation? What is the source of funding for the expense? *(Please include costs in the current fiscal year as well as costs in future years. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the **level of confidence**.)*

There are no costs to the City other than the previously approved foregone revenue.

6) Staffing Requirements:

- **Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?** *(If new positions are created please include whether they will be part-time, full-time, limited term, or permanent positions. If the position is limited term please indicate the end of the term.)*

No.

- **Will positions be created or eliminated in future years as a result of this legislation?**

No.

(Complete the following section only if an amendment to the budget is proposed.)

7) Change in Appropriations *(If the accompanying ordinance amends the budget please reflect the dollar amount to be appropriated by this legislation. Include the appropriate cost elements that are to be loaded by accounting. Indicate "new" in Fund Center column if new center needs to be created. Use additional space if needed.)*

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

PUBLIC INVOLVEMENT

8) Was public involvement included in the development of this Council item (e.g. ordinance, resolution, or report)? Please check the appropriate box below:

☒ **YES:** Please proceed to Question #9.

☐ **NO:** Please, explain why below; and proceed to Question #10.

MULTE City Code 3.103 and the approved Administrative Rules for the program require that applicants have made contact with the potentially impacted community and relevant neighborhood associations surrounding the proposed project.

The original application for The Wilmore Apartments was reviewed by the PHB Housing Investment Committee (HIC) with expanded representation from the Portland Bureau of Planning and Sustainability and the Multnomah County Tax Assessor's Office. The role of the review committee is to approve the staff recommendation that the application meets the basic program threshold criteria and adequately addresses the required competitive elements of affordability, equity, access to amenities, and accessibility outlined in City Code Chapter 3.103.

Additionally the PHB Portland Housing Advisory Committee convened a public hearing on the original proposed approval for the Wilmore Apartments MULTE and voted to recommend approval to the City Council.

9) If "YES," please answer the following questions:

a) What impacts are anticipated in the community from this proposed Council item?

This action will amend a previously approved MULTE application to reduce the number of affordable units from 19 to 15.

b) Which community and business groups, under-represented groups, organizations, external government entities, and other interested parties were involved in this effort, and when and how were they involved?

See above

c) How did public involvement shape the outcome of this Council item?

Input received through the public involvement process for the application included in this Ordinance validated the importance of creating affordable units at The Wilmore Apartments and provided support for approving an extension of the current property tax extension under the MULTE Program.

- d) **Who designed and implemented the public involvement related to this Council item?**

Public involvement was designed and implemented by PHB with support and input from Bureau of Planning staff as part of development of the MULTE Program.

- e) **Primary contact for more information on this public involvement process (name, title, phone, email):**

Kate Allen, Senior Policy Manager, Portland Housing Bureau, 503.823.3606

10) Is any future public involvement anticipated or necessary for this Council item? Please describe why or why not.

No. The project approved by the Council action is directly responsive to the priorities established through the public involvement process to date. No further action is needed.

Traci H for TM *5.23.13*

Traci Manning, Bureau Director

Date



CITY OF
PORTLAND, OREGON

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186079

DATE: May 13, 2013

TO: Portland Housing Bureau (PHB) Investment Committee

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Amendment of the Approval of a Ten Year Multiple-Unit Limited Tax Exemption for **The Wilmore Apartments** Located at 4327 N Williams Avenue.

Overview

PHB approved a Multiple-Unit Limited Tax Exemption (MULTE) for the Wilmore Apartments through City Council on December 12, 2012. Applicants are required to receive approval for the MULTE prior to pulling building permits and therefore often before finalizing plans and financing for a project. Following the MULTE approval, the developer has had to make sufficient enough changes to the proposed project that an amendment to PHB's prior approval is necessary. The changes affect the public benefits being offered, including the number of affordable units as summarized below, in order for the project to be financially viable.

Unit type	Initial Count	Current Count	MFI
Studio	6	5	60%
Studio	15	20	Market
One Bedroom	9	7	60%
One Bedroom	21	26	Market
Two Bedroom	4	3	60%
Two Bedroom	10	14	Market
<i>Total</i>	65	75	

Project Description:

N Williams Avenue Apartments, LLC proposes to build a mixed use development on currently vacant land at 4327 North Williams Avenue between North Skidmore and Prescott Streets in the Humboldt neighborhood. The Wilmore Apartments (Project) will contain ground floor commercial space and 75 (increased from 65) housing units including 26 (increased from 21) studio units, 32 (increased from 31) units, and 17 (increased from 14) two-bedroom units.

The Project will now be a five story building on the southern half of the Project (rather than four stories) and consist of 85,202 (increased from 64,450) gross square feet with 50,307 (increased from 38,330) square feet of residential space, 6,710 (decreased from 6,820) square feet of commercial space, and 23,560 (increased from 10,781) square feet of common space. The building will be slab on grade construction with a post-tension concrete deck (rather than steel) and a fire sprinkled wood frame type V-A structure with brick and hardy plank exterior siding, and will have two elevators

(compared to one) and a balcony for 93% of the units (compared to every unit). There will now be one common landscaped rooftop patio (compared to two) and four other private rooftop patios for four of the units. The Project will also still provide a media room and fitness/exercise equipment room.

With a self service bike repair shop and a transportation coordination area, the Project will still aim to cater to bicycle commuters along the Vancouver/Williams bicycle corridor and help increase mass transit ridership on the Interstate max line. The Project will provide 38 (up from 35) parking spaces for the residents and still provide 83 bicycle parking spaces including secure indoor bike parking on the first floor and additional outdoor bike parking.

The Project will still meet healthy and resource efficient environmental building standards by building, registering, and certifying per LEED silver level standards.

The Project is being developed by Marathon Acquisition & Development Inc. with Marathon Construction Services, LLC serving as the general contractor and will be managed by Marathon Management, Inc. The Project owner, developer, and contractor entities all have the same principal, Robert G. Johnson.

Proposed Unit Mix and Affordability*:

Unit type	Count	Sq Footage	Rent	MFI
Studio	5	529	766	60%
Studio	21	529	779	Market
One Bedroom	6	645	821	60%
One Bedroom	26	645	999	Market
Two Bedroom	3	936	985	60%
Two Bedroom	14	936	1199	Market
<i>Total</i>	<i>75</i>			

*Previous submission included a total of 65 units with 30% of them affordable at 60% MFI: 21 studio units, 433 sq ft, 6 at 60% MFI; 30 one bedroom units, 622 sq ft, 9 at 60% MFI; and 14 two bedroom units, 755 sq ft, 4 at 60% MFI.

Scoring of Public Benefits:

Staff reviewed the Project's amended application and determined it still meets the minimum program threshold guidelines. Staff scored the public benefits the Project will provide based on the amended application and confirmed that it still exceeds the minimum score. A proposed project must receive a minimum score of 50 out of 140 possible points, available in seven different categories.

Affordability – Instead of 30% originally proposed, 20% of units in the Project will be affordable to households earning 60% or less of the area median family income. The affordable units will be distributed evenly amongst the unit mix – five studios, six one-bedrooms, and three two-bedrooms. The Project is no longer providing more than the minimum threshold requirements, but by increasing the overall number of units in the Project, the number of affordable units is only decreasing slightly. The market rents are well above the affordable rents. By demonstrating that market rents are higher

than rents at the 60% MFI level and by maintaining a similar number of affordable units as originally approved, the Project would earn **5 out of 50 possible points**.

Equity – The applicant presented clear plans for marketing the units and MWESB contracting. The applicant performed extensive research to determine multiple organizations through which the units will be marketed and developed a marketing plan based on neighborhood needs. An overview of that analysis is provided in the attached table (see Appendix A) which is part of the application. The Project’s development team will not only perform Good Faith Efforts to work with MWESB contractors, but also has past relationships with MWESB contractors whom they plan to work with again for architectural and planning services as well as engineering and surveying. By pursuing equity goals for the Project well beyond the minimum submission requirements, the Project still earns **25 out of 30 possible points** which is unchanged in the amendment.

Accessibility – The Project site, all 75 units, and the rooftop patio will still be accessible to people with disabilities via two elevators and have been designed with more than 100 different Universal Design attributes (52 in addition to those required by the American with Disabilities Act and Fair Housing Act) that make the Project more livable and comfortable for tenants and visitors with disabilities. The amended Project will need to reduce four of the originally submitted attributes to help bring costs in line. These public benefits will remain beyond the period of the exemption into perpetuity. Providing such amenities to all of the units still earns the Project **15 of 20 possible points**.

Family Housing/Location – The proposed Project is not located in an area defined as having a high lack of family sized units so even though the Project does have some two-bedroom units, **no points were awarded out of 10 possible points**.

Access to Amenities – The Project summary in the application describes the Project’s proximity to schools, childcare, parks, and grocery stores and the property is within an area with a 20-minute neighborhood score of 67 so the Project earned **7 out of 10 possible points**.

Gathering Space – A few of the Project’s private amenities still include a common rooftop patio, indoor bike parking on the first floor, outdoor bike parking, a self-service bike repair shop, a media room, a fitness/exercise equipment room, a business center, and a transportation coordination area. As a public amenity, the self-service bike repair shop will be available by reservation to biking and other community organizations. The Project will also have pedestrian connections to the sidewalks on N. Williams Avenue and N Skidmore Street and bicycle connections to the Williams/Vancouver Corridor bike lanes. The application still shows extensive efforts by the applicant to provide both interior and exterior gathering space which earns the Project **6 out of 10 possible points**.

Special Needs Populations – No units will be reserved specifically for “at-risk” or “special needs” populations however the Marketing Plan for renting out the Project outlines several established relationships with agencies assisting vulnerable populations and provides a special rent incentive to veterans which still earns the Project **2 out of 10 possible points**.

The Project still earns a total score of 60 out of 140 points, well above the minimum threshold score of 50. (See below table.) Previously, the Project received a score of 69. There were not sufficient applications received to compete for the annual cap of \$1 million estimated foregone revenue so the Project did not need to be compared to other Projects’ scores.

Public Benefit	Points Earned	Possible Points
Affordability	5	50
Equity	25	30
Accessibility	15	20
Family Housing/Location	0	10
Access to Amenities	7	10
Gathering Space	6	10
Special Needs Populations	2	10
Total	60	140

Financial Evaluation:

The budget for the Project has changed by close to \$3 million since it was evaluated for the original MULTE approval. The increase is a result of the increase of units and their sizes, the unanticipated cost of the LEED Silver Certification, the addition of the post-tension concrete deck necessary to meet engineering standards, replacement of a traffic signal, additional fire-proofing by going to five stories, adding a second elevator, and other miscellaneous items. The cost of the additional units is mostly offset by the additional rent income. Without accounting for the changes to the units, there is still roughly \$1,300,000 worth of unanticipated costs which resulted in them seeking a higher loan amount and contributing additional cash to the Project. As a result, the debt service coverage ratio was then too low to support financing without reducing the number of affordable units and making the other aforementioned changes.

The 10-year income Projections derived from the pro formae are broken down into three scenarios:

- Scenario 1 - the financial performance of the Project without the tax exemption, and
- Scenario 2 - the financial performance of the Project with the tax exemption.
- Scenario 3 - the financial performance of the Project with the rents necessary to achieve feasibility without the tax exemption, setting the return equal to that of the financial performance with the tax exemption.

In Scenario 1, the Project's 10-year average cash on cash rate of return without the exemption is 1.5%. This scenario also demonstrates that without the exemption the Project is likely unable to obtain financing at a 1:1 ratio on the debt service coverage. (Initially, the Project's 10-year average cash on cash rate of return without the exemption was 1.2%.)

In Scenario 2, the Project's rate of return calculation with the exemption is 4.2% (compared to a rate of return of 4.8% as submitted in the initial application) over the 10-year evaluation period. Also reflected here, and evidenced by the initial debt service coverage ratio, is that the Project may need to decrease the debt on the Project, increase equity contributed or increase some of the non-restricted rents, even with the exemption.

In Scenario 3, imputed rents are utilized in order to arrive at the same senior debt service coverage ratio as rents with the exemption in order to determine how much higher the rents would need to be

to achieve the same result. Rents without the exemption would need to be an average of 11% (anywhere from \$80 to \$150, and similar to the average of \$115 as submitted in the initial application) a month per unit higher overall, which precludes units affordable at 60% MFI.

The projected rents must also incorporate room for a utility allowance. In this case, the Project will pay utilities on the affordable and restricted units delivered under the exemption.

Staff examined the projected rents for adequacy and appropriateness of the implied utility allowance to ensure that rents weren't simply being projected lower than they should be. Rents estimated for the projections appear to be appropriately set. Per unit per annum expenses are projected to be substantially lower than most projects staff reviews. Raising these expenses would only further reduce the return.

Unlike many affordable projects, the initial equity contribution will only be repaid upon sale or refinance, not from available cash flow.

The estimated ten-year value of exempted tax revenue is approximately \$866,412 in today's dollars assuming a 4.5 percent discount rate (selected in consultation with the City's Debt Manager), a three percent annual assessment increase.

The Project is receiving private financing and will not be receiving any funding from PHB.

The Project is located within the Interstate Urban Renewal Area. Staff confirmed with the City's Debt Manager in November of 2012 that the Project fits within the requirements of the existing bond covenants.

CONDITIONS:

There is already an extended use agreement in place, according to the terms of City Code 3.103.070(A) requiring the submission of Project financial information annually during the exemption period. It will be necessary to amend the agreement to reflect the changes to the Project.

RECOMMENDATION:

Staff recommends amending the approval of the ten-year property tax exemption for the residential portion, including parking, of The Wilmore Apartments to be built by N Williams Avenue Apartments, LLC (or affiliated entity) to the Portland City Council because the proposed Project still meets the minimum threshold and public benefits requirements set forth in Section 3.103 of Portland's City Code, as previously approved.

Appendix A - Project Plan to Eliminate Housing Barriers

DISABLED AND SENIOR CITIZEN COMMUNITIES	
Challenges:	Solutions:
Lack of Accessible Housing or Housing with Universal Design	The Wilmore will incorporate more than 100 Universal Design attributes

Attributes	
Lack of Accessible Affordable Housing with Close Proximity to Healthcare Facilities	The Wilmore is located a ½ mile from Legacy Emanuel Hospital and close to other clinics and medical specialty services
Lack of Easy Access Public Transportation	The Wilmore is adjacent to Bus Line 44 stop and ¾ mile directly East on N Skidmore Street from the MAX station at N Skidmore Street and N Interstate Avenue
HOMELESS AND VETERAN COMMUNITIES	
Challenges:	Solutions:
Start-up Living Expenses for Veterans	The Wilmore will waive application fees and provide one month of free rent with execution of a one-year lease for veterans
Credit, Rental, and Job History	The Wilmore has formed partnerships with community organizations to jointly provide housing to those who have shown progress and commitment to improving their housing standards. Example: People who have completed the Rent Well Tenant Education Program
COMMUNITIES OF COLOR	
Challenges:	Solutions:
Racial Discrimination by On-Site Staff	Rental applications are reviewed off-site by corporate office that strictly adheres to anti-discrimination laws
Geographic Boundaries	The Wilmore is located in the Humboldt neighborhood which has a relatively high percentage of residents of color. The Wilmore is being constructed on vacant land so it will not displace any existing Humboldt residents. The Wilmore also provides units at market and affordable rents providing housing for people of color in varying economic circumstances.
Quality Schools	The Wilmore's schools include Jefferson High and Boise-Eliot Middle and Elementary School. A tax exemption is requested for The Wilmore's residential improvements but the commercial portion of The Wilmore will immediately generate tax increment that will benefit the schools
LOW-INCOME COMMUNITIES	
Challenges:	Solutions:
Lack of Affordable Housing	30% of The Wilmore's units will be reserved people at or below the 60% MFI level
Access to Grocery Stores and Healthy Foods	New Seasons is opening a new grocery store in June 2013 0.4 miles from The Wilmore and there are four other stores selling fresh food within 0.5 miles of the Wilmore as shown on Exhibit K.
Lack of Easy Access Public Transportation	The Wilmore is adjacent to the Williams/ Vancouver Corridor bike lanes, adjacent to a Bus Line 44 stop, and ¾ mile directly East on N Skidmore Street from the MAX station at N Skidmore Street and N Interstate Avenue