

Portland, Oregon

## FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT For Council Action Items

(Deliver original to City Budget Office. Retain copy.)

|   |   |   |
|---|---|---|
| 1. Name of Initiator<br>Dory Van Bockel   | 2. Telephone No.<br>503-823-4469  | 3. Bureau/Office/Dept.<br>Portland Housing<br>Bureau/Neighborhood Housing                                   |
| 4a. To be filed (hearing date):<br>October 16, 2013   | 4b. Calendar (Check One)<br>Regular    Consent    4/5ths<br><input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> | 5. Date Submitted to Commissioner's<br>office and CBO Budget Analyst:<br>October 2, 2013                    |
| 6a. Financial Impact Section:<br><input checked="" type="checkbox"/> Financial impact section completed |   | 6b. Public Involvement Section:<br><input checked="" type="checkbox"/> Public involvement section completed |

**1) Legislation Title:**

\* Approve application under the Multiple-Unit Limited Tax Exemption Program for Hazelwood Plaza located at 222 Northeast 102nd Avenue (Ordinance)

**2) Purpose of the Proposed Legislation:**

This Ordinance provides City Council approval of a request for a ten year property tax exemption under the Multiple Unit Limited Tax Exemption (MULTE) Program for Hazelwood Plaza located at 222 NE 102nd 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 checked="" type="checkbox"/> Northeast | <input type="checkbox"/> Northwest | <input type="checkbox"/> North           |
| <input type="checkbox"/> Central Northeast  | <input type="checkbox"/> Southeast            | <input type="checkbox"/> Southwest | <input checked="" type="checkbox"/> East |
| <input type="checkbox"/> Central City       |   |                                    |  |

**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 reduce future revenue coming to the City in the form of foregone property tax dollars. The estimated ten-year value of exempted tax revenue is approximately \$540,540 in today's dollars assuming a 5.0 percent discount rate (selected in consultation with the City's Debt Manager), and a three percent annual assessment increase.

**5) Expense: What are the costs to the City as a result of 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 year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. 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 associated with approving this Ordinance other than the 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 application for Hazelwood Plaza was reviewed by the PHB Investment Committee (HIC) with expanded representation from the Portland Bureau of Planning and Sustainability's Planning and Sustainability Commission 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 is convening a public hearing on the proposed approval for the Hazelwood Plaza MULTE on October 1, 2013 where public testimony is invited.

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

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

This action will create 61 affordable housing units in the Hazelwood Neighborhood within the Gateway Urban Renewal Area within close proximity of multiple mass transit lines.

- 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 in #8.

- 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 61 affordable housing units.

- 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):**

Daniel Ledezma, Senior Program Manager, Portland Housing Bureau, 503-823-3607

**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 Manning, Director

Date



CITY OF  
**PORTLAND, OREGON**  
PORTLAND HOUSING BUREAU

Exhibit A  
Commissioner Dan Saltzman  
Traci Manning, Director  
421 SW 6<sup>th</sup> Avenue, Suite 500  
Portland, OR 97204  
(503) 823-2375  
Fax (503) 823-2387  
[www.portlandoregon.gov/PHB](http://www.portlandoregon.gov/PHB)

186291

DATE: September 16, 2013

TO: Portland Housing Bureau (PHB) Investment Committee with expanded representation from the Planning and Sustainability Commission and Multnomah County

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption for **Hazelwood Plaza** Located at 222 NE 102<sup>nd</sup> Avenue

**Project Description:**

Ricardo Berdichevsky of Quail Court Management and Alberto Rinkevich of ARDesign, LLC propose to build an affordable housing apartment building on currently vacant land at 222 NE 102<sup>nd</sup> Avenue between Northeast Glisan and Davis Streets in the Hazelwood neighborhood within the Gateway Urban Renewal Area. Hazelwood Plaza (Project) will contain sixty-one housing units including thirty-eight one-bedroom units, and twenty-three two-bedroom units.

The Project will be one building with four stories facing the east and five stories facing the west, and will consist of 59,018 gross square feet with 46,696 square feet of residential space and 12,322 square feet of common space. The structure will be wood framed with a cement block ground floor. The exterior will consist of wood, corrugated metal, and fibrous cement siding and have green composite roofing atop. The Project will feature a secure access entry and other security components, including tenant restricted access to elevators. Each unit will be equipped with a washer and dryer and have individual balconies. There will be onsite management and administration, interior landscape areas, as well as fitness and community rooms. The community room will be open to neighborhood activities, meetings, and classes and for private tenant uses.

The Project will provide fifty-three (53) tuck-under parking spaces for the residents and long term parking space for one hundred (100) bicycles plus short term parking space for six bicycles.

The Project will comply and certify with Enterprise Green Communities' affordable housing criteria through the use of sustainable building materials and practices.

The property is held by Century 18, LLC which is managed by Ricardo Berdichevsky and Oscar Berdichevsky. The Project has been designed by Alberto Rinkevich who will work with Ricardo Berdichevsky to develop it with MCH Construction Company as the Construction Manager. Quail Court Management, Inc, of which Ricardo Berdichevsky is the president, will lease-out and manage the completed Project.

**Proposed Unit Mix and Affordability:**

| Unit type    | Count     | Sq Footage | Rent w/ utilities | MFI |
|--------------|-----------|------------|-------------------|-----|
| One Bedroom* | 2         | 622        | 781               | 60% |
| One Bedroom  | 36        | 689-818    | 781               | 60% |
| Two Bedroom  | 23        | 862-914    | 937               | 60% |
| <b>Total</b> | <b>61</b> |            |                   |     |

\* Possible live/work units

**Scoring of Public Benefits:**

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

**Affordability** – 100% of units in the Project will be affordable to households earning 60% or less of the area median family income. Financial analysis reveals that rents would need to be increased by roughly \$95 per unit to achieve the same rate of return as is achieved with the tax exemption in place. By exceeding the minimum 20% of affordable units and agreeing to make the whole Project affordable at 60% or less of the area median family income, the Project earned **40 out of 50 possible points.**

**Equity** – The applicant presented 15 letters from both non-profit organizations serving vulnerable communities and tenants from current projects highlighting the positive relationships the applicant has through management of their other projects. In particular, the letters mention how supportive the projects have been to recovering addicts. Maintenance and management staff includes recovering addicts as well as people with prior criminal convictions. The applicant has also committed to strive towards utilizing MWESB registered apprentices for at least 20% of contracts and to following federal Section 3 goals. By pursuing equity goals for the Project beyond the minimum submission requirements, the project earned **25 out of 30 possible points.**

**Accessibility** – The Project will conform to all minimum ADA requirements, but the application did not identify any additional measures being taken to make the Project more accessible to tenants and visitors with disabilities. Therefore, **no points were awarded out 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 Twenty-three (23) two-bedroom units, **no points were awarded out of 10 possible points.**

**Access to Amenities** – The application describes the Project's proximity to schools, childcare, parks, several shopping centers and medical facilities, 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** – The Project's community room will be available to the whole community be reservation. Tenants will have access to the community room where manager led activities will be held, plus a fitness room and a landscaped gathering area. The Project will provide both interior and



exterior gathering space and allow some neighborhood use which earned the Project **7 out of 10 possible points**.

**Special Needs Populations** – No units will be reserved specifically for “at-risk” or “special needs” populations however the letters of support submitted with the application and by following the precedence of other projects under the same management, the Project will continue relationships with community partners to serve populations leaving prison as well as recovering addicts. By committing to continuing relationships to connect jobs and housing to vulnerable populations the Project earned **2 out of 10 possible points**.

**The Project earned a total score of 81 out of 140 points, well above the minimum threshold score of 50.** There were not sufficient applications received to compete for the annual cap of \$1 million estimated foregone revenue and this Project is outside of the cap restrictions due to it being within the Gateway Urban Renewal Area so the Project does not need to be compared to other Projects’ scores.

| <b>Public Benefit</b>     | <b>Points Earned</b> | <b>Possible Points</b> |
|---------------------------|----------------------|------------------------|
| Affordability             | 40                   | 50                     |
| Equity                    | 25                   | 30                     |
| Accessibility             | 0                    | 20                     |
| Family Housing/Location   | 0                    | 10                     |
| Access to Amenities       | 7                    | 10                     |
| Gathering Space           | 7                    | 10                     |
| Special Needs Populations | 2                    | 10                     |
| <b>Total</b>              | <b>81</b>            | <b>140</b>             |

### **Financial Evaluation:**

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

- Scenario 1 - the financial performance of the Project with the tax exemption, and
- Scenario 2 - the financial performance of the Project without 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 with the exemption for the improvements is 4.99%.

In Scenario 2, the Project’s rate of return calculation without the exemption and using the same rental rates is 1.2% over the 10-year evaluation period because of the increased property taxes. The debt coverage ratio is also too low for the proposed debt and would require a higher equity contribution or additional collateral that would further reduce the investor return. Without the additional collateral the investor return is unattractive, so it is uncertain that a project that maintains rents at 60% or less of the area median family income rental levels would be built without the property tax exemption.

In Scenario 3, imputed rents are utilized in order to arrive at the same investor return as Scenario 1 with no tax exemption for the improvements. Rents without the exemption would need to be an average of \$95 a month per unit higher overall, which precludes units affordable at 60% or less of area median family income.

The projected rents must also incorporate room for a utility allowance. In this project, the tenant will pay utilities on the affordable and restricted units, which reduces the net rent that is charged to the tenant.

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.

The initial equity investment will receive a small return during operation but can only be repaid upon sale or refinance, not from available cash flow.

The estimated ten-year value of exempted tax revenue is approximately \$540,540 in today's dollars assuming a 5.0 percent discount rate (selected in consultation with the City's Debt Manager), and 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 Gateway Urban Renewal Area. Staff confirmed with the City's Debt Manager that there are no outstanding long-term bonds with which to comply currently.

**CONDITIONS:**

The Project will be required to carry an extended use agreement, according to the terms of City Code 3.103.070(A) and submit Project financial information annually during the exemption period.

**RECOMMENDATION:**

Staff recommends the approval of a ten-year property tax exemption for the residential portion, including parking, of Hazelwood Plaza to be built by Ricardo Berdichevsky and Alberto Rinkevich (or affiliated entity) to the Portland City Council because the Project meets the minimum threshold and public benefits requirements set forth in Section 3.103 of Portland's City Code.