

ORDINANCE No. 186489

*Authorize a ground lease, construction and permanent financing up to \$4,045,295, and redevelopment rights with REACH Gateway Senior Housing Limited Partnership, redevelopment rights with Glisan Commons Phase I Limited Partnership, and eventual disposition of City-owned property for the final phase of the Glisan Commons redevelopment project (Ordinance)

The City of Portland ordains:

SECTION 1. The Council finds that:

1. On October 24, 2012, through City Ordinance no. 185697, City Council authorized an affordable housing development project upon Portland Housing Bureau owned properties at 9929 NE Glisan Street, 9999 NE Glisan Street and 618 NE 99th Avenue (collectively "PHB Property"). Human Solutions Inc. (HSI), Ride Connection Inc. and REACH Community Development Inc. ("REACH") were the selected Development Team.
2. The project named Glisan Commons proposed to develop 127 units of affordable residential housing units and approximately 16,000 square feet of commercial space in two phases.
3. As part of the Glisan Commons project, the City acquired the HSI owned property at 604 NE 99th Avenue ("HSI Property") because the development of the PHB Property and HSI Property would result in most efficient development. Phase 1 was developed by Glisan Commons Phase 1 Limited Partnership, an entity composed of HSI and its subordinate entity HSI-Glisan Commons LLC. Pursuant to Council delegated authority, the Commissioner in Charge approved the financing for Phase 1 between the City and Glisan Commons Phase 1 Limited Partnership.
4. Phase 1 of the Glisan Common development commenced on or about November 23, 2012. R&H Colas Construction, Inc. ("R&H") was the general contractor employed in Phase 1. The Phase 1 multifamily residential component is currently in lease-up, having obtained a temporary certificate of occupancy. The final certificate of occupancy and certificate of completion for Phase 1 are expected in February 2014. The commercial unit is in the process of being released for its sale to Ride Connections.
5. Although the Phase 1 documents (i.e., ground lease, acquisition agreement, financing agreement) incorporated and acknowledged the Glisan Common development agreement with Glisan Commons Phase 1 Limited Partnership, attached and incorporated hereto as Exhibit A, that development agreement was not formally approved by Council through Ordinance no. 185697. In order to insure there is clarity, the Glisan Commons Phase 1 development agreement is approved, adopted and affirmed.

6. Phase 2 of the Glisan Common development referenced in Ordinance no. 185697 is ready to proceed. REACH will develop Phase 2 through its subordinate entity of REACH Gateway Senior Housing Limited Partnership (“REACH-Gateway”, “Borrower”). Phase 2 will construct the remaining 60 affordable residential housing units of the Glisan Commons project. The majority of the units will serve as affordable housing for seniors. 55 units will be leased to occupants earning approximately 60% or less of area median family income (MFI) and 4 units will be leased to occupants earning approximately 30% or less of MFI. One unit will be unregulated and will serve as the manager’s unit for the Phase 2 senior housing.
7. It is anticipated that R&H will also serve as the general contractor for Phase 2 and would be ready with its subcontractors to proceed with construction in early 2014 once the City and developer executed all necessary documents. It is expected that the construction will comply with BOLI and prevailing wage requirements.
8. The City’s financing for Phase 2 will consist of no more than \$4,045,295, which is comprised of \$880,000 in HOME funding and \$3,165,295 in Tax Increment Financing from the Gateway Urban Renewal Area. The terms of the City’s financing are summarized in Exhibit B and are hereby approved subject to the satisfaction of identified conditions prior to the closing of construction financing and the following:
 - a. Borrower provides copy of executed GMP contract
 - b. Borrower provides executed reciprocal easements between Glisan Commons Phase I and Phase II clarifying parking and common area rights.
 - c. Borrower provides evidence of commitments from non-PHB project funding sources.
 - d. All conditions for the issuance of required permits are met prior to closing.
 - e. Receipt of any outstanding due diligence items required by PHB.
 - f. City Council and City Attorney approval of ground lease and Development Agreement between Borrower and City
9. The agreements and covenants for development of Phase 2 are contained in the development agreement, attached as Exhibit C, between the City and REACH Gateway Senior Housing Limited Partnership.
10. Prior to the commencement of Phase 1, the City had a strong preference in conveying the City owned property versus long term leasing of the land. Upon further discussion, negotiation and consideration including but not limited to development costs, project timing and scheduling, the City concluded that a ground lease for at least the initial tax credit compliance period of fifteen (15) years was prudent. To facilitate the second and final phase of Glisan Commons project, the City and the Phase 2 developer will enter into a ground lease substantially in the form as show in Exhibit D. This Phase 2 ground lease will run coterminous with the ground lease period for Phase 1, which is set to expire on December 31, 2111.
11. It is anticipated that the Phase 1 and Phase 2 developers may seek to acquire the City land at some point after the multifamily project in each phase has completed its respective

initial tax credit compliance period which is anticipated to occur in approximately 2031. The City is agreeable to disposition of the land upon the passage the minimal tax credit compliance period, completion of Glisan Commons project by Phase 1 and Phase 2 developers, and their fulfillment of all obligations and commitments to create affordable housing as summarized, and upon the following conditions:

- Completion of land partition of the property by Phase 2 developer so as to split the land into two separate parcels coinciding with Phase 1 and Phase 2 development prior to the final distribution of City financing on Phase 2;
- Payment of nominal sale price of \$1.00 by each developer for its applicable partitioned City land;
- Phase 1 and Phase 2 developers bearing responsibility for drafting and recording of necessary conveyance documents and seeking review and obtaining approval of the City Attorney's Office;
- Phase 1 and Phase 2 developers bearing all expenses, fees and costs, including any attorney's fee, associated with conveyance so that the City will have no further financial liability for undertaking disposition;
- Phase 1 and Phase 2 developers must notify the City within one year of the initial tax credit compliance period expiration of the intent to purchase its applicable partitioned City land, and execute required conveyance documents no later than six months after notifying the City.

12. Increasing the stock of new available units of affordable residential units is supportive of PHB's core mission. Specifically, this project supports the first of four investment priorities: providing more rental housing for the most vulnerable people. Utilizing PHB owned property in long term ground lease(s) for the Glisan Commons project is prudent and appropriate use of City resources. It is important for PHB to participate and fund this project in order to encourage economic growth in the Gateway District and to promote healthy and affordable housing for low income citizens.
13. In furtherance of the objectives of Oregon Revised Statutes Chapter 457, and Chapter XV of the Charter of the City of Portland, the Portland Development Commission ("PDC"), the City's urban renewal agency, undertook a program for the development and redevelopment of blighted areas within the city limits and prepared and approved an Urban Renewal Plan for the Gateway Regional Center Urban Renewal Area, which was approved by the Portland City Council on June 21, 2001 (the "Urban Renewal Plan") through Ordinance No. 175669 and recorded in the real property records of Multnomah County, Oregon. The City land involved in the Glisan Commons project had been acquired pursuant to the above urban renewal purposes and may be subject to disposition as necessary for urban renewal purposes.
14. In addition to other covenants and as noted above, a condition of the City's financing for Phase 2 is for the developer to obtain financial participation from other public and private sources. Among those proposed sources, Bank of America as lender and its affiliated equity investor will provide a senior construction loan in an estimated amount of \$7 million and tax credit equity of approximately \$8.6 million, with Network for Oregon

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Affordable Housing (NOAH) providing a permanent loan in the expected amount of \$1.34 million.

NOW, THEREFORE, the Council directs:

- a. In accordance with the findings set forth above, Phase 1 development agreement between the City and Glisan Commons Phase 1 Limited Partnership, Exhibit A, is hereby approved, adopted and affirmed.
- b. In accordance with the findings set forth above and upon approval as to form of the Project's documents by the City Attorney's Office, the Phase 2 development agreement between the City and REACH Gateway Senior Housing Limited Partnership is approved and the Director of PHB is authorized to execute it in the form substantially in conformance with Exhibit C.
- c. In accordance with the findings set forth above and upon approval as to form of the Project's documents by the City Attorney's Office, the Director of PHB is authorized to execute a ground lease with terms and provisions satisfactory to the City with REACH Gateway Senior Housing Limited Partnership for the portion of the PHB Property where Phase 2 will be constructed, and in the form substantially in conformance with Exhibit D.
- d. So long as the amount of the City's financing described in paragraph 1 above is not increased, the Director of PHB is authorized approve and execute other Phase 2 project documents, including associated amendments, financing instruments, regulatory agreements, loan documents, and such other documents in form and substance as may be required to complete the Phase 2 project and its financing as outlined and approved by this Ordinance, with all documents subject to the approval as to form by the City Attorney's Office.
- e. The Mayor and Auditor are hereby authorized to draw and deliver checks chargeable to the PHB budget when demand is presented and approved by the proper authority up to the amount of \$4,045,295.

SECTION 2. The Council declares that an emergency exists because a delay in the City's acquisition and execution of the ground lease would impair the ability of participants in the Glisan Commons project to adhere to the timeline required by other financing sources and would delay the creation of affordable rental homes and the creation of construction jobs; therefore, this ordinance shall be in full force and effective from and after its passage.

Passed by the Council: MAR 12 2014
Commissioner: Dan Saltzman
Prepared by: Siobain Beddow
Date Prepared: February 26, 2014

LaVonne Griffin-Valade
Auditor of the City of Portland

By  Deputy

Agenda No. **186489**
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 Title

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<p style="text-align: center;">INTRODUCED BY Commissioner/Auditor: Dan Saltzman</p>	<p>CLERK USE: DATE FILED <u>MAR 07 2014</u></p>
<p style="text-align: center;">COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - <i>Dan Saltzman</i></p> <p>Position 4/Safety - Novick</p>	<p style="text-align: center;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p>
<p style="text-align: center;">BUREAU APPROVAL</p> <p>Bureau: Portland Housing Bureau Bureau Head: <i>Traci Manning</i></p> <p>Prepared by: <i>Stobain Beddow</i> Date Prepared: February 26, 2014</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>City Auditor Office Approval: N/A</p> <p>City Attorney Approval: <i>GF</i></p>	<p>ACTION TAKEN:</p>
<p>Council Meeting Date March 12, 2014</p>	

AGENDA

TIME CERTAIN
 Start time: _____

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

CONSENT

REGULAR
Total amount of time needed: 10 minutes
 (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. Novick	4. Novick	✓	
Hales	Hales	✓	