

**Exhibit A**  
**Legal Description of the Property**

**PARCEL I:**

Lots 4, 5 and the East 10 feet of Lot 6, Block 19, Couch's Addition to the City of Portland, in the City of Portland, County of Multnomah and the State of Oregon; EXCEPT the East 5 feet of said Lots 4 and 5 taken for the widening of N.W. Second Avenue.

**PARCEL II:**

Lot 3, Block 19, Couch's Addition to the City of Portland, in the City of Portland, County of Multnomah and State of Oregon; EXCEPT the West 5 feet taken for the widening of N.W. 3<sup>rd</sup> Avenue.



PORTLAND HOUSING BUREAU  
INTERNAL MEMORANDUM

**DATE:** June 23, 2014

**TO:** PHB Housing Investment Committee

**FROM:** John Marshall

**SUBJECT:** New construction of 62 housing units with 52 units as affordable workforce, ten as market rate workforce, and 1,945 square feet of tenant community space at the Erickson Fritz Apartments. The project is located at 9 NW Second Avenue and 4 NW Third Avenue near Burnside in the Oldtown/Chinatown neighborhood in the River District Urban Renewal Area.

**ACTION REQUESTED:**

1. Approve new Construction/Permanent funding up to \$6,339,093 to Innovative Housing Inc. ("IHI") or affiliate to build the 62 unit housing project with 52 affordable rental units and 1,945 square feet of tenant community space;
2. PHB funds are structured as a Cash Flow Share Note using FY 2014-2015 and FY 2015-2016 River District tax increment funds;
3. Delegate Assistant Director authority to approve modifications which do not require additional funding; and
4. Authorize the PHB Director to execute the PHB funding/regulatory documents.

**Executive Summary:**

IHI submitted an application to the Portland Housing Bureau ("PHB") for River District tax increment funding in the Fall 2012 PHB Affordable Rental Housing NOFA. They proposed the adaptive reuse of two vacant commercial buildings. The development called the Erickson Fritz Apartments (the "Project") creates workforce housing with 52 units being affordable, ten units at market rate, and tenant community space. PHB issued a Reservation of Funds for \$6,339,093 of River District funds on January 29, 2014 subject to its due diligence and financial structuring. The Project's cost has been bid out and finalized. IHI has negotiated a funding structure with a low income housing/historic tax credit equity investor, state funding agency, private construction lender, conventional permanent lender, and PHB. Funding approval is expected in the fourth week of June by the construction and permanent lenders, mid-July by the equity investor, and Oregon Housing and Community Services (OHCS) is targeted for Housing Council approval on August 1st. The construction funding closing is scheduled for August 15, 2014.

PHB's funding of up to \$6,339,093 will provide the financing gap for this much needed development with a 1.7-1 leverage of directly invested City funds. This Project provides program income with the payoff of the \$444,391 predevelopment loan at the closing of the construction financing. While City funded affordable housing projects have included market rate housing in

the past, this is the first since 2006. It also preserves the Erickson Saloon, a valuable piece of Portland's turn of the century history that is listed on the national historic register. IHI has invested more than \$2 million of its own funds to acquire the property and will leave \$1 million of this on deposit at Wells Fargo National Bank (Wells Fargo) during the construction period in case the general contractor is replaced. The development is a larger scale version of IHI's Modern Rich Hotel located half a block away at NW Second and Couch. This privately financed historical renovation was a partial seismic upgrade completed in September 2012. It has 34 units of market rate housing and 4,300 square feet of ground floor retail. The Erickson Fritz is using Silco Commercial Construction, Inc. (Silco), the general contractor, that rehabilitated The Modern Rich Hotel. They are a market focused general contractor that is being re-introduced to City diversity requirements. IHI is currently projecting a 39% MWESB rate, substantially above the City 20% guidelines.

The Erickson Fritz implements PHB's new underwriting guidelines. The final approval level for the Project is City Council because the funding amount is above PHB's Housing Investment Committee/Housing Commissioner's approval authority. The target date for City Council is July 16, 2014. It is recommended that the PHB Director be authorized to execute the funding documents in case the Mayor cannot be reached on a timely basis to prevent delays at closing.

#### **Project Description:**

IHI's proposed Project will redevelop two vacant commercial structures in Old Town/Chinatown into a 62 – unit workforce/market rate housing development. The Project site is located in the River District URA with the Erickson (43 units) at 9 NW 2<sup>nd</sup> Avenue and the Fritz (19 units) at 4 NW 3<sup>rd</sup> Avenue. (See Exhibit A for location) The three-story plus basement unreinforced masonry buildings were constructed in 1912 and are connected mid-block sharing systems and infrastructure while maintaining two distinct facades. The Project will be a historic renovation of the legendary Erickson Saloon that had a 684 foot bar, 50 bartenders, and 50 cent beers. The design includes punching the existing light wells through to the ground floor and day lighting the open area that once housed the Saloon's bar to create four interior courtyards that will fully seismically reinforce the building, provide space for the residents, and bring additional light into the interior portion of the buildings. The new atriums will be covered by large clear glass skylights, and will also include louvers that open the space to the outside air. The apartments will wrap around the courtyards and light wells to maximize living space. The Project will have an elevator in the Erickson Building, lobby, resident service space, manager's office, tenant storage for each unit in the basement, and 1.5 free bicycle spaces per unit.

The proposed Project will have 52,561 gross SF with 1,945 square feet of tenant community space. It will have 39 studio units and 23 one-bedroom units. All units will have a bathroom, a full kitchen area with appliances, range, refrigerator, window coverings, and hardwood floors. Eighty four per cent of the units (52) are for households under 60% of area median income with 2 at 30%, 30 at 50% MFI, and 20 at 60% MFI. Ten units are unrestricted market rate. All of the historic tax credit equity is allocated toward the cost of the market rate units.

The apartments will be all new construction within the shells of the old buildings. The Project will be built to Earth Advantage Gold standards and comply with Portland Housing Bureau requirements for sustainability and energy efficiency.

Oldtown/Chinatown is projected to have a major influx of employment opportunities that are referenced in a recent Portland Tribune article highlighting hundreds of new jobs being created. This includes the opening of the Northwest College of Arts new campus in January 2015 (240 faculty positions), Airbnb opening its regional office next to the University of Oregon satellite campus (160 jobs), a new Health Department headquarters next to the Bud Clark Commons (200 jobs), and three hotels under renovation or planned in the area. (Portland Tribune, May 29, 2014, Exhibit B). The Project is located close to public services and transportation including nine bus lines and two MAX light rail lines within walking distance. In addition, there is convenient access to employment training (a CCC job center is across the street) and many social service agencies that will be available for the expected tenant population. (IHI believes the tenant population will be similar (primarily 30-40% MFI) to other LIHTC projects in their portfolio (e.g. the recently opened Magnolia has 20 tenants with 0-30% MFI incomes although there are 3 units restricted at 30% MFI and only 5 tenants with 50%-60% MFI incomes although 28 units are restricted at 60% MFI).

#### Unit Mix and Affordability:

Eighty-four per cent of the units will remain affordable for sixty years. The unit breakdown and the MFI to be served are listed below.

Unit Type	% MFI	# of Units	Average Unit Size (square feet)	Anticipated Unit Net Monthly Revenue
Studio	30%	2	302	\$317
Studio	50%	24	342	\$560
Studio	60%	7	372	\$682
Studio	Unrestricted	6	421	\$899
One Bedroom	50%	6	360	\$589
One Bedroom	60%	13	478	\$719
One Bedroom	Unrestricted	4	609	\$995
Total	<b>2 @ 30%, 30 @ 50%, 20 @ 60%, 10 @ unrestricted</b>	62		

#### Public Benefits Addressed:

The Project meets several of the City's goals for housing development:

1. Provide stable affordable housing for households with the greatest need;
2. The Project is expected to exceed the PHB business equity goals;
3. The Project will utilize "green building" features to increase livability including meeting Earth Advantage Gold standards;
4. The Project preserves two 102 year old buildings including a historic landmark;
5. The Project recycles program income for PHB. At construction closing PHB's \$444,391 predevelopment loan is repaid and there will be future cash flow payments that can be used for future housing needs.
6. A market focused general contractor is gaining experience in implementing the City diversity goals.

**Predevelopment Loan:**

There is a \$444,391 predevelopment loan from PHB that will be paid off at closing of the construction financing.

**Prevailing Wages:**

PHB has received confirmation from the Oregon Bureau of Labor and Industry that prevailing wages do not apply to the Project because the development qualifies as affordable housing. Davis Bacon wages do not apply because the Project does not utilize federal funding.

**Federal Compliance:**

Because federal funds are not proposed, federal compliance issues do not apply.

**Construction Costs:**

Hard construction costs total \$9,678,146 which is \$184/sf or approximately \$156,099 per unit. This is a lower cost per unit than the \$192,473 unadjusted per unit cost of the residential portion of the Crane historic rehab in 2006 that included a full seismic upgrade. It is also lower than new construction costs in the downtown area. The hard costs also include non-standard features such as full seismic upgrade, Earth Advantage Gold, low flow toilets, storm windows, custom skylights, MWESB solicitation, Workforce Training, and urban staging because of the downtown location. These add a total of \$1,714,326 or \$31.61 per sf or \$27,650 per unit.

The Project has a 9% (\$817,747) hard cost contingency. An additional PHB Special Hard Cost Contingency described in the Cost Saving terms on page 8 adds \$255,331 of hard cost contingency for a total of 12% hard cost contingency. These are needed for the renovation of two 102 year old unreinforced masonry construction buildings that are undergoing full seismic upgrades and change in use from a former night club and hotel/office building to rental housing.

**Project Development Schedule:**

Early Start - Site Staging/Demolition/Excavation	Week of June 23, 2014
Construction Financing Closing	August 15, 2014
Start of Project Rehab	August 15, 2014
Completion of Construction: Fritz Building	Feb 2016
Completion of Construction: Erickson Building	June 2016
Lease-up Completed: Fritz Building	March 2016
Lease-up Completed: Erickson Building	August 2016
Partial Release of PHB Holdback	August-October 2016
Conversion to Permanent Funding	December 2016
Final Payment of Developer Fee	January 2017/ Approval of 8609/Final Receipt of Historic Tax Credits

**Environmental Issues:**

EVREN Northwest, Inc. performed a Phase 1 Environmental Site Assessment of the Fritz Building as of December 5, 2013. The report stated "...there was no physical evidence of any, surface spillage, discharges, or emissions of toxic or regulated substances noted on site in any of the exterior or interior areas, at the time of the site reconnaissance. There was no physical evidence of hazardous substances, odors, dead, dying or distressed vegetation, soil discoloration,

or other visible indications or impairment by foreign hazardous substances noted at the property. An underground heating oil tank was decommissioned at the site in 2004 and ODEQ has closed its file on the case. A heating oil tank release has been reported on the adjoining property to the north that has not been granted closure by the DEQ. Numerous historical cleaners have operated within close proximity to the subject property and the presence of historical dry cleaners in close proximity to the subject property poses unqualified risk of migration of solvent in soil, ground water, and/or vapor onto the subject property. EVREN Northwest, Inc. recommends completion of a sub-slab vapor intrusion assessment to quantify the potential risk posed by the “open” heating oil tank release on the adjoining property and the presence of historical cleaners in close proximity of the subject property. The sub-slab vapor investigation should include collection of the results representative vapor samples, laboratory analysis, and evaluation of the results relative to risk – based concentrations established by the DEQ.”

EVREN Northwest, Inc. performed a Phase 1 Environmental Site Assessment of the Erickson Building as of December 5, 2013. The report stated “...there was no physical evidence of any, surface spillage, discharges, or emissions of toxic or regulated substances noted on site in any of the exterior or interior areas, at the time of the site reconnaissance. There was no physical evidence of hazardous substances, odors, dead, dying or distressed vegetation, soil discoloration, or other visible indications or impairment by foreign hazardous substances noted at the property. An underground heating oil tank was decommissioned at the site in early 2008. Soils taken from underneath the tank at the time of the decommissioning were non detect for petroleum hydrocarbons and thus no impacts to soil were found. Numerous historical cleaners have operated within close proximity to the subject property and the subject site is listed in the EDR Historical Cleaners database as Number Nine Cleaning and Laundry with an address of 9 NW 2<sup>nd</sup> Avenue. The presence of historical dry cleaners in close proximity to the subject property poses unqualified risk of migration of solvent in soil, ground water, and/or vapor onto the subject property. EVREN Northwest, Inc. recommends completion of a sub-slab vapor intrusion assessment to quantify the potential risk posed by the “open” heating oil tank release on the adjoining property and the presence of historical cleaners in close proximity of the subject property. The sub-slab vapor investigation should include collection the results representative vapor samples, laboratory analysis, and evaluation of the results relative to risk – based concentrations established by the DEQ.”

The asbestos testing found 40% Chrysotile in the Erickson Building flooring, in the HVAC closet by the men’s bathroom, and in the roof paint of the Fritz Building.

The lead testing found lead in the third floor window sill in the west side, second floor exterior window sill, and exterior with paint in the upper storefront of the Erickson Building.

The development budget allocates \$96,000 for hazardous waste removal.

The site is within a 500 year flood plain.

**MWESB:**

PHB policy requires 20% MWESB participation based on the total investment for hard costs. Information from the selected bids indicates a 39% MWESB participation rate although the final rate may change during construction. Note, IHI achieved a 44%% MWESB participation rate in

The Magnolia, a 50 unit LIHTC project, located in inner northeast Portland completed in the summer of 2013.

**DEVELOPMENT TEAM:**

- *Owner*- Erickson Housing Limited Partnership will be the owner of the property. Innovative Erickson LLC will be the general partner of the limited partnership. IHI will be the sole member of the LLC. IHI has acquired, developed and/or preserved 920 affordable units and 93 condominiums in mixed income homeownership projects throughout the Portland area. In the last eight years they have developed or preserved 555 housing units including Bridgeview Apartments, Musolf Manor, The Clifford Apartments, Broadway Vantage Apartments, Kinnaman Townhomes, Hewitt Place Townhomes, the Whitmarsh Building, the Modern Rich Apartments, and The Magnolia. IHI manages 11 limited partnerships/LLCs that own and operate 1,194 affordable rental units and own an additional 358 units directly or through a single member LLC.
- Financial Consultant: N/A. IHI staff.
- General Contractor: Silco Commercial Construction, Inc. completed The Modern Rich, a historic preservation renovation of a vacant unreinforced two-story building half a block away in September 2012 for IHI. In the early 90s Silco rehabbed affordable housing projects for REACH, CCC- the Butte, Home Forward, Cascadia and was a subcontractor on The Grand Oaks, Royal Palm, Golden West, and Taft Hotel.
- Construction Manager: Julie Garver – IHI Construction Manager with 26 years of construction oversight including managing new construction mixed use projects such as The Modern Rich (34 units) a historic rehab with seismic upgrades, The Magnolia (50 units of new construction), Broadway Vantage (58 units of new construction), Musolf Manor rehab (95 units), Hewitt Place Townhomes rehab (44 units); Bridgeview rehab (16 units), and The Clifford rehab (88 units).
- Architect for Erickson Saloon: LRS Architecture was the architect on successful PHB projects such as Martha Washington – historic rehab (108 units), Broadway Vantage (58 units), and Hewitt Place Townhomes (44 units).
- Architect for Fritz Building: ORANGEWALLstudios was the architect for The Modern Rich historic rehab completed in 2012.
- Engineer: Froelich Structural Engineers
- MEP Engineer: Hunter Davisson
- Attorney: Bateman, Seidel, Minor, Blomgren - Doug Blomgren
- Tax Accountant: Loveridge Hunt CPA- Max Hunt
- Historic Tax Credit Advisor: Heritage Consulting Group
- Property Management: Income Property Management
- 

**Property Tax Exemption:**

The majority of the Project qualifies for the affordable housing exemption under Section 3.101 of the Portland City Code because it serves residents under 60% MFI and it will have nonprofit ownership.

**Financial Structure:**

PHB will lend up to \$6,339,093 of new funding to IHI for the acquisition/new construction of the Project in the form of a Cash Flow Share Note. IHI, sole member of the general partner, Innovative Erickson LLC of the limited partnership, will lend the same funds to Erickson Housing Limited Partnership that is developing and will be the owner of the property as a sponsor loan. The PHB Promissory Note, Loan Agreement, and UCC will be between PHB and IHI. The Regulatory Agreement, PHB Operating Reserve Agreement, and Replacement Reserve Agreement will be between PHB and Erickson Housing Limited Partnership, the limited partnership that owns the property.

Oregon Housing and Community Services (OHCS) is funding 4% LIHTC's, tax exempt bonds, \$1,675,000 of Oregon Affordable Housing Tax Credits (OAHTC's) that reduce debt service by 4%. Wells Fargo National Bank (Wells Fargo) is the purchaser of the tax exempt bonds issued by OHCS. It will fund a construction loan up to \$8,600,000 with an eighteen month term and two three month extensions at the one month LIBOR rate + 180 basis points. Network for Oregon Affordable Housing (NOAH) is funding a \$2,500,000 permanent loan utilizing the OAHTCs to create a blended interest rate of 3.44% for 20 years. The LIHTC and historic tax credit syndicator/equity investor is Raymond James. IHI is deferring \$999,000 of the \$1,875,000 developer fee. The City is providing \$472,306 (rounded) of SDC exemptions for the 52 affordable housing units.

**Construction/Permanent Financing**

- Up to \$8,600,000 of 4% bonds issued by OHCS purchased by Wells Fargo that will be used for construction financing and paid off by the permanent financing from NOAH, LIHTC and historic tax credit equity, and PHB at conversion to permanent financing.
- \$2,500,000 of conventional senior debt from NOAH with \$1,675,000 of OAHTCs that provide a 4% reduction in debt service for 20 years.
- Up to \$6,339,093 of PHB financing as a Cash Flow Share Loan the terms of which are described in the PHB Loan Structure section.
- \$3,988,818 of LIHTC equity from Raymond James, 15% at closing, 45% completion of construction, 35% at achievement of stabilized operations, 5% upon receipt of the approved form 8609.
- \$2,480,822 of Historic Tax credit equity from Raymond James 15% at closing, 45% completion of construction, 35% at achievement of stabilized operations, 5% upon receipt of the approved form 8609.
- \$15,000 Energy Trust Rebate
- \$999,000 Deferred Developer Fee from IHI
- Up to \$8,600,000 Construction Loan from Wells Fargo
- \$472,306 (rounded) of SDC Exemptions from the City of Portland for the affordable units under 60% MFI.



- Construction Loan – Up to \$8,600,000 from Wells Bank, with a rate of one month LIBOR + 180 basis points with an eighteen month term and two three month extensions provided the loan is in good standing.
- First Mortgage - \$2,500,000 from NOAH with a blended rate 3.44% fixed for 20 years with annual debt service of \$133,649 and a 30 year amortization.
- PHB Financing – not to exceed \$6,339,093 as a subordinate Cash Flow Share Loan.

#### PHB Structure –Cash Flow Share Loan

Borrower	Innovative Housing Inc. or affiliate
Funding Amount	Up to \$6,339,093 of River District tax increment funding
Interest Rate	0% during Rehabilitation Period: 0% during Permanent Period
Term	Rehabilitation Period: = 18 months with an additional two three month extensions so long as the loan is in good standing.
	Permanent Term: 30 Years after conversion of Permanent Period
Repayment:	50% of Excess Cash Flow
Priority Payments (ahead of Cash flow Split)	<ol style="list-style-type: none"> <li>1. Investor Services Fees</li> <li>2. Deferred Developer Fee</li> <li>3. PHB Optional Operating Reserve at \$250 per unit per year until a maximum of \$1,000 per unit is accumulated with borrower able to select the PHB Operating period each year it may be taken</li> <li>4. See below for greater details</li> </ol>
Collateral	Assignment of Subordinated Trust Deed that will be second in recording behind the Construction Lender - Wells Fargo and the Permanent Lender – NOAH. The PHB loan to IHI will be lent to the limited partnership as a sponsor loan.
Guarantors:	N/A
Cost Savings:	<p>Standard for \$6,083,762 at the following terms = 75% to Sponsor 25% to PHB for Hard Cost Items; 100% to PHB for Soft Costs.</p> <p>Special Hard Cost Contingency funded by the difference between \$6,339,093 reserved by PHB and \$6,083,762 the gap proposed in the IHI development budget, currently \$255,331. This amount will be held outside of the Project budget by PHB. If the Project exhausts the project hard cost contingency, PHB may disburse a portion or all of PHB's Special Hard Cost Contingency in its sole discretion. Any of PHB's Special Hard Cost Contingency that is remaining upon completion of the project shall be retained 100% by PHB and not subject to the standard cost savings provisions.</p>

**Cash Flow Payment:** Borrower shall pay to Lender a Cash Flow Payment as follows: During the Permanent Period PHB will receive 50% of Excess Cash Flow after the following Priority Payments:

1. Years 1 through 15: Investor Services Fee of \$5,000 escalating at 3% per year, may accrue.
2. Years 1 through 15, unpaid credit adjusters, (investor requirement)
3. Years 1 through 15, repayment of any Partner Loan made for Excess Project Costs Development Costs, Operating Deficit Guaranty, Tax Credit Guaranty, (investor requirement)
4. Years 1 through 15, replenish operating reserves, if needed (investor requirement)
5. Deferred Developer Fee Cash payments from project operations until the Deferred Developer Fee is fully repaid. Capital contributions to the limited partnership from IHI that are subsequently used to fund payments of the developer fee are excluded. (investor requirement)
6. Optional PHB Operating Reserve up to \$250 per unit per year until a maximum of \$1,000 per unit is accumulated that can be replenished in the future.

**Repayment to PHB is next and is called the Second Permanent Loan in the Borrower's limited partnership agreement.**

**The following payments are non-priority and paid from the borrower's share of the Excess Cash Flow split.**

7. Years 1 through 15, payment of amounts due with respect to any Operating Deficit Loan(s) or Partners Loan made by a General Partner until such Loan(s) is repaid (investor requirement)
8. Years 1 through 15, payment of the \$15,000 Sponsor Loans (investor requirement)
9. Years 1 through 15, payment to the General Partner for any unpaid and accrued Partnership Management Fee (investor requirement)
10. Years 1 through 15, Finally any remaining amount to the Partners in accordance with their respective Percentage Interests (investor requirement)

Note, the IHI Asset Management Fee in the Income and Expense Pro Forma starting at \$18,600 per year and escalating at 3% is included in the PHB definition of operating expenses.

**DISBURSEMENTS:** The PHB funding will be on a disbursement basis. PHB's funding will be \$0 at closing. The remainder will be disbursed on a draw basis during construction and Project closeout. An estimated \$3,176,985 is projected to be disbursed in FY 2014-15 and \$3,162,108 is projected in FY 2015-16.

**CHANGE ORDERS:** Change orders are \$5,000 per occurrence and \$25,000 cumulative.

**PHB HOLDBACK:** The 10% hold back may be partially/fully released at the completion of construction to the extent permitted by a preliminary cost saving analysis based upon the actual Project cost and a projection of the future costs and future funding sources.

**DEVELOPER FEE:** The total developer fee is \$1,875,000. The capitalized IHI developer fee (currently forecast at \$876,000) is 5.87%, of the total development cost less developer fee, which is within the current PHB guidelines for a project of this size (6-9%). The deferred developer fee is \$999,000. The developer fee will be paid from available cash flow subject to conditions appearing in the limited partnership agreement that is more conservative than the standard PHB developer fee release, so the developer fee is an additional project contingency. The limited partnership agreement states the developer fee is paid as funds are available with \$200,000 at closing, approximately \$200,000 at construction completion or C/O, approximately \$1,090,000 at stabilized operations, and approximately \$385,000 at the time the equity investor makes its final equity distribution. Payment of PHB funds for the developer fee shall be upon satisfactory PHB project closeout. The deferred developer fee for purposes of the Cash Flow calculation shall be defined as the total developer fee less the amount paid from the capitalized development budget, amount paid from project cost savings, and cash from operations\other funding sources. IHI capital contributions to the limited partnership that are subsequently used to fund payments of the deferred developer fee are excluded from reducing the deferred developer fee balance.

This is needed because the audited financial statements for the Project will show cash payments from operations and the additional capital contributions from IHI satisfying the full repayment of the deferred developer fee within the standard 12 year time frame. In actuality if the Project performs as projected in the 30 year cash flow IHI will have received less than half of the actual developer fee in cash. Thus, PHB should consider the cash payments from operations as illustrated in the 30 year cash flow in its analysis of the repayment of the deferred developer fee.

**SPONSOR EQUITY:** IHI is contributing \$472,305.60 rounded to \$472,306 in SDC exemptions, a \$999,000 deferred developer fee, and \$15,000 of Energy Rebates. This equates to a nearly 10.1% equity contribution, which greatly exceeds PHB's 2% threshold for sponsor contributions. IHI is also depositing \$1,000,000 in a bank account at Wells Fargo during construction that is outside of the Project budget. (see Specific Risk #4 on page 12 for details).

**REPLACEMENT RESERVES:** Replacement reserves start at an initial deposit of \$91,000 and annual deposits start at \$21,150 per year and escalate at 3% annually.

**Market Analysis:**

According the Novogradic & Company appraisal, both the affordable and conventional rental markets are stable with very high occupancy rates (LIHTC vacancy is .04%) and the conventional downtown market is 1.5%, Novogradic predicts the Project absorption rate will be between the Magnolia which leased 50 units in a month and the Modern Rich which leased 34 units in two months, creating an absorption rate of 20-25 per month. The Project should reach stabilized occupancy within three months.

The projected rents at the Erickson Fritz are very affordable at \$515 per unit below market rents on the 30% MFI studios, \$288 below market rents on the 50% MFI studios, \$183 below market rents on the 60% MFI studios, at market on the market rate studios, \$313 below market rents on

the 50% MFI one - bedroom, \$233 below market rents on the 60% MFI one -bedroom, and \$12 below market on the one bedroom market rate units. The Project's restricted units offer a significant rate advantage compared to market rents (61.8% to 21.3%) and the market rate units are in line with current market rate units that has a significant undersupply. The subject is superior in terms of in unit, common area amenities, and unit sizes compared to the closest market rate project, The Modern Rich. The market rents are similar to rents being charged at The Yards at Union Station and well below those charged at luxury properties in the River District. The Project rents are at the maximum HUD allowable rents.

The pro forma also uses the full utility allowance deductions in an Earth Advantage Gold building with energy star appliances. This is very conservative and it is recommended that IHI evaluate the utility savings to potentially reduce the utility allowance reduction to achieve a higher net rent for the Project. This conservative approach achieves the City's and sponsor's objectives of providing affordable rents for the most needy and enhances high occupancy rates. However, there is a reduction in revenue.

### **Operating Analysis:**

The revenue is increased at 2% annually. A 5% vacancy (physical and economic) rate is used, which is standard for affordable housing, although affordable housing has operated at a 98-99% occupancy rate for more than seven years.

The operating expenses are based upon the operations of IHI's portfolio and utilize the recent Modern Rich historic rehab a half block away. The combined property management, on site expenses, administration, and asset management expenses are 22.39% of the Project's operating expenses and are within the newly established 40% maximum threshold of PHB's current underwriting guidelines. The Project has Resident Services allocated at \$242 per unit to provide new tenant orientation, information and resource referrals, eviction prevention, tenant education, healthcare and housing, and an emergency fund for the anticipated tenant population that is expected to be primarily in the 0-30-40% MFI range even though the unit rents will be rented at a much higher MFI range. This leads to high rent burdens and greater need for additional services. The resident service expense is actually less than IHI's expected actual costs (explained in greater detail in Exhibit F) because they expect the tenant population is likely to be influenced by the proximity to the city's high level of services in the Oldtown neighborhood. The total operating expenses including \$341 per unit for replacement reserves are \$4,849 per unit, which is comparable to other stabilized operations in rehabilitated units. The Project's operating expenses are increased at 3% annually.

The terms of repayment to PHB, are 50% of Excess Cash Flow after priority payments (Investor Services Fee, Deferred Developer Fee, and PHB Operating Reserve at \$250 per unit per year until a cumulative \$1,000 per unit is reached). The PHB Operating Reserve replaces the annual cash cushion used by PHB in the past.

Utilizing the operating expenses produces a senior loan Debt Service Coverage (DCR) ratio of 1.32 in the first year of the pro forma on the must pay debt senior debt. It improves to 1.35 in the 20<sup>th</sup> year when the senior loan matures so refinancing should be achievable. Both DCRs are better than the current underwriting guidelines which are 1.25 in the first year and 1.15 in year 10.

**LOAN TO VALUE:**

Rebecca S. Arthur, MAI, and Rachel B. Denton of Novogradic & Company prepared the most recent appraisal as of June 4, 2014. The appraisal established an "As-Is Rent Restricted with Low Income Housing Tax Credits and Historic Tax Credits" Value at Stabilization of \$10,230,000.

Erickson Fritz	Value	Loan	% LTV
Appraised Value Rent Restricted With LIHTC and Historic Tax Credit Stabilized Value	\$10,230,000		
NOAH 1 <sup>st</sup> Mortgage		\$2,500,000	24%
PHB Subordinate Loan		\$6,339,093	62%
1 <sup>st</sup> + PHB		\$8,839,093	86%

\*Without the value of the LIHTC and Historic tax credits the stabilized rent restricted value is \$2,760,000, which produces a 91% LTV for the senior loan, 230% LTV for the PHB loan, and 321% LTV for the combined senior loan and PHB loan.

**Reserves:**

- Hard cost contingency is \$817,747 in the Project budget plus \$255,331 of PHB Special Hard Cost Contingency for a combined 12% of construction costs.
- Soft cost contingency is \$185,560 (4% of total soft costs).
- Replacement reserves initial deposit of \$91,000 (\$1,468 per unit).
- Operating reserve is funded at \$207,839 (6 months of operating expenses and debt service).
- \$20,000 Lease up reserve

**Specific Risks:**

- Construction risk- careful construction monitoring will manage the budget.
- The potential environmental hazards are mitigated by \$96,000 line item in the budget.
- IHI is developing two new construction projects at the same time both of which will be managed by Julie Garver, The second project is a 54 unit of family housing project funded by 9% LIHTCs/OAHTCs/GHAP and Gap funding from the city of Albany. That project is scheduled to close in mid -July and be completed by May 2016. IHI has hired additional staff including a new Project Coordinator, an architect - David West that will assist IHI's current project manager. They have also hired Carolyn O'Doherty, a former Housing Development Center underwriter/project manager, to assist in the documentation side/draws for both projects as well as future underwriting.
- In order to keep the project hard cost on budget when the original general contractor for the Erickson Building estimated a \$1.1 million cost escalation for 71% of the project, IHI replaced that general contractor. The replacement is Silco, a smaller general contractor that completed a similarly programed seismic upgrade/historic renovation on a 34 unit unreinforced masonry building half a block from the Erickson Fritz. Silco also was the general contractor selected for the smaller Fritz Building (29%) of the project. The current Guaranteed Maximum Price contract is very close to Silco's earlier project estimate. A performance bond from Silco will be required by Wells Fargo and also name PHB as an insured party. It is recommended that the \$255,331 PHB Special Hard Cost

Contingency be approved to cover potential cost increases because the overall Project hard cost contingency has been limited to an artificially low level for the type of risk inherent by OHCS's underwriting policy of a 10% maximum hard cost contingency without regard to complexity, type of construction, or project distinguishing features. In addition, IHI is pledging a \$1 million deposit in a Wells Fargo account during construction in case Silco has to be replaced. PHB will receive a copy of the terms of the Wells Fargo bank deposit.

- IHI also plans an early start approximately six weeks before the scheduled closing for staging/demolition/excavation/pouring of the foundation to complete the roof on both buildings before the rainy season starts. The early start is being initiated because OHCS timeline for the closing is the third week of August, although the other funders will be able to close by mid July. The early start has a separate general contract and a budget estimated to be around \$300,000 that is being funded by the construction lender and the historic tax credit investor. There is some risk in the early start because some of the subcontractors that must provide workforce training have not submitted work plans or become registered training agents. If there is noncompliance with the workforce training requirements at the end of the Project, the City's Bureau of Procurement can impose penalties of \$250 per day against the owner of the property. IHI has stated they will replace subcontractors if they do not submit satisfactory workforce training plans or cannot become registered within a satisfactory time frame which may impact the MWESB participation rate and the Project cost.
- The Project has market rate workforce housing in Oldtown/Chinatown, an area that has primarily housed subsidized /affordable residents. The area is beginning a dramatic change from an entertainment area with service enriched affordable housing to a pioneering area that is projected to undergo major employment and housing growth. Evidence of the change is the nearby market rate Modern Rich Apartments that reached full occupancy very quickly in two months.

**General Risks\Mitigating Factors:**

- Staff believes the development budget as currently presented is adequate.
- The hard cost budget contains \$817,747 hard cost contingency plus a PHB \$255,331 Special Hard Cost Contingency and Wells Fargo has requested an additional \$1,000,000 deposit by IHI outside of the development budget in case the general contractor has to be replaced during construction of the Project.
- Careful construction monitoring by PHB staff will help mitigate the risk of increased costs during the construction period.
- IHI has completed eight successful new construction/rehabs during the last eight years.
- The cash portion of Developer Fee is funded according to the limited partnership agreement and is more conservative than the standard payment terms from PHB. This makes the unpaid developer fee a potential source of funding during construction.
- The budget contains \$185,560 or 4% of soft cost contingency.
- The revenue for the Project is conservatively underwritten. Operating expense costs are in line with other projects of this type. IHI has a good track record managing the services needed at this Project.

**Conditions for Closing:**

- Payoff of predevelopment loan at closing.
- Borrower will obtain and submit commitment letters from the other funders equal to or better than the terms of this loan committee approval since the other funders will approve their financing terms after the PHB approval.
- The Borrower must provide all requested due diligence documentation including but not limited to final budgets, and final plans and specification prior to closing.
- The Borrower must agree to any additional terms and conditions that PHB may require once additional documentation has been reviewed.
- All legal agreements are subject to City Attorney approval.
- **The Project will be restricted as follows: 2 Studios at 30% MFI, 24 Studios at 50% MFI, 7 Studios at 60% MFI, 6 One Bedroom units at 50% MFI, and 13 One Bedroom units at 60% MFI for a period of sixty years. 6 Studios and 4 One Bedroom units are Unrestricted.**
- Borrower shall provide a satisfactory borrower's resolution.
- Subordination agreement/language acceptable to City Attorney.
- Tax increment funds must be used as specified for eligible costs in the construction of the development.
- Replacement reserve agreement must be executed at closing that will continue after transfer of ownership at the expiration of the tax credit compliance period.
- Acceptable asset management plan before closing.

**Exceptions to Guidelines:**

- Cost saving is 100% to PHB for the Special Hard Cost Contingency, currently \$255,331.
- The Project total cost less land is approximately 22% above the newly implemented NOFA standard established in May of 2014 (\$192,984 per unit based on the bedroom configuration). The current Project was selected a year before the threshold was created. It has a number of nonstandard features such as full seismic upgrades for two connected 102 year old unreinforced masonry buildings (\$865,600 or \$13,977 per unit), urban staging because of the downtown location, and Earth Advantage Gold (\$251,841 or 4,061 per unit). The nonstandard hard cost features add a total an additional estimated \$1,714,326 or \$27,650 per unit to the Project cost. In addition, the Project has substantial indirect costs because of the complex financing structure that includes OHCS issued tax exempt bonds, Oregon Affordable Housing Tax Credits, Low Income Housing Tax Credits, and Historic Tax Credits. This complexity adds multiple sets of attorneys, consultants, origination fees, and monitoring fees that add an additional \$380,000 or \$6,090 per unit for structuring, documentation, and compliance.

**This space left blank**

**SOURCES AND USES:**

The following chart outlines the Project's permanent sources and uses of funding:

		Per housing unit (62)	Per person (73)	Per sq. ft (52,561 sf)
<b>USES:</b>				
Acquisition Costs	2,205,000	35,565	30,205	42
Construction Costs	9,678,148	156,099	132,577	184
Development Costs	3,036,891	48,982	41,601	58
Developer Fees	1,875,000	30,242	25,685	36
<b>Total Uses:</b>	<b>16,795,039</b>	<b>270,888</b>	<b>230,069</b>	<b>320</b>

<b>SOURCES:</b>		Per housing unit (62)	Per person (73)	Per sq. ft (52,561 sf)
1 <sup>st</sup> Mortgage from NOAH	2,500,000	40,323	34,247	48
LIHTC Equity	3,988,818	64,336	54,641	76
Historic Tax Credit Equity	2,480,822	40,013	33,984	47
<b>PHB Cash Flow Share Loan</b>	<b>6,339,093</b>	<b>102,243</b>	<b>86,837</b>	<b>121</b>
Deferred Developer Fee	999,000	16,113	13,685	19
Energy Trust Rebate	15,000	242	205	0
SDC Exemptions	472,606	7,618	6,470	9
<b>Total Sources:</b>	<b>16,795,039</b>	<b>270,888</b>	<b>230,069</b>	<b>320</b>
<b>Total PHB Project Funding</b>	<b>6,339,093</b>	<b>102,243</b>	<b>86,837</b>	<b>121</b>

**Recommendation:**

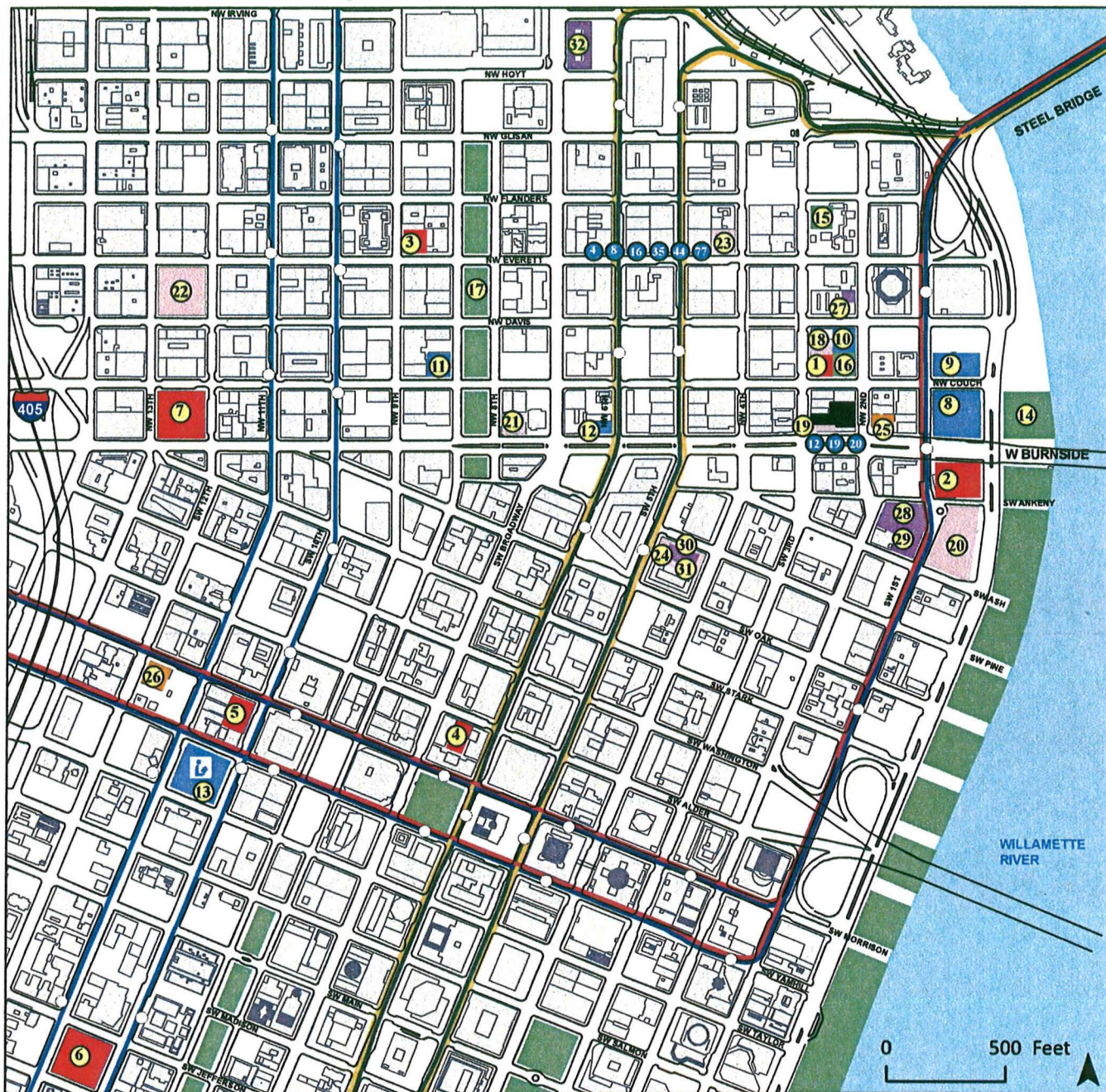
PHB staff has reviewed the Project pro forma and recommends that the Housing Investment Committee approve a funding under the terms outlined above.

## Exhibits:

- A. Neighborhood A-1 and Site location A-2
- B. Projects Inject New Life into Old Town, Portland Tribune, May 29, 2014.
- C. Project Cost Analysis
- D. Income and Expense Analysis
- E. Operating Cash Flow
- F. Breakdown of Costs and Support for Resident Services at the Erickson Fritz

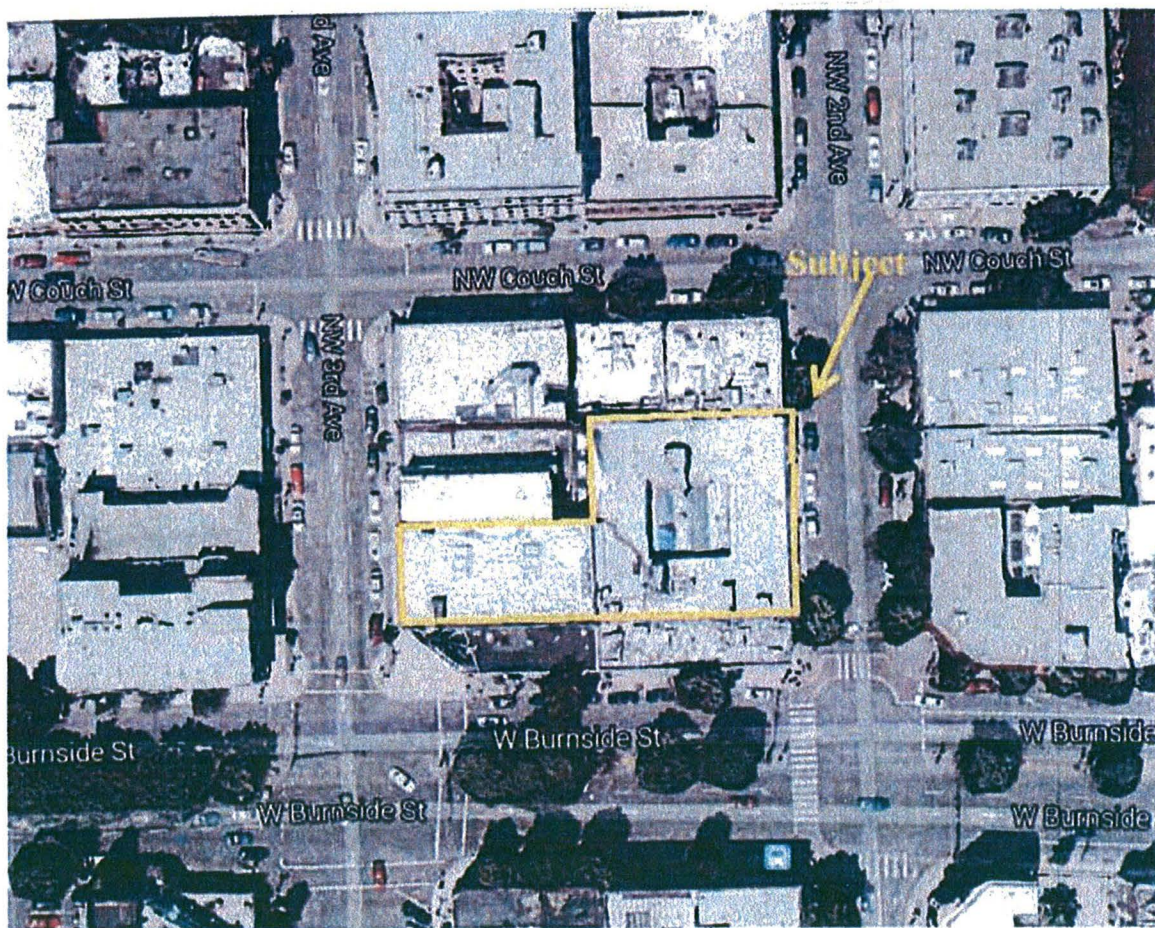


# Erickson-Fritz Vicinity Map



- |   |  |   |
|---|--|---|
| <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: black; margin-right: 5px;"></span> <b>Erickson-Fritz Site</b></li> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: red; margin-right: 5px;"></span> <b>Commercial / Retail</b></li> <li>① Old Town Grocery &amp; Deli</li> <li>② Saturday Market</li> <li>③ Local Choice Produce Market</li> <li>④ Rite Aid Pharmacy</li> <li>⑤ Target</li> <li>⑥ Safeway</li> <li>⑦ Whole Foods</li> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: blue; margin-right: 5px;"></span> <b>Schools &amp; Cultural Institutions</b></li> <li>⑧ Oregon College of Oriental Medicine</li> <li>⑨ University of Oregon</li> <li>⑩ Oregon Nikkei Legacy Center</li> <li>⑪ Emerson Elementary School</li> <li>⑫ Saint André Bessette Church</li> <li>⑬ Multnomah County Central Library</li> </ul> | <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: green; margin-right: 5px;"></span> <b>Recreation</b></li> <li>⑭ Tom McCall Waterfront Park</li> <li>⑮ Lan Su Chinese Garden</li> <li>⑯ Portland Bike Tours and Rental</li> <li>⑰ North Park Blocks</li> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: pink; margin-right: 5px;"></span> <b>Community Services</b></li> <li>⑱ Portland Police Bureau</li> <li>⑲ 2B Well</li> <li>⑳ Portland Fire &amp; Rescue</li> <li>㉑ Old Town Clinic</li> <li>㉒ Zoomcare Medical Clinic</li> <li>㉓ Health Centers of UWS</li> <li>㉔ US Post Office</li> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: orange; margin-right: 5px;"></span> <b>Employment Centers</b></li> <li>㉕ Central City Concern West</li> <li>㉖ Job Corps Outreach &amp; Admission</li> </ul> | <ul style="list-style-type: none"> <li><span style="display: inline-block; width: 15px; height: 10px; background-color: purple; margin-right: 5px;"></span> <b>Social Services</b></li> <li>㉗ Innovative Housing</li> <li>㉘ Dept. of Human Services</li> <li>㉙ Home Forward (Renters Ed.)</li> <li>㉚ Mult. County Veterans Services</li> <li>㉛ Pivot LGBTQ Resource Center</li> <li>㉜ Transition Projects (AA Meetings)</li> <li><b>Transit</b></li> <li><span style="display: inline-block; width: 15px; border-bottom: 1px solid red; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; border-bottom: 1px solid blue; margin-left: 5px;"></span> MAX Red/Blue Line Stops</li> <li><span style="display: inline-block; width: 15px; border-bottom: 1px solid yellow; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; border-bottom: 1px solid green; margin-left: 5px;"></span> MAX Yellow/Green Line Stops</li> <li><span style="display: inline-block; width: 15px; border-bottom: 1px solid blue; margin-right: 5px;"></span> Streetcar Stops</li> <li><span style="display: inline-block; width: 15px; border-bottom: 1px solid blue; margin-right: 5px;"></span> <span style="display: inline-block; width: 15px; border-bottom: 1px solid blue; margin-left: 5px;"></span> Bus Routes</li> <li><span style="display: inline-block; width: 15px; border-bottom: 1px solid black; margin-right: 5px;"></span> Railroad</li> </ul> |
|---|--|---|





**Size:** The Subject site is approximately 14,750 square feet, or 0.34 acres.



## EXHIBIT B-1

**Projects inject new life into Old Town**  
**Portland Tribune, Thursday, 29 May 2014**

**Hales hopes to shift urban renewal cash to blighted area**

Believe it or not, Portland's Old Town/Chinatown neighborhood — long known for its homeless population and open drug dealing — is facing a real estate boom.

The adjoining Pearl District is getting built out, Portland's real estate market is humming, and Mayor Charlie Hales is pushing to shift urban renewal spending from the Pearl into Old Town/Chinatown.

The result? The stars are getting aligned to turn around the central city's most downtrodden neighborhood after decades of halting and often futile efforts.

Skeptical? Consider this:

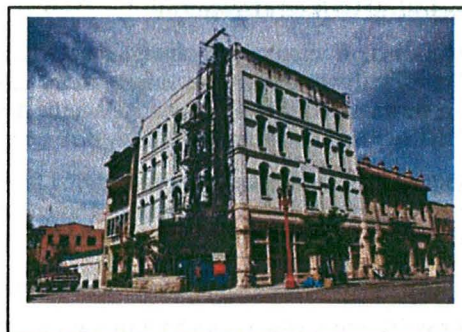
- Several hundred added employees will go to work in the neighborhood in the next couple years, many of them earning good money. Pacific Northwest College of Art expects to open its new campus in the area by January, bringing 1,300 students and 240 faculty and other staff. Airbnb is opening a regional office next to the University of Oregon satellite campus, and plans to hire 160 or more people. Multnomah County is building a new Health Department headquarters next to the Bud Clark Commons, bringing 200 or more employees.
- Three hotel projects are in the works: at the boarded-up Grove Hotel on Burnside; the hostel-inspired Society Hotel on Northwest Third Avenue; and one next to the relocated college of art.
- Old Town/Chinatown's eclectic vibe is attractive to software companies and other young creatives flocking to Portland. Open Sesame is moving into the neighborhood and Squarespace, a New York company about to open a big outpost here, is moving temporarily into the neighborhood until it lands a permanent site.
- If Hales gets his way, the city will shift some \$50 million in urban renewal funds once slated for the Pearl District into Old Town/Chinatown, much of it for seismic upgrades so owners of boarded-up historic office buildings can afford rehabs.
- It's a harder lift, but the mayor and Old Town/Chinatown leaders also hope to win new tax breaks to subsidize "market-rate" housing. That might mean bringing in students, young hipsters and others who have more disposable incomes than those living in single-room-occupancy hotels.

"You've got all these eyes now on Old Town/Chinatown," says Howard Weiner, owner of Cal Skate Skateboards and chairman of the Old Town/Chinatown Community Association.

"It's become one of the most attractive markets for younger firms," says Patrick Quinton, executive director of the Portland Development Commission, the city's urban renewal agency.

Some of the new projects were known before Hales announced his pivot to Old Town/Chinatown, but others emerged since then, says Sarah Harpole, PDC's senior project manager.

When Hales started pushing the PDC to devote more energy and money in Old Town/Chinatown instead of the Pearl, that motivated community members to come together with the city to create a new action plan for the neighborhood, Weiner says. "That got the community talking," he says. "People started thinking, 'maybe we can do something here.'"



The prospect of PDC subsidies lured more property owners to the table, including the Goodman family that owns several surface parking lots they want to develop. Even Chinese community members who've sat on the sidelines while their buildings decayed joined the discussion, Weiner says. He's also seeing some new, younger entrepreneurs get involved.

In one sign of the area's higher profile, Gerding Edlen, one of Portland's top developers, was selected by the PDC to develop an office building north of the University of Oregon/Airbnb block. Gerding Edlen has plans for a 120,000-square-foot, six-story mixed-use building, and one source says a prominent architecture firm might move there.

### **Seeking urban character**

Mark Edlen, managing principal, says it's too early to discuss potential tenants, but says Old Town/Chinatown has the "authenticity" and other features that many tenants in the market are looking for these days. They like the exposed ceilings, old brick and other characters found in Old Town/Chinatown, he says. "They don't want to be part of the Pearl District."

Tenants shopping for space or moving to Portland like Old Town/Chinatown's historic structures, its street lights, the vibrant nightlife and the ethnic and economic diversity, says Brian McCarl, a developer trying to rehab the historic Whidden & Lewis Building at Northwest Flanders and Fifth Avenue.

"They want to be in places that have urban character," McCarl says.

Jared Wiener, who is working to recruit software companies for the PDC, says he's in touch with at least 10 prospects, and many are interested in Old Town/Chinatown.

Both McCarl and Edlen noted that owners of some of Portland's expensive "class A" office spaces, such as the Big Pink office tower, are reconfiguring spaces to look less glitzy and more funky.

The hotels planned for Old Town/Chinatown could add vibrancy to the area, Harpole says, providing 24-7 activity. Having people spending the night also brings a built-in customer base to restaurants, coffee shops and nightclubs.

One of the goals in the PDC's draft "action plan" for the area includes a desire to get more people crossing over from downtown. Burnside has been a "great divide," Howard Weiner says, in part because it's not so easy for cars to turn off Burnside into Old Town/Chinatown, or for pedestrians to navigate the traffic.

But Harpole is delighted by the success of the new Mi Mero Mole restaurant just north of Burnside on Fifth Avenue.

"They've been very successful at breaking down that barrier," she says. Office workers from Big Pink now can be seen regularly crossing Burnside to eat at the Mexican restaurant or take food back to the cubicles.

Despite the sense that better days lie ahead for Old Town/Chinatown, no one minimizes the challenges of building in an area dotted with social services and homeless programs, or trying to build projects that won't pencil out without subsidies.

"Yes, there's a tremendous amount of energy going on in Old Town/Chinatown, but it's going to take money," Weiner says.

Many in the community fear new plans to add more nightclubs could jeopardize prospects for more housing and office uses. (See related story on Entertainment District.)

Some city commissioners are resisting the idea of subsidizing housing projects there by waiving Systems Development Charges, fearing that means less revenue for the parks and other bureaus, and will take away the focus on housing for low-income people. And giving subsidies to wealthy landlords and developers doesn't sit well with some people.

McCarl says some subsidies will be needed for him and his partners to redevelop the historic Whidden & Lewis building and meet modern seismic safety requirements.

"You can put \$30 to \$40 a square foot into these buildings, which nobody sees," he says, referring to the structural reinforcements needed.

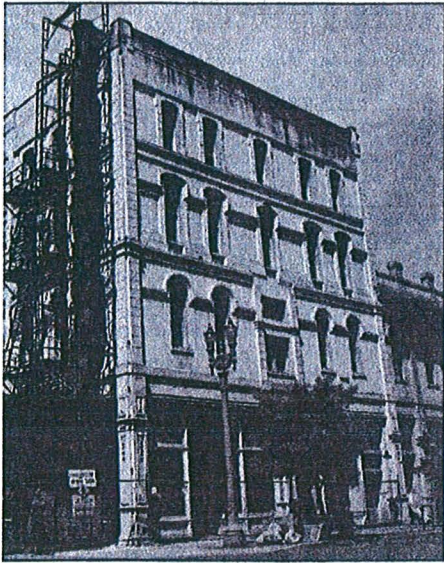
The PDC has delayed bringing its new Old Town/Chinatown action plan to the City Council until Hales rounds up the necessary votes. But the PDC says it expects to bring it to the council sometime in June.

[stevelaw@portlandtribune.com](mailto:stevelaw@portlandtribune.com)

[twitter.com/SteveLawTrib](https://twitter.com/SteveLawTrib)



# Tenants not glitzy



TRIBUNE PHOTO: JAIME VALDEZ

Work on the Society Hotel project, where developers hope to create Old Town/Chinatown's first tourist hotel.

area's high-Edlen, one developers, PDC to demolish north of region/Airbn-Edlen has square-foot, se building, ys a promi-firm might

acter aging prin-arily to dis-ats, but says wn has the l other fea-

life and the ethnic and economic diversity, says Brian McCarl, a developer trying to rehab the historic Whidden & Lewis Building at Northwest Flanders and Fifth Avenue.

"They want to be in places that have urban character," McCarl says.

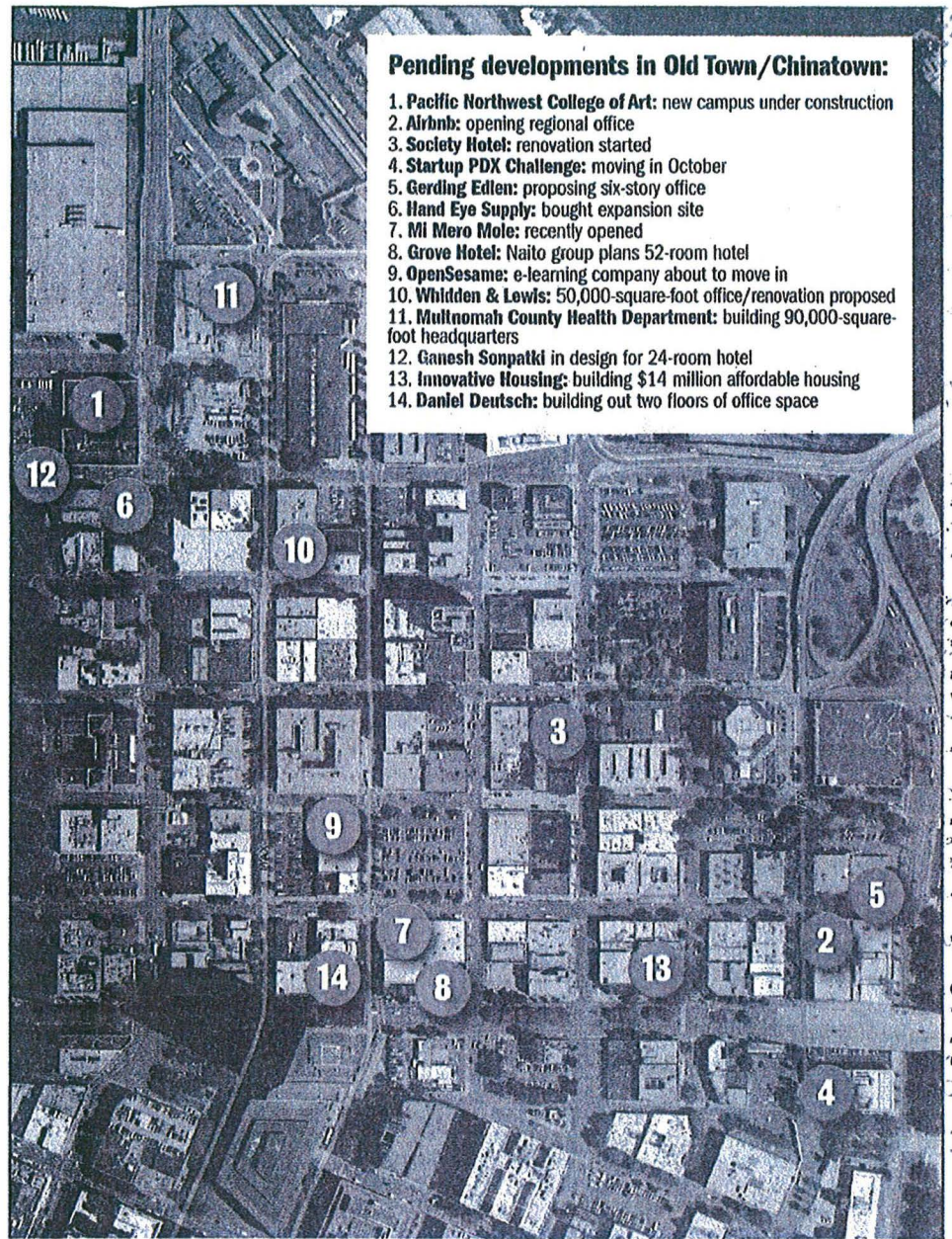
Jared Wiener, who is working to recruit software companies for the PDC, says he's in touch with at least 10 prospects, and many are interested in Old Town/Chinatown.

Both McCarl and Edlen noted that owners of some of Portland's expensive "class A" office spaces, such as the Big Pink office tower, are reconfiguring spaces to look less glitzy and more funky.

The hotels planned for Old Town/Chinatown could add vibrancy to the area, Harpole says, providing 24-7 activity. Having people spending the night

**"People started thinking, 'maybe we can do something here.'"**

— Howard Weiner, Old Town/Chinatown Community Association



## Pending developments in Old Town/Chinatown:

1. Pacific Northwest College of Art: new campus under construction
2. Airbnb: opening regional office
3. Society Hotel: renovation started
4. Startup PDX Challenge: moving in October
5. Gerding Edlen: proposing six-story office
6. Hand Eye Supply: bought expansion site
7. Mi Mero Mole: recently opened
8. Grove Hotel: Naito group plans 52-room hotel
9. OpenSesame: e-learning company about to move in
10. Whidden & Lewis: 50,000-square-foot office/renovation proposed
11. Multnomah County Health Department: building 90,000-square-foot headquarters
12. Ganesh Sonpatki in design for 24-room hotel
13. Innovative Housing: building \$14 million affordable housing
14. Daniel Deutsch: building out two floors of office space

draft "action plan" for the area includes a desire to get more people crossing over from downtown. Burnside has been a "great divide," Howard Weiner says, in part because it's not so easy for cars to turn off Burnside into Old Town/Chinatown, or for pedestrians to navigate the traffic.

But Harpole is delighted by the success of the new Mi Mero Mole restaurant just north of Burnside on Fifth Avenue.

"They've been very successful at breaking down that barrier," she says. Office workers from Big Pink now can be seen regularly crossing Burnside to eat at the Mexican restaurant or

the challenges of building in an area dotted with social services and homeless programs, or trying to build projects that won't pencil out without subsidies.

"Yes, there's a tremendous amount of energy going on in Old Town/Chinatown, but it's going to take money," Weiner says.

Many in the community fear new plans to add more nightclubs could jeopardize prospects for more housing and office uses. (See related story on page A11.)

Some city commissioners are resisting the idea of subsidizing housing projects there by waiving Systems Development Charges, fearing that means

subsidies to wealthy landlords and developers doesn't sit well with some people.

McCarl says some subsidies will be needed for him and his partners to redevelop the historic Whidden & Lewis building and meet modern seismic safety requirements.

"You can put \$30 to \$40 a square foot into these buildings, which nobody sees," he says, referring to the structural reinforcements needed.

The PDC has delayed bringing its new Old Town/Chinatown action plan to the City Council until Hales rounds up the necessary votes. But the PDC says it expects to bring it to



PROJECT COST ANALYSIS

Exhibit C

Erickson Fritz Apartments  
New Construction 4%Bonds/LIHTC/Historic Tax Credits

SDCs in LIHTC equity

6/23/2014

Jun-14	Unit	% of total	Per sf
	62		52,561

ACQUISITION COSTS

Land	550,000		
Improvements	1,650,000		
Closing /recording	5,000		
<b>ACQUISITION TOTAL</b>	<b>2,205,000</b>	<b>35,565</b>	<b>13%</b>

DIRECT CONSTRUCTION COSTS

Hazardous Material Abatement	96,000		
Residential Building	6,675,510		
Community Rooms	99,791		
Performance bond	177,301		
General Conditions	529,721		
Other: Water & PG&E	188,145		
Other: Solar Hot Water	199,000		
Other: Structural Seismic Addition	212,000		
Other Code: Change Floor Sound Mitigation	111,608		
Contractor Overhead & Profit	315,994		
Special Hard Cost Contingency	255,331		
Owner's Contingency @ 9%	817,747		
<b>DIRECT CONSTRUCTION TOTAL</b>	<b>9,678,148</b>	<b>156,099</b>	<b>58%</b>

INDIRECT DEVELOPMENT COSTS

Architect	516,777		
Engineering	100,000		
Land Use Approvals	15,000		
Construction Period Insurance	79,000		
Borrower's Legal, Accounting	72,000		
Special Inspections/Testing	44,000		
Building Permits/Fees	161,649		
SDCs	558,305		
Phase I and II Environmental Reports	14,000		
Asbestos Report update	1,000		
Lead Based Paint Report update	1,000		
Market Study	5,000		
Marketing & Advertising	5,000		
Survey	18,000		
Soils Report-Geotechnical	11,000		
OTHER: FF & E	15,000		
Construction Period: Property Taxes	20,000		
Historic Consultant Fee	35,000		
Earth Advantage Certification	10,000		
Appraisal	11,000		
Capitalized Developer Fees	876,000	14,129	5.87%
Deferred Developer Fee	999,000	16,113	6.70%
Permanent Loan Fees (Loan Fee, Loan Closing Fees)	29,700		
Permanent Loan Fees (Legal)	12,500		
Permanent Loan Conversion Fee	7,500		
Bond Issuer Application Fee	1,500		
Issuer Finance Charge (1% aggreg bond amort)	125,328		
Bond Counsel (\$5000-\$55000 est)	45,000		
Financial Advisor (\$1500-\$12,000 est)	5,000		
TEFRA Notice (\$500)	500		
LIHTC Application Fee	5,000		
LIHTC Reservation Fee	40,571		
Tax Credit Investor Fee	35,000		
Bond Cost Certification/50% Test	10,000		
LIHTC Cost Certification?	10,000		
Construction Loan Origination Fee 1%	63,994		
Construction Loan fees (Closing, Environmental Fees)	8,500		
Construction Loan Fees	49,500		
Construction Loan (Lender Legal)	30,000		
Construction Loan fees (Lender Inspection Fees)	7,800		
Construction Interest to stabilization	62,286		
Construction Interest: Predevelopment Interest	61,000		
Construction Period Interest	231,082		
Operating Reserve	207,839		
Development /Soft Cost @ 4%	185,560		
Deposit to Replacement Reserve	91,000		
Lease Up Reserve	20,000		
<b>TOTAL INDIRECT DEVELOPMENT COSTS</b>	<b>4,911,891</b>	<b>79,224</b>	<b>29%</b>

<b>TOTAL PROJECT COSTS</b>	<b>16,795,039</b>	<b>270,868</b>	<b>100%</b>	<b>320</b>
----------------------------	-------------------	----------------	-------------	------------

USES	Permanent	Construction
Acquisition Costs	2,205,000	2,205,000
Construction Costs	9,678,148	9,678,148
Development Costs	4,911,891	4,911,891
<b>TOTAL USES</b>	<b>16,795,039</b>	<b>16,795,039</b>

SOURCES	Permanent	Construction
Tax Exempt Bonds from OHCS		5,087,855
1st Mortgage - NOAH	2,500,000	
LIHTC Equity OHCS	3,988,818	2,393,292
PHB Cash Flow Dependent Note	6,339,093	6,339,093
Historic Tax Credit Equity	2,480,822	1,488,493
Energy Trust Rebate	15,000	15,000
Deferred Developer Fee	999,000	999,000
SDC Exemptions for Affordable Units	472,306	472,306
<b>TOTAL SOURCES</b>	<b>16,795,039</b>	<b>16,795,039</b>

<b>SURPLUS/(GAP)</b>	<b>0</b>	<b>0</b>
----------------------	----------	----------

Uses		62	73	52,561
Acquisition Costs	2,205,000	35,565	30,205	42
Construction Costs	9,678,148	156,088	132,577	184
Development Costs	3,036,891	48,982	41,601	58
Developer Fees	1,875,000	30,242	25,685	36
<b>TOTAL USES</b>	<b>16,795,039</b>	<b>270,888</b>	<b>230,069</b>	<b>320</b>

SOURCES		Permanent		
1st Mortgage - NOAH	2,500,000	40,323	34,247	48
LIHTC Equity OHCS	3,988,818	64,336	54,641	76
<b>PHB Cash Flow Dependent Note</b>	<b>6,339,093</b>	<b>102,243</b>	<b>86,837</b>	<b>121</b>
Historic Tax Credit Equity	2,480,822	40,013	33,984	47
Deferred Developer Fee	999,000	16,113	13,685	19
Energy Trust Rebate	15,000	242	205	0
SDC Exemptions for Affordable Units	472,306	7,618	6,470	9
<b>TOTAL SOURCES</b>	<b>16,795,039</b>	<b>270,888</b>	<b>230,069</b>	<b>320</b>
<b>SURPLUS/(GAP)</b>	<b>0</b>			



**INCOME AND EXPENSE ANALYSIS**

**Exhibit D**

**Erickson Fritz Apartments**

**6/23/2014**

Gross Utility Net Rent

Rent Allowance

	Units	sf			\$/unit	\$/Month	\$/Year
Studio - 30%	2	302	364	47	317	634	7,608
Studio - 50%	24	342	607	47	560	13,440	161,280
Studio - 60%	7	372	729	47	682	4,774	57,288
Studio - Unrestricted	6	421	899		899	5,394	64,728
One Bedroom - 50%	6	360	651	62	589	3,534	42,408
One Bedroom - 60%	13	478	781	62	719	9,347	112,164
One Bedroom - Unrestricted	4	609	995		995	3,980	47,760
Potential Rental Income	62					41,103	493,236
Other Income						617	8,300
Effective Rental Income						41,103	501,536
Vacancy/Credit Loss					5.0%	0	(25,077)
Residential Net EGI						41,103	476,459

<b>NET REVENUE</b>						<b>41,103</b>	<b>476,459</b>
--------------------	--	--	--	--	--	---------------	----------------

EXPENSES		% EGI	\$/Unit	\$/Year
Property Taxes on 10 Market Units		2.0%	152	9,440
Contracted Management Fee	5.0%	5.0%	385	23,861
Onsite		11.4%	872	54,080
Office & Admin		2.1%	161	10,000
Maintenance & Repairs		9.2%	709	43,988
Utilities		11.2%	858	53,196
Insurance		3.6%	274	17,000
Advertising, Marketing		0.2%	16	1,000
Unit Turnover		1.1%	85	5,270
Legal/Accounting/Audit		3.1%	242	15,000
Asset Management		3.9%	300	18,600
OHCS Compliance Monitoring (LIHTC, Bond, OAHTC, IPM)		1.8%	138	8,545
Elevator Maintenance		0.5%	40	2,500
Resident Services		3.1%	242	15,000
Clean & Safe Fees		0.4%	32	2,000
Replacement Reserve (341/unit)		4.4%	341	21,150
<b>TOTAL OPERATING EXPENSES</b>		<b>63.1%</b>	<b>4,849</b>	<b>300,630</b>

<b>TOTAL NOI</b>		<b>36.9%</b>	<b>2,836</b>	<b>175,829</b>
------------------	--	--------------	--------------	----------------

**DEBT SERVICE ANALYSIS - Stabilized Year**

NOAH - 1st Mtge Blended Rate	<b>2,500,000</b>
Interest Rate	3.44%
Amortization Schedule (years)	30
Annual Debt Service	133,649
Total Debt Coverage	1.32

Principal--PHB Cash Flow Note	<b>6,339,093</b>
Interest Rate	0.00%
Amortization Schedule (years)	
Annual Debt Service	
Debt Coverage Ratio-combined	N/A

Exhibit E

Operating Cash Flows/Erickson Fritz Apartments																	
Permanent Year Period	Escalators	2015	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
		Stabilized Yr	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<b>Revenue</b>																	
Gross Revenues	2.00%	501,536	501,536	511,567	521,798	532,234	542,878	553,736	564,811	576,107	587,629	599,382	611,370	623,597	636,068	648,790	661,766
Vacancy @ 5%		(25,077)	(25,077)	(25,578)	(26,090)	(26,612)	(27,144)	(27,687)	(28,241)	(28,805)	(29,381)	(29,968)	(30,568)	(31,180)	(31,803)	(32,440)	(33,088)
Residential Net EGI		476,458	476,458	485,988	495,708	505,622	515,735	526,049	536,570	547,302	558,248	569,413	580,801	592,417	604,265	616,351	628,678
<b>Net Revenue</b>		476,458	476,458	485,988	495,708	505,622	515,735	526,049	536,570	547,302	558,248	569,413	580,801	592,417	604,265	616,351	628,678
<b>Expenses</b>																	
Management Fee		23,861	23,861	24,785	25,281	25,767	26,302	26,829	27,365	27,912	28,471	29,040	29,621	30,213	30,818	31,434	32,063
Other Expenses (w/res services)	3.00%	255,619	255,619	263,288	271,186	279,169	287,337	295,685	304,247	312,996	321,947	331,104	340,471	350,052	359,852	369,876	380,128
Replacement Reserves	3.00%	21,150	21,150	21,785	22,438	23,111	23,805	24,519	25,254	26,012	26,792	27,596	28,424	29,277	30,155	31,059	31,991
Total Expenses		300,630	300,630	309,857	318,905	328,067	337,444	347,042	356,868	366,920	377,210	387,740	398,515	409,542	420,825	432,369	444,182
<b>Net Operating Income</b>		175,829	175,829	176,131	176,803	177,556	178,291	179,007	179,704	180,381	181,038	181,673	182,286	182,876	183,441	183,982	184,496
<b>NOAH First Mortgage</b>	2,500,000																
Beginning Balance		2,500,000	2,451,499	2,401,306	2,349,360	2,295,601	2,239,865	2,182,386	2,122,798	2,061,130	1,997,308	1,931,259	1,862,904	1,792,163	1,718,852	1,643,186	
Interest	3.44%	85,148	83,455	81,703	79,889	78,013	76,070	74,060	71,981	69,826	67,500	65,294	62,907	60,438	57,882	55,237	
Repayments (Permitted Payments)		(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	
Ending Balance		2,451,499	2,401,306	2,349,360	2,295,601	2,239,865	2,182,386	2,122,798	2,061,130	1,997,308	1,931,259	1,862,904	1,792,163	1,718,852	1,643,186	1,564,774	
DCR-1st Mortgage		1.32	1.32	1.32	1.32	1.33	1.33	1.34	1.35	1.35	1.36	1.36	1.37	1.37	1.38	1.38	
<b>Net Cash Flow</b>		42,181	42,181	42,482	43,154	43,907	44,642	45,359	46,056	46,733	47,389	48,025	48,637	49,227	49,792	50,333	50,847
<b>Priority Distributions</b>																	
LIHTC Investor Services Fee	3.00%	5,000	5,000	5,150	5,305	5,464	5,628	5,796	5,970	6,149	6,334	6,524	6,720	6,921	7,129	7,343	7,563
Deferred Developer Fee	0.00%	899,000	37,181	37,332	37,850	38,443	39,015	39,562	40,085	40,583	41,056	41,501	41,918	42,306	42,663	42,990	43,284
Remaining Deferred Developr Fee Balance W/O interest accrual			961,819	924,487	886,637	848,194	809,179	769,617	729,531	688,948	647,892	606,392	564,474	522,168	479,505	436,514	393,230
<b>PHB Operating Reserve at \$250x 62 units</b>																	
Total		42,181	42,482	43,154	43,907	44,642	45,359	46,056	46,733	47,389	48,025	48,637	49,227	49,792	50,333	50,847	
<b>Available for ECF Split</b>																	
% ECF to PHB = 50%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
% ECF to Borrower = 50%		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>PHB Cash Flow Note</b>																	
Beginning Balance		6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093
Accrued Interest	0.00%	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service Repayments	12	CF Dependent	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending Balance		6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093

Exhibit E

Operating Cash Flows/Ericks		NOAH Loan Matures/Replacement Financing Needed														
Permanent Year Period		16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
	Escalators	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
	%Change															
Revenue																
Gross Revenues	2.00%	675,001	688,501	702,271	716,317	730,643	745,256	760,161	775,364	790,872	806,689	822,823	839,279	856,065	873,186	890,650
Vacancy @ 5%		(33,750)	(34,425)	(35,114)	(35,816)	(36,532)	(37,263)	(38,008)	(38,768)	(39,544)	(40,334)	(41,141)	(41,964)	(42,803)	(43,659)	(44,533)
Residential Net EGI		641,251	654,076	667,159	680,501	694,111	707,993	722,153	736,596	751,328	766,355	781,682	797,315	813,262	829,527	846,118
Net Revenue		641,251	654,076	667,159	680,501	694,111	707,993	722,153	736,596	751,328	766,355	781,682	797,315	813,262	829,527	846,118
Expenses																
Management Fee		32,704	33,368	34,025	34,706	35,400	36,108	36,830	37,566	38,318	39,084	39,866	40,663	41,478	42,306	43,152
Other Expenses (wires services)	3.00%	391,532	403,278	415,376	427,838	440,673	453,893	467,510	481,535	495,961	510,860	526,186	541,972	558,231	574,978	592,227
Replacement Reserves	3.00%	32,951	33,940	34,958	36,006	37,087	38,199	39,345	40,526	41,741	42,994	44,283	45,612	46,980	48,390	49,841
Total Expenses		457,187	470,575	484,359	498,550	513,159	528,200	543,685	559,627	576,040	592,938	610,335	628,247	646,688	665,673	685,221
Net Operating Income		184,065	183,501	182,799	181,952	180,952	179,794	178,468	176,969	175,288	173,417	171,346	169,069	166,574	163,854	160,897
NOAH First Mortgage	2,500,000															
Beginning Balance		1,564,774	1,483,626	1,399,644	1,312,731	1,222,783	1,129,696	1,034,867	938,779	835,321	730,376	621,825	509,545	393,405	273,275	149,017
Interest	3.44%	52,501	49,666	46,736	43,700	40,562	38,820	35,561	32,190	28,704	25,098	21,368	17,508	13,519	9,391	5,121
Repayments (Permitted Payments)		(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)	(133,649)
Ending Balance		1,483,626	1,399,644	1,312,731	1,222,783	1,129,696	1,034,867	938,779	835,321	730,376	621,825	509,545	393,405	273,275	149,017	20,489
DCR-1st Mortgage		1.38	1.37	1.37	1.36	1.35	1.35	1.34	1.33	1.31	1.30	1.28	1.27	1.25	1.23	1.20
Net Cash Flow		50,416	49,852	49,150	48,303	47,303	46,145	44,820	43,321	41,639	39,768	37,688	35,420	32,926	30,205	27,248
Priority Distributions																
LIHTC Investor Services Fee	3.00%															
Deferred Developer Fee	0.00%	50,416	49,852	49,150	48,303	47,303	46,145	44,820	43,321	41,639						
Remaining Deferred Developer Fee Balance W/O interest accrual		342,814	292,962	243,812	195,509	148,205	102,060	57,240	13,920	0						
PHB Operating Reserve at \$250x 62 units										15,500	15,500	15,500	15,500	15,500	15,500	0
Total		50,416	49,852	49,150	48,303	47,303	46,145	44,820	43,321	29,420	15,500	15,500	15,500	15,500	0	
Available for ECF Split										12,220	24,268	22,198	19,920	17,426	30,205	27,248
% ECF to PHB = 50%		0	0	0	0	0	0	0	0	6,110	12,134	11,099	9,960	8,713	15,102	13,624
% ECF to Borrower = 50%		0	0	0	0	0	0	0	0	6,110	12,134	11,099	9,960	8,713	15,102	13,624
PHB Cash Flow Note																
Beginning Balance		6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,332,983	6,320,849	6,309,750	6,299,790	6,291,077	6,275,975
Accrued Interest		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service Repayments	12	0	0	0	0	0	0	0	0	-5,110	-12,134	-11,099	-9,960	-8,713	-15,102	-13,624
Ending Balance		6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,339,093	6,332,983	6,320,849	6,309,750	6,299,790	6,291,077	6,275,975	6,262,351

**EXHIBIT F****Breakdown of Costs and Support for Resident Services at The Erickson Fritz**

The Erickson Fritz is targeted at a higher income, workforce population with the majority of its units at 50 and 60% MFI. IHI will strive to lease to renters whose income matches our programming, but experience has shown that the City's Income to Rent Ratio Policy will undermine our efforts. At Broadway Vantage Apartments, where the majority of our units are rent restricted at 50% and 60% MFI, the average income of our residents (not including the Bridges to Housing households) is 27% MFI. At the Magnolia, which we leased up in late 2013, 45 of the 50 units are at 50% and 60% MFI, yet the average income of our residents is 31% MFI. We currently have 8 dedicated Resident Services hours at The Magnolia. This is not nearly enough to fully provide Eviction Prevention and crisis management services. The majority of residents are barely making ends meet and any unexpected expense or loss of income requires time consuming efforts to help people identify and secure scarce community resources and make payment arrangements for rent and utilities. In addition, we are housing an unexpectedly high percentage of people struggling with mental illness and substance use. This requires additional staff time to address behaviors and work with case managers and other community partners to help residents maintain housing stability.

The Erickson Fritz is located in Old Town, where many service providers are located. These providers and their clients will be anxious to secure housing at the Erickson Fritz, so we anticipate that our resident population will be a real mix of people who are working and earning a 50% or 60% MFI wage and people who are earning much less than that. Per the City's Income to Rent Ratio Policy, we have no choice but to rent to individuals who have income equal to 1.5 times the monthly rent, which for a 50% studio will be \$560/month. That means individuals who have verifiable income of \$840/month will be eligible to live in the building – this is \$10,080/year or 20% MFI. These households will be rent burdened, which means they will be less stable in their housing, and will likely have more intense service needs. Educational rates may be lower than the area average and residents may lack savings or social capital necessary to handle unexpected circumstances.

Fortunately, IHI has extensive experience and expertise working with very low-income residents with high service needs. We work closely with our residents, property management and community organizations to facilitate effective Resident Services to more than 600 households each year throughout the Portland Metro area. We serve families and singles with a wide variety of service needs including physical disabilities, mental illnesses, addictions, and experience with generational poverty, homelessness and domestic violence. IHI's service experience, and knowledge of the associated resource base, allows us to respond skillfully whether we need to address an isolated circumstance or alter our original Resident Services plan for a building, as we may need to do at the Erickson Fritz.

For the above stated reasons, we are including \$15,000/year in the property's operating budget to provide Resident Services at the Erickson Fritz. This will not cover the full costs of service delivery – we never recoup the full costs of our services from our properties. Rather we build in a base amount to operating budgets and supplement this with fundraising efforts and subsidies from IHI's operating reserves. We anticipate actual costs for services at the Erickson Fritz to be as follows:

<b>Expense</b>	
<b>Resident Services Coordinator</b>	
Salary - 15hrs/wk @ \$16/hr	\$ 12,480
Taxes and Benefits	\$ 3,727
<b>Director of Housing Operations</b>	
Salary - 3%	\$ 2,100
Taxes and Benefits	\$ 506
<b>Program Expenses</b>	
Tenant Education	\$ 600
Community Events	\$ 600
Emergency Fund	\$ 1,000
Mileage	\$ 200
Training	\$ 500
Overhead	\$ 3,545
<b>Total Expense</b>	<b>\$ 25,258</b>

## Erickson-Fritz Resident Services Plan

### Target Population:

The target market for The Erickson is culturally diverse younger singles and couples and disabled individuals who are looking for close-in, transit-oriented housing. Half of the total units will be affordable to households earning at or below 60% of area median income (AMI) and half will be affordable to households earning at or below 50% AMI, including 2 units set aside for households at or below 30% AMI. We anticipate lower wage workers, people in entry level careers, and individuals with fixed incomes at 30%, 50% and 60% of AMI.

Given the project's central city location, IHI's experience at nearby properties, and targeted outreach efforts, we expect building demographics to be approximately:

Asian- 12%  
 African American- 15%  
 Latino- 10%  
 Native American- 10%  
 White – 53%

Three ADA units will be leased to households with at least one physically disabled person. IHI has an MOU with Community Vision to refer residents to ADA accessible units. All 30% units will be assigned to ADA units to increase access for low-income people with physical disabilities and Community Vision will have priority referral status for those units. In exchange, they will help IHI design ADA units and provide ongoing support services to their clients. Please see the attached MOU with Community Vision.

### Resident Services

Resident Services for the Erickson-Fritz will evolve and be responsive to resident needs. Culturally specific programming will be provided by IHI and by partner organizations. At a minimum, IHI will provide the following services to residents:

- **New Tenant Orientations:** At move-in, each new resident is given information about Resident Services, local resources, proper use of property amenities and usage of on-site recycling. Resident Services staff follow up by contacting new residents within one month to welcome them to their new home and answer any questions about available services or community resources. This initial contact also provides an opportunity for residents to identify individualized service needs.
- **Information and Resource Referrals (I&R):** Resident services staff circulate flyers and bi-monthly newsletters promoting site specific community resources and events. Resident Services staff also coordinate on-site resources and are available on-site and/or via telephone to respond to specific I&R requests. Based on the Erickson-Fritz target market, Resident Services staff will initially provide updated information on homeownership education, accessing higher education and financial aid, job training, employment assistance, creating healthy lifestyles, civic engagement, financial education, rent and utility assistance, domestic violence, addiction services and mental health. IHI resident services staff are compiling a culturally specific resource manual to help quickly identify resources available to residents based on their culturally specific needs.
- **Eviction Prevention:** Resident Services intervene whenever a behavior or circumstance threatens a resident's tenancy. Resident Services staff receive and respond to notices issued by management, provide relevant resource referrals, educate residents about landlord/tenant law and make sure that residents are aware of all their options and the potential consequences. When rent is paid late, IHI coordinates with building management to waive the accumulated late fee if the resident meets with Resident Services staff for a needs assessment and budgeting

session. As relevant, IHI partners with community agencies that have developed culturally specific financial education curriculums to best serve resident needs.

- **Emergency Fund:** Resident Services can provide critical resources (such as work boots for a new job or eyeglasses) or pay a bill when there are no community resources available to meet a specific need.
- **Tenant Education:** Resident Services staff partner with community agencies to offer site-based workshops and information sessions throughout the year. These include both detailed presentations about specific community resources/opportunities and direct education about a variety of topics including health and nutrition, resume writing, registering to vote, homeownership preparation, etc. Based on the diverse target population of the Erickson-Fritz, IHI will coordinate with organizations such as, the Asian Family Center, Asian Health and Service Center, the Latino Network, the Urban League of Islamic Social Services of Oregon, Metro Hispanic Nutrition Program, and others to provide on-site information sessions, advocacy opportunities, resources and support. These might include information about specific organizations, employment or homeownership fairs, community meetings, or resident advocacy opportunities and will generally also be open to the public. When providing financial education and eviction prevention services, IHI will partner with community agencies that have developed culturally relevant curriculums including Innovative Changes, which has developed a culturally specific, Spanish language financial education curriculum. IHI will offer a new workshop series that leverages our contacts in the construction industry to not only help residents increase their incomes, but also bolsters the number of women and people of color in the workforce: the National Association of Minority Contractors-Oregon and Oregon Tradeswomen have agreed to provide on-site information sessions about pre-apprenticeship training and careers in the construction industry. Resident Services staff will work with site management to present an annual *Tenant Rights and Responsibilities Workshop* – we will offer this workshop several times in the months during and following lease-up to ensure residents clearly understand their lease obligations and rights.
- **Community Events:** Community cohesion is a critical component of vibrant housing, especially when cultivating a diverse resident community. Resident Services works closely with site managers and residents to ensure a variety of successful community events throughout the year. These include barbeques, community dinners, ice cream socials and holiday celebrations. In addition, we sponsor volunteer recognition ceremonies, tenant meets and regular activities and events. Because residents play key leadership roles in community events, these events vary from site to site and reflect the diversity of the people we house. IHI staff will work with residents to ensure that community events are inclusive and that all cultures are celebrated. If we find disparities in participation rates, we will seek the assistance of culturally specific organizations to identify barriers and obstacles to participation.
- **Healthcare and Housing:** IHI's resident services program has long recognized the intrinsic linkage between health and housing and provided on-site screenings, basic health services, health education, outreach, and resource referrals at our properties. With the Affordable Care Act's expansion of medical coverage, IHI's is able to offer more substantive programs that focus on site-based preventive care, management of chronic health conditions, and support for behavior change to maximize the benefits of access to medical services.

**Initial Service Partnerships-** Innovative Housing will work with community agencies that provide supports necessary for residents of the Erickson-Fritz to access homeownership education, higher education and financial aid, job training, employment assistance, healthy lifestyles information, civic engagement opportunities, financial education, rent and utility assistance, domestic violence support, addiction services and mental health support as needed or desired. Because we expect a significant racial and ethnic diversity, in addition to our general service partners we will work with numerous

culturally specific organizations that address these needs. Partnerships will develop and evolve as IHI identifies the actual service needs of residents.

### Measurable Outcomes

Outcomes	Measures	Benchmarks
Housing Stability	<ul style="list-style-type: none"> <li>• Positive turnover (residents are leaving for an improved situation)</li> <li>• Low rate of negative turnover (residents leaving to homelessness or declining circumstances)</li> <li>• Low rate of force-outs</li> <li>• Low eviction rates</li> </ul>	<ul style="list-style-type: none"> <li>• Less than 5% quarterly turn rate</li> <li>• Less than 5% annual eviction/force-out rate</li> <li>• 75% of turns are positive</li> <li>• There are no <i>demographic trends*</i> in turn rates, eviction/force-out rates or negative turnover</li> <li>• Building diversity increases or remains stable on turns</li> </ul>
Meet Basic Needs	Residents have consistent access to adequate and nutritious food, household supplies, hygiene products, weather appropriate clothing, and healthcare.	<ul style="list-style-type: none"> <li>• 100% of residents struggling to meet basic needs are in consistent contact with Resident Services.</li> <li>• There are no <i>demographic trends*</i> of households failing to meet basic needs.</li> </ul>
Community Engagement	<ul style="list-style-type: none"> <li>• Residents interact with Resident Services staff and Building Management as needed to maintain housing stability and meet basic needs.</li> <li>• Residents have knowledge of and perceived access to community resources that improve opportunities to meet basic needs, and increase social interactions, physical and mental health, civic engagement, education and job skills, and income.</li> <li>• Residents participate in activities that help them meet basic needs, and increase social interactions, physical and mental health, civic engagement, education and job skills, and income.</li> </ul>	<ul style="list-style-type: none"> <li>• 90% of residents work with Resident Services and Building Management to resolve notices, late rent or any circumstance that threatens tenancy.</li> <li>• 100% of residents receive information about relevant community resources in an understandable language or format.</li> <li>• 85% of residents participate in activities that help them meet basic needs, and increase social interactions, physical and mental health, civic engagement, education and job skills, and income.</li> <li>• There are no <i>demographic trends*</i> of low Community Engagement rates.</li> </ul>

\**Demographic trend* refers to disproportionate representation of any race/ethnicity, disability status, domestic violence survivors, number of children in household, female head of household and single-parent household.

### Reports

IHI resident services outcomes are reported by the building as a whole, by race and ethnicity, and by disability status, domestic violence survivors, number of children in household, female head of household and single-parent household. Race will be tracked by African, Asian, Black/African American,



Middle Eastern, Native American/Alaskan Native, Native Hawaiian, Pacific Islander, Slavic, White and Unknown. We will also track Hispanic ethnicity.

#### **Evaluation**

IHI evaluates resident services outcomes on a quarterly basis. Outcomes are analyzed and recorded for the building as a whole, by race and ethnicity, and by disability status, domestic violence survivors, number of children in household, female head of household and single-parent household. The Erickson-Fritz Site Manager, Resident Services staff, Portfolio Manager and Director of Housing Operations will meet to discuss outcomes that fail to meet established benchmarks. At these meetings, potential remedies will be identified, a formal action plan will be written and the outcome will be tracked on a monthly basis until it meets the designated benchmark for 6 consecutive months. Adjustments to the action plan will be made as necessary.

IHI is actively developing partnerships with culturally specific organizations such as the Native American Youth and Family Center, the Asian Family Center, and the Urban League of Portland (please see the attached letters of support) that will work with IHI to improve its equity lens and identify portfolio-wide approaches to help increase participation rates of both housing and services by communities of color. IHI will seek assistance from appropriate partners if disparities in service delivery/utilization rates are identified.

**IHI's Resident Services Staff work with many different organizations throughout the Portland metro area to help meet resident needs. The following is a non-inclusive list of groups we refer to and work with:**

- Black Parent Initiative
- Community Cycling Center
- Community Vision
- Washington County Health and Human Services, Tobacco Program
- Gateway Center for Domestic Violence
- Asian Health and Service Center
- Better People
- Cascade AIDS Project
- Julia West House
- JOIN
- Native American Youth and Family Center
- Neighborhood House
- Portland Community College
- Portland Police- Sunshine Division
- Assertive SSI Service Team and Disability Benefits Training and Consulting, LLC
- Aging and Disability Services Division of Multnomah County
- Disability Determination Services
- Social Security Administration
- Cascadia Behavioral Healthcare
- Central City Concern Old Town Clinic Recovery Center
- Central City Concern Benefits and Entitlements Specialist Team
- Transition Projects, Inc. Housing Services, Case Management, and Day Access Center
- Home Forward
- Multnomah County Health Department Clinics and Providers
- Portland Youth Builders
- Oregon Zoo Zap Program
- Portland Veteran's Administration Medical Center
- NW Housing Alternatives
- Maybelle Clark MacDonald Center and MacDonald Center Outreach Ministries
- Northwest Pilot Project
- Presumptive Medicaid Disability Determination Team
- Loaves and Fishes Meals on Wheels
- From Our Closet With Love
- Oregon Vocational Rehabilitation Services

- Blanket Coverage
- Oregon Department of Corrections Health Services
- St. Agatha's Catholic School Peace and Social Justice Committee
- Independent Living Resources Work Incentives Network
- Luke-Dorf, Inc.
- Londer Learning Center
- Oregon Telephone Assistance Program
- Oregon Department of Human Services
- Ride Connection
- Mercy Corps NWPrison Re-entry Transition Center
- Mercy Corps NW
- Portland Animal Welfare Team
- Blanche House of Hospitality
- Oregon Food Bank
- Woape, Inc.
- Portland Downtown Lions Club International
- Multnomah County Library
- Portland Public Schools
- Beaverton Public Schools
- Sweetbriar Elementary School
- East Gresham Elementary
- Montavilla Community Center
- Community Energy Project
- Women's Strength
- Girl's Strength
- Office of Neighborhood Involvement, City of Portland
- Portland Youth Builders
- Job Corps
- Zenger Farms
- Catholics Charities-El Programa Hispano and Tax Prep
- Christmas Family Adoption Foundation
- City of Portland Recycling Program
- Dress for Success
- Grace Community Church
- Head Start
- Human Solutions
- Immigration Counseling Services
- IRCO
- Impact NW
- Innovative Changes
- Islamic Social Services of Oregon State
- Jewish Family and Child Services
- Mt. Hood Community College-Youth Employment and GED programs
- Oregon Food Bank
- Oregon State University Extension Service including Metro Hispanic Nutrition Program
- Oregon Trades Women
- Portland Children's Museum
- Salvation Army
- St. Vincent De Paul
- Snow Cap
- Metropolitan Family Service- Ways to Work
- Partners for a Hunger Free Oregon
- Portland Housing Center
- OPAL Environmental Justice Project
- Proud Ground
- Economic Fairness Oregon