

Portland, Oregon
FINANCIAL IMPACT and PUBLIC INVOLVEMENT STATEMENT
For Council Action Items

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

1. Name of Initiator Dory Van Bockel	2. Telephone No. 503-823-4469	3. Bureau/Office/Dept. Portland Housing Bureau/Neighborhood Housing
4a. To be filed (hearing date): September 10, 2014	4b. Calendar (Check One) Regular Consent 4/5ths <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	5. Date Submitted to Commissioner's office and CBO Budget Analyst: September 3, 2014
6a. Financial Impact Section: <input checked="" type="checkbox"/> Financial impact section completed		6b. Public Involvement Section: <input checked="" type="checkbox"/> Public involvement section completed

1) Legislation Title:

Approve application under the Multiple-Unit Limited Tax Exemption Program for Riverscape Lot 1 located at NW Front Ave and NW 15th Ave (Ordinance)

2) Purpose of the Proposed Legislation:

This Ordinance provides City Council approval of a request for a ten year property tax exemption under the Multiple Unit Limited Tax Exemption (MULTE) Program for Riverscape Lot 1 located at NW Front Ave and NW 15th Ave.

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

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

FINANCIAL IMPACT

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

This Ordinance will reduce future revenue coming to the City in the form of foregone property tax dollars. The estimated ten-year value of exempted tax revenue is approximately \$2,323,450 in today's dollars assuming a 5.0 percent discount rate (selected in consultation with the City's Debt Manager), and a three percent annual assessment increase.

5) Expense: What are the costs to the City as a result of this legislation? What is the source of funding for the expense? (Please include costs in the current fiscal year as well as costs in future year, including Operations & Maintenance (O&M) costs, if known, and estimates, if not known. If the action is related to a grant or contract please include the local contribution or match required. If there is a project estimate, please identify the *level of confidence*.)

There are no costs to the City associated with approving this Ordinance other than the foregone revenue.

6) Staffing Requirements:

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

No.

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

No.

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

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

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

PUBLIC INVOLVEMENT

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

- ☒ YES: Please proceed to Question #9.
☐ NO: Please, explain why below; and proceed to Question #10.

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

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

This action will create 30 affordable housing units in NW Portland within the River District Urban Renewal Area. The project site is directly on a bus line and close to a Streetcar stops.

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

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

The application for Riverscape Lot 1 was reviewed by the PHB Investment Committee with expanded representation from the Portland Bureau of Planning and Sustainability's Planning and Sustainability Commission and the Multnomah County Tax Assessor's Office. The role of the review committee is to approve the staff recommendation that the application meets the basic program threshold criteria and adequately addresses the required competitive elements of affordability, equity, access to amenities, and accessibility outlined in City Code Chapter 3.103.

Additionally the PHB Portland Housing Advisory Committee is convening a public hearing on the proposed approval for the Riverscape Lot 1 MULTE on September 2, 2014 where public testimony is invited.

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

Input received through the public involvement process for the application included in this Ordinance validated the importance of creating 38 affordable housing units.

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


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

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

Dory Van Bockel, Housing Program Coordinator, Portland Housing Bureau, 503-823-4469

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

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

	8/27/14
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Traci Manning, Director

Date



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

Commissioner Dan Saltzman
Traci Manning, Director
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DATE: August 21, 2014

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

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption (MULTE) for **Riverscape Lot 1** located at NW Front Avenue and NW 15th Avenue

Project Description:

RS 1, LLC proposes to build a residential development, Riverscape Lot 1 (the "Project"), at NW Front Avenue and NW 15th Avenue on currently vacant land. The Project will consist of 149 apartments in a six story building. The site is located in Northwest Portland adjacent to the Pearl District and is within the River District Urban Renewal Area.

The 149 apartments include 38 units with restricted affordability, including 29 which will be rented at 80% median family income (MFI) or less, 9 which will be rented at 60% MFI or below. The remaining units in the project will be rented at market rates. Over half of the units, 80, will comprise of one bedroom units; the other portion of the units will consist of 39 studio and 30 two bedroom units. The building will have 172,348, gross square feet including 112,371 square feet of residential space, plus 19,262 square feet of common area, and the remaining area for use as a leasing office or possible small commercial space.

The structure will consist of five stories of wood frame construction over two floors of concrete construction and will feature a brick exterior with metal and cement panel accents. The Project is along the Willamette River providing views for most units and will connect to and extend the Greenway Trail along the river. Residents will also benefit from a landscaped courtyard, fitness center, bike and dog washing facility, a rooftop terrace common area with a barbecue and movie screen, plus a clubhouse with a media center, a business conference room including WiFi and a full kitchen. The business conference room and rooftop area will be available to the public by reservation.

The Project will have a total of 140 parking spaces; 100 spaces will be below ground, and additional 40 above ground. The cost of parking will be included in the rent for the affordable units and an optional expense for other units. Tenants will have access to secure enclosed bike parking. The Project site is directly on a bus line, and has sidewalk access to a Streetcar stop roughly 8 blocks away. Car share provider (5) partnership planned;

The Project will meet environmental goals by building, registering, and certifying per LEED gold level standards.

The Project will be developed by Fore Property Company. Fore Property Management will provide property management services, and CANV NC, LLC is the General Contractor for construction. The applicant, developer, property management company and construction contractor are all owned by the same members. The site is being purchased from Holt Distressed Asset Group.

Proposed Unit Mix and Affordability:

Unit Type	Square Footage	Total Unit Count	Unit Count at 60% MFI	60% MFI Rent (w/ Utilities)	Unit Count at 80% MFI	80% MFI Rent (w/ Utilities)	Un-restricted Market Rate Unit Count	Un-restricted Market Rent (w/ Utilities)
Studio	526	22	2	\$662 (\$729)	8	\$871 (\$971)	12	\$1131 (\$1198)
Studio	566	12	0	0	0	0	12	\$1217 (\$1284)
Studio Loft	629	3	0	0	0	0	3	\$1352 (\$1419)
One Bedroom	700	50	4	\$691 (\$781)	16	\$950 (\$1040)	30	\$1505 (\$1595)
One Bedroom	750	30	0	0	0	0	30	\$1613 (\$1703)
Two Bedroom	1020	19	3	\$825 (\$937)	5	\$1136 (\$1248)	11	\$2193 (\$2305)
Two Bedroom	1100	13	0	0	0	0	13	\$2365 (\$2477)
Total	759 Avg	149	9		29		111	

Scoring of Public Benefits:

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

Affordability – 19% of the apartment units will be affordable to households earning 80% or less of the area MFI. An additional 6% of the units will be affordable to households earning 60% or less of are MFI. The affordable units will be distributed evenly amongst the unit mix. By demonstrating that market rents are above 120% MFI in the area, affordable units at 80% MFI are allowed per the program guidelines. Because the Project provides more than the program minimum threshold requirements with an additional 5% of the units being affordable, and at a lower affordability threshold than the minimum threshold, the Project earned **10 out of 50 possible points.**

Equity – The application describes plans to work with non-profit groups serving MWESB firms including Business Diversity Institute, National Association of Minority Contractors, and Oregon Association of Minority Entrepreneurs for direction, assistance, and exposure to ensure MWESB participation. The applicant commits to giving priority to MWESB firms in the case that bids are otherwise equal and will report on bidding activities and results through the City of Portland's

procurement office. Also, the Project's marketing plan highlights efforts to reach people with disabilities and those with low to moderate income including communities of Color to offer both the accessible and affordable units by contacting and meeting with non-profit organizations, local businesses and churches, and government agencies. Specific potential partners identified are Network for Oregon Affordable Housing, REACH Community Development and PHC Northwest. Through these efforts, the application mentions the goal of helping remedy any possible displacement caused by the new development occurring in the neighborhood. Besides using standard internet listing sites and on-site information of available units, the Project will have marketing materials printed in several languages look for onsite staff to be "culturally and linguistically proficient" with tenants. By committing to specific strategies to ensure MWESB participation and working with specific local non-profit organizations to market to target audiences with a demonstrated need, the project earned **20 out of 30 possible points**.

Accessibility – The residential units will have elevator access, meeting all minimum ADA requirements. Additionally, the Project will triple the number of Type A units compared to what is required by code and provide 9 (6% of total units) completely accessible units. All of the units and common areas will feature Universal Design components making the Project more livable and comfortable for tenants and visitors with disabilities as well as seniors. This public benefit will remain beyond the period of the exemption into perpetuity. Providing such amenities to all of the units earned the Project **7 of 20 possible points**.

Family Housing/Location – The proposed Project is located in an area defined as having a moderate lack of family sized units. Over 20% (13) of the Project's units are two bedroom units, all of them exceeding 1000 square feet. The Project features a community with computer work stations and WiFi, a courtyard and rooftop access for gathering and for watching movies, as well as direct access to the waterfront and family friendly businesses nearby would be attractive to families. Including family-sized units and family amenities in Northwest Portland where family sizes units are highly desired earned the Project **3 points out of 10 possible points**.

Access to Amenities – The site is close to Interstate 405 and Highway 30, directly connects to the waterfront Greenway Trail for biking and walking, and is directly on a bus route. The Project is within walking distance and easy public transit proximity to a grocery store and many retail and dining establishments, plus parks are close by. The site has a 20-minute neighborhood score of 54 which earned the Project **5 out of 10 possible points**.

Gathering Space – The Project will provide numerous gathering spaces to tenants. Amongst those, the community clubhouse including the business conference room with WiFi, and the rooftop terrace will be available to the public by reservation. Also, the completed Project includes improving access to the Greenway Trail. Providing gathering spaces for public use and enhancing a pedestrian connection earned the Project **10 out of 10 possible points**.

Special Needs Populations – No units will be reserved specifically for "at-risk" or "special needs" populations; therefore the Project earned **no points out of 10 possible points**.

The Project earned a total score of 55 out of 140 points, which is above the minimum threshold qualifying score. There were three applications submitted within the competitive application cycle. The annual MULTE program cap for the amount of foregone revenue approved is sufficient for all three applications to be approved.

Public Benefit	Points Earned	Possible Points
Affordability	10	50
Equity	20	30
Accessibility	7	20
Family Housing/Location	3	10
Access to Amenities	5	10
Gathering Space	10	10
Special Needs Populations	0	10
Total	55	140

Financial Evaluation:

Staff examined projected costs, debt, rents, utility allowances, and operating expenses to determine if the assumptions represent a reasonable expectation of how the Project will be developed and operate. Staff found both the development budget and the operating budget to be reasonable and reasonably consistent with industry standards and other projects, and tested eligibility for the tax exemption by examining financial performance and returns under three different scenarios.

Using the pro forma and financial information provided by the applicant, staff developed three ten-year projections of the Project's financial performance:

- Scenario 1 – with the tax exemption;
- Scenario 2 – without the exemption and with rents maintained at Scenario 1 level; and
- Scenario 3 – without exemption and with rents increased to create same rate of return as scenario 1.

Scenario 1 shows the ten-year average cash on cash rate of return with the exemption for the improvements is 5.2%.

Scenario 2 shows that the rate of return without the exemption is 2.2% over the 10-year evaluation period using the same rental rates because of the increased property taxes. The debt coverage ratio is also too low for the proposed debt and would require a higher equity contribution or additional collateral that would further reduce the investor return. Without the additional collateral, the investor return is unattractive so it is certain that a project that maintains rents at the proposed 60% and 80% MFI affordable rental levels would not be built without the property tax exemption.

Scenario 3 eliminates the MULTE exemption and uses imputed rents in order to arrive at the same investor return as Scenario 1 with no tax exemption for the improvements. Rents without the tax exemption would need to be an average of \$162 a month per unit higher overall, which precludes any units affordable at 60%, and reduces the number of units which could (but wouldn't have to be if all went market rate) be affordable at 80% MFI from 38 to 9.

Staff examined the projected rents for adequacy and appropriateness of the implied utility allowance to ensure that rents weren't simply being projected lower than they should be. Rents estimated for the projections appear to be appropriately set.

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

This analysis confirms that (i) the Project would not be financially feasible without the benefit of the property tax exemption, (ii) the Project would not deliver the public benefits without the exemption, and (ii) the anticipated ten-year rate of return with the exemption will be less than the ten percent ceiling allowed under the exemption.

After estimating the amount of the real property taxes that would be exempted in the first year of operation under the City's MULTE program at approximately \$270,835, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$2,323,450 assuming a five percent discount rate (selected in consultation with the City's Debt Manager) and a three percent annual assessment increase.

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

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

CONDITIONS:

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

RECOMMENDATION:

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the residential portions of the Project, including associated residential parking, to be built by RS 1, LLC, or an affiliated entity because the Project meets the minimum threshold and public benefits requirements set forth in Section 3.103 of Portland's City Code.

ORDINANCE No. REFERRED TO COMMISSIONER OF PUBLIC AFFAIRS

Approve application under the Multiple-Unit Limited Tax Exemption Program for Riverscape Lot 1 located at NW Front Ave and NW 15th Ave (Ordinance)

The City of Portland ordains:

Section 1. The Council finds that:

1. On behalf of the City of Portland, the Portland Housing Bureau (PHB) administers the Multiple-Unit Limited Tax Exemption (MULTE) Program. The program is authorized under ORS 307.600-637 and City Code Chapter 3.103.
2. The MULTE Program provides a ten year property tax exemption on the residential portion of the structural improvements as long as program requirements are met. During the exemption period, property owners are still responsible for payment of the taxes on the assessed value of the land and any commercial portions of the project, except for those commercial improvements deemed a public benefit and approved for the exemption.
3. Upon application to PHB, a property may receive an extension of an original ten year property tax exemption under the MULTE Program if the property continues to provide the initial affordability and is subject to long-term affordability restrictions, up to the length of the low income housing assistance contract.
4. The MULTE Program has an annual cap limiting the approval of new property tax exemptions to no more than one million dollars of new estimated foregone revenue. Minimum thresholds and types of public benefits expected are defined for the program. In order to fairly select projects best meeting program goals, applications are accepted annually during an open application period.
5. During this open application period, PHB received a request for a ten year property tax exemption for Riverscape Lot 1 located at NW Front Ave and NW 15th Ave. The project is described in further detail in the PHB staff recommendation included as Exhibit A.
6. PHB has the responsibility for reviewing the financial need for requested exemptions by calculating the rate of return. To qualify, the calculation may not exceed ten percent rate of return based on evaluation of the operating pro forma. A PHB review and analysis has determined that a property tax exemption under the MULTE Program is necessary to meet the economic need of Riverscape Lot 1.
7. To qualify for the MULTE program, a rental project must include at least 20 percent of its units affordable to households below 80 percent of the median family income based on the market for similar units in the same geographic area. As detailed in Exhibit A, the application for Riverscape Lot 1 meets these requirements with 29 of its 149 units affordable to households at or below 80 percent of median family income and 9 of its 149 units affordable to households at or below 60 percent of median family income.

8. The application for Riverscape Lot 1 was reviewed by the PHB Investment Committee with expanded representation from the Portland Bureau of Planning and Sustainability and the Multnomah County Tax Assessor's Office on August 21, 2014. The role of the review committee is to approve the staff recommendation that the application meets the basic program threshold criteria.
9. On September 2, 2014, the PHB Portland Housing Advisory Committee convened a public hearing on the proposed approval for the Riverscape Lot 1 application under the MULTE program.

NOW, THEREFORE, the Council directs:

- a. The request for a ten year property tax exemption under the MULTE authorized by Chapter 3.103 of the Municipal Code of the City of Portland, Oregon, and ORS 307.600-637 is hereby approved for Riverscape Lot 1's structural improvements of the residential units, including all of the parking units.
- b. Approval of the Riverscape Lot 1 MULTE application is provided subject to the project meeting the minimum threshold requirements and public benefits as specifically described in Exhibit A including the following conditions:
 1. The project must provide 29 of its 149 units affordable to households at or below 80 percent of median family income and 9 of its 149 units affordable to households at or below 60 percent of median family income. The units affordable to and restricted to occupancy by low income households will reflect the unit-mix in the project.
 2. The application will comply with all rate of return provisions established in City Code Section 3.103.070. This section requires the owner to sign an Extended Use Agreement and to provide financial data on an annual basis to the PHB for each tax year that the exemption is in effect.
- c. PHB shall provide copies of this Ordinance to the Multnomah County Tax Assessor as prescribed by City Code Section 3.103.060 (C).

- d. If, after the Project is approved for the MULTE, and prior to construction being completed, the Project owner needs to make changes to the application submitted that would reduce the number, percent or distribution of affordable units in the Project, or the approved public benefits provided, the project owner must submit a formal restructure request. Restructures will be reviewed by staff, presented to PHB's Investment Committee, and go to City Council for approval. If changes to the Project are minor and would result in substantially the same Project, PHB may allow slight variances to what was approved without a formal restructure request.

Passed by the Council:

Commissioner Dan Saltzman
Prepared by: Dory Van Bockel
Date Prepared: August 27, 2014

LaVonne Griffin-Valade
Auditor of the City of Portland
By

Deputy

983 1034
Agenda No.
ORDINANCE NO.
Title

Approve application under the Multiple-Unit Limited Tax Exemption Program for Riverscape Lot 1 located at NW Front Ave and NW 15th Ave (Ordinance)

<p>INTRODUCED BY Commissioner/Auditor: Dan Saltzman</p> <p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman <i>[Signature]</i></p> <p>Position 4/Safety - Novick</p> <p>BUREAU APPROVAL</p> <p>Bureau: Portland Housing Bureau Bureau Head: Traci Manning</p> <p>Prepared by: Dory Van Bockel Date Prepared: August 27, 2014</p> <p>Financial Impact & Public Involvement Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>City Auditor Office Approval:</p> <p>City Attorney Approval: <i>bf</i></p> <p>Council Meeting Date September 10, 2014 <i>[initials]</i></p>	<p>CLERK USE: DATE FILED SEP 12 2014</p> <p style="text-align: center;">LaVonne Griffin-Valade Auditor of the City of Portland</p> <p>By: <i>[Signature]</i> Deputy</p> <p>ACTION TAKEN:</p> <p>SEP 17 2014 RESCHEDULED TO OCT 1 2014 9:30 AM</p> <p>OCT 01 2014 REFERRED TO COMMISSIONER OF PUBLIC AFFAIRS</p>
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AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/></p> <p>Start time: <u>3 PM</u></p> <p>Total amount of time needed: <u>20 min</u> (for presentation, testimony and discussion)</p> <p>CONSENT <input type="checkbox"/></p> <p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: <u>10 min</u> (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz	
2. Fish	2. Fish	
3. Saltzman	3. Saltzman	
4. Novick	4. Novick	
Hales	Hales	