

ORDINANCE No.

*Approve funding in an amount of \$1,955,509 to REACH Allen Fremont, LLC to Acquire and Rehabilitate the Allen Fremont Plaza (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 affordable housing programs using resources, including Community Development Block Grant (CDBG) and HOME funds, to support the development of affordable housing.
2. As a result of the public solicitation “Notice of Funding Availability May 1, 2014”, PHB sought to award resources in an amount not to exceed \$1,955,509 (the “City Funding”) for the acquisition and rehabilitation of a very low-income senior multifamily rental development at 221 NE Fremont St known as “Allen Fremont Plaza” (the “Project” or the “Allen Fremont”) to REACH Allen Fremont, LLC (“REACH”), an affiliate of local non-profit affordable housing developer REACH CDC (“REACH CDC”).
3. The City Funding consists of \$1,760,000 in new Community Development Block Grant (CDBG) funds from the PHB 2014-15 budget to REACH, and an assumption by REACH of the remaining balance on the existing PHB loan #13474-96 to the current owner, GBC, INC Portland (“GBC”) in an amount of \$195,509.
4. The Allen Fremont is an existing 64-unit multifamily rental project serving low-income seniors. In 2012, GBC asked REACH CDC to purchase the Project, in hopes of preserving the affordable housing long term. The parties reached agreement and pursued the funding application process to facilitate the transfer in 2014.
5. The Allen Fremont is currently occupied, and has 64 residential units including: 11 one-bedroom units with rents regulated at or below 50% of median family income (MFI), 52 one-bedroom units with rents regulated at or below 60% of median family income (MFI), and 1 two-bedroom unregulated manager’s unit.
6. The proposed acquisition and rehabilitation by REACH, includes lowering the regulated maximum rents on 11 one-bedroom units to 40% MFI, and the remaining 52 one-bedroom units to 50% MFI. Although this does not reduce rents to existing tenants, who on average have incomes of \$13,490 (26% MFI), the lowering of the maximum rent levels provides units that are “newly affordable” for future tenants.
7. As set forth in guidelines adopted under Resolution No. 36787 on May 14, 2010, City Council is the approving body for PHB funding structures involving an Equity Gap Contribution (“EGC”) in excess of \$1,000,000.

8. Employing an EGC requires that a project “exceptionally further the goals and objectives in Portland’s Comprehensive Housing Plan...” The following supports utilizing an EGC for the Allen Fremont.
 - a. Specifically supports existing the strategies 4.14 (D, E) of Portland’s Comprehensive Plan Housing Policy regarding neighborhood stabilization and the mitigation of gentrification.
 - b. There is less than \$30,000 projected available cash flow share available to PHB over a 30-year period.
 - c. REACH CDC is not requesting a developer fee.
 - d. REACH is lowering regulated MFI levels on all units except resident manager.
 - e. REACH is adding resident services.
 - f. REACH CDC is contributing \$100,000 cash to the Project sources.
 - g. NOAH, a private lender, is allowing cash flow dependent repayment on a portion of its debt.
 - h. GBC, the seller, is accepting less than the appraised value of the property.
9. This is a \$4,155,509 Project that was originally developed using low income housing tax credits. PHB will join others including the Network for Oregon Affordable Housing (NOAH), and REACH CDC to provide equity and financing for the Project.
10. REACH will enter into a new 60-year regulatory agreement, extending affordability at the Project from 2028 to 2075.
11. The City Funding is necessary to leverage more than \$2,200,000 of other private financing needed to acquire and rehabilitate the Project.
12. On February 5, the PHB Housing Investment Committee recommended approval of the City Funding for the Allen Fremont.

NOW, THEREFORE, the Council directs:

- a. The City Funding to implement the Project is an amount not to exceed \$1,955,509, comprised of \$1,760,000 from the 2014-15 PHB CDBG budget to REACH and the assumption by REACH of GBC’s PHB loan #13474-96 in the amount of \$195,509.
- b. The Director of PHB is authorized to approve amendments or modifications to the financing and to execute regulatory agreements, loan documents, trust deeds, and such other documents in form and substance as required to complete the financing authorized by this Ordinance, within the maximum amounts approved under this Ordinance, and subject to the approval as to form of such documents by the City Attorney’s Office.
- c. The Mayor and Auditor are hereby authorized to draw and deliver checks chargeable to the PHB budget when demand is presented and approved by the proper authority

SECTION 2. The Council declares that an emergency exists because a delay in the City's approval would impair the ability of the Project to meet the timeline required by other financing sources and the seller, and would delay the Project and could affect the budget: therefore, this Ordinance shall be in full force and effective from and after its passage.

Passed by the Council: MAR 04 2015

Commissioner Dan Saltzman
Prepared by: Siobain Beddow
Date Prepared: February 18, 2015

Mary Hull Caballero
Auditor of the City of Portland

By



Deputy

Agenda No. **ORDINANCE NO. 187040**
Title

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<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>DS/c</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: Siobain Beddow Date Prepared: February 18, 2015</p> <p>Impact 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: required for Code Ordinances</p> <p>City Attorney Approval:</p> <p>Council Meeting Date March 4, 2014</p>	<p>CLERK USE: DATE FILED <u>FEB 27 2015</u></p> <p style="text-align: center;">Mary Hull Caballero Auditor of the City of Portland</p> <p>By: <u><i>[Signature]</i></u> Deputy</p> <p>ACTION TAKEN:</p>
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AGENDA
<p>TIME CERTAIN <input checked="" type="checkbox"/></p> <p>Start time: 9:30</p> <p style="text-align: right;"><i>20</i></p> <p>Total amount of time needed: 40 mins (for presentation, testimony and discussion)</p> <p>CONSENT <input type="checkbox"/></p> <p>REGULAR <input type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz <input checked="" type="checkbox"/>	
2. Fish	2. Fish <input checked="" type="checkbox"/>	
3. Saltzman	3. Saltzman <input checked="" type="checkbox"/>	
4. Novick	4. Novick <input checked="" type="checkbox"/>	
Hales	Hales <input checked="" type="checkbox"/>	