

IMPACT STATEMENT

Legislation title: *Approve financing not to exceed \$6,500,000 using tax increment financing from the Central Eastside URA and federal HOME funds for the **St. Francis Park Apartments** at 1136 SE Stark Street (Ordinance)

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Purpose of proposed legislation and background information:

This legislation is the final approval step to implement an initial reservation of funds made pursuant to PHB's public solicitation, "**Notice of Funding Availability Spring 2014**". In late February, PHB will originate two loans totaling \$6,500,000 using \$3,500,000 of federal HOME funds and \$3,000,000 from the proceeds of tax increment financing in the Central Eastside URA for the development of the St. Francis Park Apartments to be constructed at 1136 SE Stark Street.

The project will be developed jointly by Home Forward, the Housing Authority of Portland, and by Caritas Housing Initiatives, the non-profit housing development arm of Catholic Charities. Home Forward will be the lead development entity and Caritas Housing Initiatives will operate the housing. The Project will have 106 residential units including 95 reserved for households earning up to 60% of the area median family income ("MFI"), 10 reserved for households earning up to 30% of the area MFI, and one manager's unit. The project will also target 25 units for households at risk of homelessness and for individuals escaping domestic violence.

The St. Francis Park Apartments is a \$23,250,000 project developed using a 4% low income housing tax credit financing structure. PHB will join other lenders and investors to provide equity and financing for the project including Chase Bank, Key Bank CDC, METRO, Oregon Housing & Community Services, US Department of Housing and Urban Development, Home Forward, Catholic Charities, and the St. Francis of Assisi Parish. The City Funding is necessary to leverage more than \$16,750,000 of other public and private financing needed to develop the Project.

Financial and budgetary impacts:

The funds are currently included in the PHB FY 15/16 and 16/17 budgets under the HOME program budget (\$3,500,000) and the Central Eastside TIF budget (\$3,000,000). This project has already received a \$500,000 predevelopment loan from PHB using HOME funds. That loan will be repaid to PHB at the financial closing for the new financing in late February, effectively decreasing the PHB budget for **new** HOME funds to \$3,000,000.

We anticipate that the project will require about \$1.2M in HOME funds during FY 15/16, with the balance of HOME and TIF disbursed in FY 16/17.

The PHB loan is secured by a subordinate deed of trust in the property. It is a "soft" loan in that 50% of any excess cash flow after paying debt, operating expenses, reserves and priority payments will be used to pay down the PHB loan. Given the project's long term operating proforma, PHB does not expect to be repaid its loan. If payments are received, PHB will credit payments first to the HOME loan and then to the TIF loan.

Community impacts and community involvement:

Community Involvement: This action is possible due to the decisions and actions of the St. Francis of Assisi parish of the Catholic archdiocese. The parish sold the land to Home Forward for this purpose and there was considerable public discussion and participation amongst parishioners to arrive at the decision to sell for affordable housing development. The project also went through a Type III design review process with public participation and discussion. The project is also included in the Portland/Gresham/Multnomah County consolidated plan for using federal resources allocated to the region by HUD which is prepared subject to substantial federal public participation requirements. There were also several meetings between the sponsor and groups representing both the Buckman neighborhood and the Central Eastside area.

Budgetary Impact Worksheet**Does this action change appropriations?**

- ☐ **YES:** Please complete the information below.
- ☒ **NO:** Skip this section