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**IMPACT STATEMENT**

**Legislation title:** \*Approve financing not to exceed \$3,200,000 using federal CDBG fund for the Hill Park Apartments at 110 SW Arthur Street to develop a 39 unit affordable rental housing project (Ordinance)

**Contact name:** John Marshall

**Contact phone:** 503-823-3232

**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, "**Spring 2014 Notice of Funding Availability**". In late March, PHB plans to originate a loan using \$3,200,000 of federal Community Development Block Grant (CDBG) funds for the development of the Hill Park Apartments to be constructed at 110 SW Arthur Street.

The project will be developed by Central City Concern ("CCC") with Gerding Edlen as the construction manager. Central City Concern will operate the housing when complete. The Project will have 39 residential units including 14 serving households earning up to 30% of the area median family income ("MFI"). The remaining units will serve households earning up to 60% of the area MFI. The project will also set aside 8 units for households that have been diagnosed with a severe mental illness ("SMI") that can live independently. The 31 units not made available for SMI residents will have a preference for individuals who have graduated from CCC's supportive services /rehabilitation programs and achieved employment from CCC's Downtown Employment Access Center.

The Hill Park Apartments is a \$10,840,000 project that will utilize 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 US National Bank Association, Oregon Housing & Community Services, the State of Oregon Addictions and Mental Health Division, US Department of Housing and Urban Development, Central City Concern, and Energy Trust of Oregon. The City Funding is necessary to leverage more than \$8 Million of other public and private financing needed to develop the Project.

**Hill Park Apartments**Total Units: 39No. at or below 30% MFI: 14

- 10 units = Project based Section 8
- 4 units = PHB Restriction

No. at or below 60% MFI: 25 unitsPopulation Specific Units:

- 8 units are set aside for households that have been diagnosed with a severe mental illness
  - 6 units serve at or below 30 % MFI
  - 2 units serve at or below 60 % MFI
- 31 units will give a preference to residents who have graduated from CCC's supportive service /rehabilitation programs

PHB Subsidy: \$3,200,000 in federal CDBG funds

\$82,051 per unit subsidy

Leveraged Funds: \$7,640,188 or 71%**Financial and budgetary impacts:**

The funds are currently included in the PHB FY 15/16 and 16/17 budgets under the CDBG program budget (\$3,200,000).

PHB anticipates that the project will require about \$750,000 in CDBG funds during FY 15/16, with the balance of CDBG disbursed in FY 16/17.

The PHB loan is secured by a subordinate deed of trust on 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 receive substantial repayment of its loan.

**Community impacts and community involvement:**

Community Involvement: This action is possible due to involvement of the South Portland neighborhood association from the beginning and includes the addition of brick exterior to the project. Hill Park Apartments went through a Type II design review process and it has received several letters of support including one from the Lair Hill neighborhood association. 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.

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

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