

IMPACT STATEMENT

Legislation title: * Authorize the purchase of property located at 5020 N. Interstate Ave. at a price not to exceed \$2,000,000 (Ordinance)

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Purpose of proposed legislation and background information:

This legislation authorizes the purchase of an approximately 20,000 square foot property in the Interstate Corridor Urban Renewal Area ("ICURA). Beginning in fall 2014, the Portland Housing Bureau ("PHB") sponsored a series of public forums to get feedback on an increase to PHB's ICURA tax increment financing ("TIF") budget of \$20,000,000. The budget increase was a response to community input regarding gentrification and displacement of residents of North and Northeast Portland who had long-standing historical ties to the area. At the culmination of the public forum process, among other things, PHB created the North/Northeast Neighborhood Housing Strategy (the "Strategy") which was subsequently accepted by the Portland City Council on January 28, 2015. The Strategy contains 17 implementation recommendations, among them the expenditure of up to \$3,000,000 in ICURA TIF for land acquisition. During the forums, the community expressed a strong desire to ensure that property within the ICURA was preserved for the development of affordable housing. The purchase that is the subject of this legislation is, in part, a response to the community and implements the related portion of the Strategy.

The property, located at **5020 N. Interstate Ave.** is currently zoned Central Employment with a design overlay ("EXD") which provides for a maximum height of 65 feet and a maximum floor area ratio ("FAR") of 3:1. PHB has not created conceptual designs for the property, but Bureau staff estimate the property could accommodate at least 50 new housing units. The property has a walk score of approximately 80 (very walkable). The Yellow Line MAX runs along Interstate Ave. with the closest stop at N. Killingsworth St. approximately ¼ mile away; the number 72 bus also has a stop at N. Killingsworth St. and N. Interstate Ave.

During the due diligence phase, PHB either received from the current owners or itself commissioned several studies including phase 1 and partial phase 2 environmental reports, a hazardous building materials report, a title report and a survey. The site has seen a number of uses over the years, including, historically, a gas station and currently a dry cleaning operation. While the environmental reports raise some concerns about soil contamination from underground storage tanks, and possible existence of a drywell, those appear addressable through normal remediation methods. The reports raised no significant concerns about the dry cleaning operation. While the hazardous building report did suggest there may be some asbestos and lead-based paint in the existing buildings, the issues were minor. Both the survey and title report suggest that there are no significant title issues.

The site currently contains three relatively small buildings; a surface parking lot covers an approximately equal portion of the site. While all three buildings currently house going concerns, a glass shop, a dry cleaner and a convenience store, PHB expects the businesses to discontinue operations at or shortly after closing. After the buildings are vacated, they will be boarded up and then demolished to ensure against vandalism and other nuisances. Currently, PHB plans to make the site available to a development team(s) as soon as the fall of 2016.

Financial and budgetary impacts:

The funds for acquisition and associated due diligence and closing costs are currently included in the PHB's FY 15/16 and 16/17 ICURA budgets. Assuming normal development timelines, the bulk of construction funds would likely not be needed any earlier than FY 17/18.

Through the development team selection process, PHB will determine the amount, if any, of additional ICURA funds that may be needed to subsidize affordable housing units. Typical PHB rental projects serve households with a range of incomes between 0% and 60% of area median family income ("MFI"); for ownership projects the range is usually up to 80% MFI. PHB recognizes the need to serve households at the lowest end of the income spectrum, i.e. 0-30% MFI. Generally such units in rental projects require a higher average subsidy than units serving households from 30%-60% MFI. While PHB will look to prospective development teams to propose the income mix for the project to be created on the site, the total amount of PHB subsidy would likely increase with a higher proportion of 0-30% MFI units.

Community impacts and community involvement:

Community Involvement: Because the transaction is with a private party and community involvement could compromise negotiations, no community outreach has occurred to date. However, the \$3,000,000 in ICURA TIF being used to purchase the property has been contained in the Strategy since its acceptance in January 2015. In general, the community has voiced very strong support for PHB acquiring property. Once the property is purchased, PHB expects to discuss its redevelopment with the Strategy's Oversight Committee. In addition, PHB will require the selected development team to engage the community as the proposed project unfolds.

Community Impacts: The acquisition will mean that the three going concerns will discontinue operations. While the businesses are certainly useful for the surrounding neighbors and passersby on Interstate Ave., there are numerous alternatives within a short distance of the site. PHB expects no significant negative impacts to the community as a result of the acquisition.

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

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