



CITY OF  
**PORTLAND, OREGON**

PORTLAND HOUSING BUREAU

Commissioner Dan Saltzman  
Kurt Creager, Director  
421 SW 6<sup>th</sup> Avenue, Suite 500  
Portland, OR 97204  
(503) 823-2375  
Fax (503) 823-2387  
portlandoregon.gov/PHB

Exhibit A

188039

DATE: September 9, 2016  
TO: Portland City Council  
FROM: Dory Van Bockel, PHB Housing Program Coordinator  
SUBJECT: Application for a Ten-Year Multiple-Unit Limited Tax Exemption (MULTE) for **Koz 16th and Marshall** located at 1015, 1033 and 1039 NW 16<sup>th</sup> Avenue

**Project Description:**

Koz Development, Inc. proposes to build a mixed-use development, being referred to as Koz 16<sup>th</sup> and Marshall (the "Project"), at 1015, 1033 and 1039 NW 16<sup>th</sup> Avenue between NW Marshall and Lovejoy Streets within Northwest Portland. The 3-lot site, prior to demolition, consisted of a single-family home, a parking lot and a restaurant and bar. The Project will have 127 apartments within a six-story building.

The 127 apartments include 26 units (20%) with restricted affordability at 60% of median family income (MFI) or below. The remaining units in the project will be rented at market rates. The Project will consist of 64 studio units, 39 one-bedroom mezzanine loft units and 24 two-bedroom units. The building will be 61,731 gross square feet including roughly 43,710 square feet for the residential units, and the remaining space will consist of open space and common areas, plus 2,106 square feet of commercial retail space.

**Proposed Unit Mix**

Unit Type	Average Square Footage	Total Unit Count	Unit Count at 60% MFI	60% MFI Rent Charged *	Un-restricted Market Rate Unit Count	Un-restricted Market Rent *
Studio	250	64	13	\$771	51	\$1,022
One Bedroom Loft	350	39	8	\$825	31	\$1,244
Two Bedroom	550	24	5	\$990	19	\$1,700
<b>Total</b>	<b>354</b>	<b>127</b>	<b>26</b>	<b>Average \$794</b>	<b>101</b>	<b>Average \$1,218</b>

\*The tenant is not responsible for paying utilities such as water and electricity in this Project; therefore, the rent charged is not reflective of a utility allowance.

The Project will not have any vehicular parking, but will include tenant bike storage for 150 bikes. The Project includes sidewalks with 7-foot deep building canopies to protect pedestrians from

weather along Marshall Street and 16<sup>th</sup> Avenue. The Project is within immediate walking distance from the Portland Street Car loop and a short walk to the #77 bus line.

All of the units will feature vinyl plank flooring, granite counter tops and stainless steel appliances. 10'-15' high windows will allow lots of light into the open floor plans which will come furnished with specially designed bedroom and living room furniture. The one bedroom units have upstairs lofts making up the bedroom. The building will have laundry facilities available to all units and an indoor trash area and mail room. All units will have full kitchens and bathrooms. There will be a ground-floor resident courtyard plus amenity space for tenant-use.

Located in Northwest Portland, the Project is amongst a mix of restaurants and retail businesses, commercial space, as well as single- and multi-family housing. The surrounding area also includes Legacy Good Samaritan Medical Center and is adjacent to the Pearl District. The Project connects to the rest of the Portland metro area directly by car via Interstate 405. Couch Park is just blocks away, and schools in the area include the Early Learners Academy at the Ramona and Metropolitan Learning Center. The site has a "Complete Neighborhood Score" or "walkability" score of 96, out of 100, based on the level of walkable access to amenities and commercial services.

As required by the MULTE Neighborhood Contact process, the applicant has notified the Northwest Neighborhood Planning Committee about the project and already presented the Project at neighborhood meetings.

Koz Development Inc., a development company based out of Seattle, is developing the Project through an investment partnership with Amstar out of Denver, Colorado. The property is owned and being developed by Amstar/Koz Portland, LLC whose ownership consists of both entities. Neither a general contractor nor a property management company has been selected yet. Koz Development, Inc. was recently approved for another MULTE application for a 30-unit project in Goose Hollow at SW 21<sup>st</sup> Avenue and SW Yamhill Street, plus has an additional application in process for a 108-unit project at SW 4<sup>th</sup> Avenue and Grant Street.

#### **Public Benefits:**

Whereas the MULTE Program has many goals, including the promotion of residential development in transit oriented areas and city centers, the public benefits most at the forefront of the program are affordability, equity and accessibility.

**Affordability** – 20% of the apartment units for rent in this Project will be affordable to households earning 60% or less of area MFI. The affordable units will be distributed evenly amongst the unit mix and will remain affordable for the ten-year period of the tax exemption.

**Equity** – The applicant has committed to specific strategies to ensure MWESB participation and working with specific local non-profit organizations to market to target audiences with a demonstrated need. Koz Development, Inc., as the developer, has entered into an agreement with Donaldson Enterprises to provide technical assistance around MWESB subcontracting with a goal of achieving 20% MWESB participation. The contract includes assistance with pre-bid planning, outreach to MWESB contractors, open houses, bid reviews, assistance to contractors, post-bid support and reporting both quarterly to the City's procurement office and a summary of all efforts and successes post construction.

PHB will be coordinating with the property management company, to help ensure that the project is affirmatively marketed to best meet target audiences. Koz Development, Inc. is exploring a relationship with the non-profit community organization, New Avenues for Youth, to help provide living-wage jobs and affordable housing opportunities to youth enrolled in their programs.

**Accessibility** – The residential units will have elevator access, meeting all minimum Americans with Disabilities Act and Fair Housing Act requirements. The Project will have seven of the units designed as Type A accessible units which meets the MULTE program requirement that at least five percent of the units be fully adaptable to become fully accessible per ADA and FHA standards if necessary to accommodate tenants with disabilities. These public benefits will remain beyond the period of the exemption into perpetuity.

**Application 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.

Rents of the otherwise affordable units would need to increase by 70% without the tax exemption, exceeding the rents of the market-rate units and precluding any units affordable at 60% MFI. This analysis confirms that (i) the Project would not be financially attractive without the benefit of the property tax exemption, and (ii) the Project would not deliver the public benefits without 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 \$204,629, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$1,884,598 assuming a four percent discount rate and a three percent annual assessment increase. The City's portion of the foregone revenue over ten years is estimated at \$621,917, or 33% of the total.

The Project is not located within an Urban Renewal Area and will not be receiving any funding from PHB.

**CONDITIONS:**

The Project will be required to carry an extended use agreement and submit Project 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 to be built by Amstar/Koz Portland, 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.