



CITY OF

PORTLAND, OREGON

Planning Commission

Telephone No. 823-7708 TDD 823-6868 FAX 823-7800
c/o Bureau of Planning, Rm. 1002, 1120 S.W. Fifth Ave. 97204

April 30, 1998

Mayor Katz and Members of the Portland City Council
City Hall
1221 SW 4th Avenue
Portland, OR 97204

RE: Planning Commission Report and Recommendation on the Limited Property Tax
Exemption for the Collins Circle Apartments

Dear Mayor Katz and Members of the Council:

The Portland City Code, Chapter 3.104, permits the granting of a limited ten year property tax exemption for newly constructed multi-family projects within the Central City Plan District or designated urban renewal areas. This exemption applies to the improvement value only. The land value remains subject to taxation during the ten year exemption period.

The Portland Development Commission is responsible for initially reviewing the application based on an analysis of the necessity of the tax exemption for financial feasibility of the project. The PDC considered this project at their April 15, 1998 meeting and recommends approval (See Exhibit 5 of the attached Report).

The Planning Commission role is to determine the project's compliance with relevant plans and policies as well as find that the level of public benefit provided by the applicant is sufficient to carry out the purposes of this property tax incentive.

Attached is the Planning Commission report recommending approval for the requested exemption for the proposed 124-unit Collins Circle Apartment project on the block bounded by SW 17th, 18th, Jefferson, and Columbia Streets. This site is in the Central City Plan District.

The notable public benefits include the provision of 124 new rental units, 52 of which will be affordable to and reserved for households earning sixty percent or less of median income on a surplus site along the Westside light rail line. This project provides desirable infill development within this part of the Downtown neighborhood and is consistent with the goals of the Central City Plan and the housing production goal of the Central City 2000 Plan.

Based on the findings in the attached report and subject to the conditions listed on pages 15-16 of the report, the Planning Commission recommends approval of the limited ten year property tax exemption for the Collins Circle Apartments.

Sincerely,

Steven W. Abel, President
Portland City Planning Commission



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Telephone No. 823-7708 TDD 823-6868 FAX 823-7800
c/o Bureau of Planning, Rm. 1002, 1120 S.W. Fifth Ave. 97204

APPLICATION OF GERDING/EDLEN DEVELOPMENT COMPANY FOR A TEN YEAR PROPERTY TAX EXEMPTION FOR NEW MULTIPLE UNIT HOUSING KNOWN AS THE COLLINS CIRCLE APARTMENTS (Chapter 3.104)

Portland City Planning Commission Report And Recommendation to the City Council

I. FACTS

A. GENERAL INFORMATION

Effective Dates: Pre-Application Date: February 4, 1998
Full Application Date: February 26, 1998
P.C. Hearing Date: April 28, 1998

Deedholder: Gerding/Edlen Development Company
4650 SW Macadam Avenue, Suite 220
Portland, OR 97201

Applicant(s): Vern Rifer, Senior Project Manager
Gerding/Edlen Development Company

Architect: Michael and Kuhns, Architects
421 SW 6th Avenue, Suite 1400
Portland, OR 97204

Proposal: Application for limited property tax exemption for a newly constructed 124-unit apartment building with landscaped courtyard, 98 car parking garage, and 7,300 square feet of retail space. Forty percent of the units will be affordable to households earning 60 percent or less of the area median income.

Location: The site is located on the block bounded by SW 17th, 18th, Jefferson, and Columbia

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Legal Description: Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition

Quarter Section: 3128

Zone(s): CX, Central City Commercial
d, Design Review Overlay
Central City Plan District (Goose Hollow)

Description of Proposal: The construction will be wood frame with brick cladding for five stories of housing above the masonry base for parking and retail spaces. Retail spaces will face SW Jefferson; the residential courtyard will face SW Columbia; and the parking access/egress will be on SW 17th Avenue. Modifications in response to Design Review have added a roof garden and more ground level landscaping around the building perimeter.

B. SITE INFORMATION

Description: The site contains approximately 23,000 square feet and forms a narrow block immediately east of Collins Circle, a small park feature recently redesigned by an award winning landscape architectural firm, following completion of the light rail line and Jefferson Street station nearby. The site was used as a construction yard for materials and equipment for completion of the light rail construction. The site slopes downward to the north and east from a high point at the southwest corner.

History: The site had been purchased by Tri-Met during the construction of the extended light rail line to the western suburbs. A proposal to develop the site with a car wash was approved in 1991 but not developed (LUR 91-720). This became one of several sites specifically planned for transit supportive high density residential use within the Portland section of the Westside light rail line due to open later this year. This project has received Design Review approval (LUR 98-43 DZ). After the initial hearing before the Design Review Commission, the project returned with several recommended design modifications.

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C. VICINITY DATA

Surrounding Conditions: To the southwest of the site is the United Methodist Church, which is undergoing expansion and renovations. A parking lot for the church is immediately south of the site. To the southeast is an electric substation and beyond is the Goose Hollow apartment tower, owned by Portland Student Housing. Within the immediate neighborhood to the west is another newly constructed multiple dwelling project applying for tax exemption, the Arbor Vista Condominiums. Other sites nearby are developed with a mixture of residential and commercial uses.

D. AGENCIES, NEIGHBORHOOD AND OTHER ASSOCIATIONS NOTIFIED

All appropriate agencies and associations have been notified in accordance with Title 33 regulations governing Design Review of this project. The property tax exemption program falls under Title 3, Administration, of the City Code. The public notices of the meeting dates of the Portland Development Commission, the Planning Commission, and the City Council which are printed in area newspapers fulfill the notification requirement of this review.

E. EXHIBITS

1. Zoning Map
2. Site Plan
3. North and East Elevations
4. Applicant's Project Narrative and Financial Pro Forma
5. Portland Development Commission Recommendation

F. LEGISLATIVE INTENT/STATUTORY AUTHORITY

1. Legislative Intent

Consideration for property tax exemption for a ten-year period is authorized by ORS 307.600 through 307.690 and by Title 3, Administration, of the Code of the City of Portland, Oregon.

State law specifies the following intent for the tax exemption provision under ORS 307.600, Legislative Findings:

"(1) The legislature finds that it is in the public interest to stimulate the construction of transit supportive multiple-unit housing in the core areas

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of Oregon's urban centers, to improve the balance between the residential and commercial nature of those areas, and thus, to insure full-time use of these areas as places where citizens of the community have an option to live as well as work...

“(3) The legislature further finds that the cities and counties of this state should be enabled to establish and design programs to attract new development of multiple-unit housing in light rail station areas, in transit oriented areas or in city core areas by means of the local property tax exemption authorized under ORS 307.600 to 307.691...”

The Oregon legislature further specified that the 10-year property tax exemption apply only to the building improvements. The applicant would continue to be taxed on the land or any other improvements not a part of the multiple-unit housing or associated public benefit (ORS 307.630)."

Planning Commission Comment: This statutory language was amended during the 1995 Legislative session by HB 3133 which broadens this program to include "transit oriented" and for-sale residential and mixed use development. The City adopted the transit oriented program on October 23, 1996. Because of its location within the Central City Plan District, this project is still subject to the program designed for the Central City (Chapter 3.104 of the City Code). However, the transit supportive nature of the project meets the broader transportation goals of the region.

2. Statutory Authority/Planning Commission Review

Section 3.104.050 of the City Code requires that the Planning Commission review tax abatement applications and determine whether the applicant's proposed development is consistent with the City's Comprehensive Plan and shall recommend to the City Council that the application be approved subject to conditions which the Commission deems appropriate to achieve the purposes of Chapter 3.104.

In order for a limited property tax exemption to be approved, the following determinations must be made:

- a) that the proposed housing development is eligible for limited property tax exemption according to the requirements of City Code Chapter 3.104;

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- b) that the proposed development is in conformance with adopted Comprehensive Plan and other adopted plans incorporated by the Comprehensive Plan, such as the Central City Plan.; and
- c) that conditions specify the scope and nature of public benefit recommended for the proposed project.

Also, because the proposed project is located in the CXd zone, the project must reviewed by the Design Commission for conformance with applicable design standards.

II. ELIGIBILITY DETERMINATION

Section 3.104.010(3) of the City Code requires that property must meet one of two locational requirements in order to be eligible for tax abatement:

- (a). That it be located within the Central City Plan District boundary as shown on Map 510-1 Portland City Code Chapter 33.510; or
- (b). That it be within the boundaries of any urban renewal or redevelopment area formed pursuant to ORS 457.

Planning Commission Finding: The apartment project on Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition, is located within the boundaries of the Central City Plan District and, therefore, meets the locational criteria for eligibility. The Portland Development Commission held a public hearing on this proposal at their April 15, 1998 meeting. PDC staff has recommended approval of the requested property tax exemption. The staff report concludes "that the tax abatement is necessary in order for the Project to be financially feasible. Without the tax abatement this project will not be able to proceed. This report and companion PDC Resolution deal solely with the tax abatement application. The final inducement resolution for the tax exempt bond financing for the project will be acted upon separately."

III. DETERMINATION OF COMPLIANCE WITH ADOPTED PLAN POLICIES

A. COMPREHENSIVE PLAN CONSIDERATIONS

Chapter 197 of the Oregon Revised Statutes requires all cities and counties to develop a Comprehensive Plan for land use and development, in accordance with the requirements of the State Land

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Conservation and Development Commission (LCDC). Portland's Plan was acknowledged by LCDC on May 1, 1981.

The Plan established a set of goals and policies to guide future development of the City. Housing was directly addressed under Goal No. 4 which states:

"Provide for a diversity in the type, density and location of housing within the City consistent with the adopted City Housing Policy in order to provide an adequate supply of safe, sanitary housing at price and rent levels appropriate to the varied financial capabilities of city residents."

Of the Housing policies, Policy 4.3, New Housing Production, and Policy 4.4, Housing Choice and Neighborhood Stability, are most relevant to the proposed project:

Policy 4.3

"Assist the private sector in maintaining an adequate supply of single- and multi-family housing units. This shall be accomplished by relying primarily on the home-building industry and private sector solutions, supported by the elimination of unnecessary government regulations."

Policy 4.4

"Support public and private actions which increase housing choices for Portlanders, with emphasis on housing and public improvement programs which: 1) improve the balance in the city's population by attracting and keeping in the city families with children; 2) maintain neighborhood schools; 3) increase the number of housing alternatives for both renter and owner; 4) improve the physical and environmental conditions of all neighborhoods."

In addition, the following Comprehensive Plan policies are relevant to this project:

2.12 Transit Corridors

Provide a mixture of activities along major transit routes and Main Streets to support the use of transit. Encourage development of commercial uses and allow labor-intensive industrial activities which are compatible with the surrounding area. Increase residential densities on residentially-zoned lands within one-quarter mile of existing and planned transit routes to transit-supportive levels. Require

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development along transit routes to relate to the transit line and pedestrians and to provide on-site pedestrian connections.

2.17 Transit Stations and Transit Centers

Encourage transit-oriented development patterns at light rail transit stations and at transit centers to provide for easy access to transit service. Establish minimum residential densities on residentially-zoned lands within one-half mile of light rail transit stations and one-quarter mile of transit centers that support the use of transit. The design and mix of land uses surrounding light rail transit stations and transit centers should emphasize a pedestrian- and bicycle-oriented environment and support transit use.

2.19 Infill and Redevelopment

Encourage infill and redevelopment as a way to implement the Livable City growth principles and accommodate expected increases in population and employment. Encourage infill and redevelopment in the Central City, at transit stations, along Main Streets, and as neighborhood infill in existing residential, commercial and industrial areas.

2.20 Utilization of Vacant Land

Provide for full utilization of existing vacant land except in those areas designated as open space.

6.9 Transit-Oriented Development

Reinforce the link between transit and land use by increasing residential densities on residentially-zoned lands and encouraging transit-oriented development along Major City Transit Streets and Regional Transitways, as well as in activity centers, at existing and planned light rail transit stations, and at transit centers in conformance with the Comprehensive Plan and Zoning Code.

Planning Commission Finding: This proposal will add market and lower income rental units in an established, well located inner city neighborhood on vacant land near a major public investment in transit. This project is supportive of these Plan policies.

B. ZONING CONSIDERATIONS

1. The CXd Zone and Central City Plan District. As of March 24, 1988, the Central City Plan was adopted for the inner city along the west and east sides of the Willamette River. Public review of

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projects in the Central City Plan District is now regulated by Central City Plan District requirements which supersede some CX regulations.

The Zoning Code regulations which apply to the subject site include the following:

- Zone and Plan Designation: CX, Central City Commercial
- Permitted Uses: A wide range of commercial, retail, office uses as well as high density residential.
- Permitted Floor Area Ratio (FAR): 4:1
- Permitted Building Height: 100 feet

Planning Commission Finding: As designed, the project complies with the major development standards of the base zone and the Central City Plan District except for the amount of ground level windows along SW 17th and a requested adjustment for the reduction from two required loading areas to one. The decision on these adjustments will be made during the Design Review process currently underway, which is being conducted independently of this tax exemption request.

C. **DETERMINATION OF COMPLIANCE WITH THE CENTRAL CITY PLAN POLICIES**

The Central City Plan was adopted by the City Council on March 24, 1988. Relevant district and functional policies to be considered are the following (as amended on April 12, 1995):

"Policy 3: HOUSING. Maintain the Central City's status as Oregon's principal high density housing area by keeping housing production in pace with new job creation.

FURTHER:

1. Promote the construction of at least 15,000 new housing units in the Central City by the year 2010.
2. Preserve and encourage rehabilitation of existing housing.
3. Encourage the development of housing to meet diverse needs by encouraging a range of housing types, prices, and rent levels. Avoid isolating higher, middle, moderate, low and very low income households.

4. Foster housing development as a key component of a viable urban environment. Encourage a mix of rental and owner-occupied housing that accommodates the variety of households and families attracted to a Central City lifestyle. Include affordable housing in this mix..
5. Secure greater regional participation in addressing the housing needs of the homeless, low-income and other special needs populations.
6. Where residential development is required, assure that when development of the housing is deferred to the future, the housing site is designated and zoned residential.
7. House at least 15 percent of PSU students in university housing. Locate university housing within the District or within walking or bicycling distance of the District, or at a location with a direct transit connection to the District
8. Facilitate housing ownership in order to foster a vested interest and 'stewardship' in the Central City by residents."

Planning Commission Finding: The proposal complies with the overall policy statement and particularly with the elaborations addressed by the above statements 1., 3., and 4.

Effective July 1, 1995, the City adopted amendments to the Central City Plan incorporating the Goose Hollow Subdistrict which is addressed by Policy 15.

"Policy 15: GOOSE HOLLOW. Protect and enhance the character of Goose Hollow by encouraging new housing and commercial development which is compatible with a growing community.

FURTHER:

- A. Encourage development of housing, particularly for families.
- B. Encourage retail and commercial development along the light rail corridor and in mixed use projects, which supports the needs of the residential community."

Planning Commission Finding: This project is a mixed use project that supports the overall goals of this Subdistrict.

E. DETERMINATION OF COMPLIANCE WITH THE DOWNTOWN PLAN

According to District Policy 14, DOWNTOWN, of the Central City Plan, the Downtown Plan is intended to remain as an active implementation tool in guiding City decisions on planning activities within the Central City. The adopted document, Planning Guidelines/Portland Downtown Plan, constitutes the City's basic land use policy directive to guide development in the Downtown area, and therefore, continues to be a component of Portland's Comprehensive Plan and development strategy.

The Downtown Plan was originally adopted by City Council in 1972 and updated in 1980. The Downtown Plan Handbook provides a general guide to the City adopted plan, policies and regulations that control development within the Downtown area.

Specific goals and guidelines which are relevant to the proposed project include:

Housing and Downtown Neighborhoods

"To give high priority to increasing the number of residential accommodations in the Downtown area for a mix of age and income groups, taking into consideration differing life styles; and to provide a 'quality' environment in which people can live recognizing that residents of Downtown and adjacent areas are essential to the growth, stability and general health of a metropolitan city."

One specific goal is to coordinate and better organize the efforts of all agencies that are involved in the provision of housing (both public and private, including the Portland City Planning Commission, the Portland Development Commission and the Housing Authority of Portland.) Specifically:

"Develop economic or other incentives to reduce the slippage rate of existing housing units from the market in the Downtown area and encourage the building of additional housing units."

"Encourage the fullest use of public and private programs to ensure that future Downtown housing accommodates a mix of low, moderate and high-income people."

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Planning Commission Finding: The proposed mixed income project supports these objectives.

Other City actions undertaken in support of the basic land use development objectives specified in the adopted Downtown Plan include the Downtown Development Regulations adopted as Ordinance No. 147239 on March 19, 1979, and the Downtown Housing Policy and Program, adopted by Resolution 32514 on October 3, 1979.

The Downtown Housing Policy and Program represented a refinement of the housing goals of the 1972 Downtown Plan. The most relevant of the four main goals in the 1979 policy and program document state:

"Create Middle-Income Housing. The City recognizes the desirability of an economically and socially balanced Downtown which is now predominantly low-income. It also recognizes the significant and growing demand for smaller housing units which are especially suitable Downtown. Therefore, the City is committed to the creation of new housing for small middle-income households."

"Maintain Low-Income Housing. The City recognizes the importance of Downtown as a low-income housing resource, appealing to a variety of needs and lifestyles and supported by existing services. It also recognizes that this housing and these services cannot be effectively and economically replaced elsewhere in the City. Therefore, the City is committed to assure that the 5,183 low-income units which existed in April 1978, be maintained in the Downtown."

"Support Related Activities Which Reinforce Downtown's Residential Neighborhoods. The City recognizes the importance of housing in the context of a 'neighborhood.' It is committed to developing and supporting services and amenities necessary for a quality neighborhood as well as assisting the maintenance and production of substantial and well designed housing. It will use Federal and State assistance, as well as local programs to accomplish this policy as effectively as possible."

The Downtown Housing Policy and Program also lists several existing programs which are available to carry out its objectives, including the limited property tax exemption program:

Existing Programs: Limited Assessment. "To encourage historic preservation, housing rehabilitation, and new housing construction by

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limiting assessments for tax purposes of the value added by property improvements for a period of years following those improvements."

Planning Commission Finding: Although this project will not be marketed to very low income households, it supports the above policies by introducing new mixed income rental units in this Central City neighborhood including units affordable at 60 percent median income.

IV. ELIGIBILITY, PLAN, AND POLICY CONFORMANCE: CONCLUSIONS

- A. The proposed project is eligible for limited property tax exemption in accordance with City Code and statutory requirements referenced in Section II.
- B. According to statutory intent and applicable City Code, the proposed project is consistent with and supportive of the purposes for which this authority was created. The legislative intent strongly encourages the development of new multiple-unit rental housing in the State's largest urban core areas and recognizes the need to provide a financial incentive in areas where higher than average land costs exist due to a number of factors.
- C. The foregoing references in Section III indicate that the proposed housing development is consistent with and supportive of adopted Comprehensive Plan policies and objectives including specifically, the Central City Plan, the Downtown Plan, the Downtown Housing Plan and Policy, the most recent refinements to the Central City Plan embodied by the Livable City Housing Initiative, the Central City 2000 housing goals, and the governing development regulations of Title 33, particularly the CXd zone.
- D. The property tax exemption has been in existence since 1975 and has assisted much of the residential construction activity that has occurred within the targeted core area of the City. This activity in large part has been made possible by the incentives of the property tax exemption in conjunction with additional assistance from federal, state, and local agencies. This project is not, at the time of this writing, receiving any additional financial assistance from the City.
- E. Currently, the site under consideration is an underutilized site zoned primarily for commercial and mixed use. No existing housing is going to be removed for this project. Therefore, public incentives, in the

form of limited tax exemption, are justified in order to achieve the adopted plan goals for new residential development in this transit oriented area of the Central City.

V. DETERMINATION OF PUBLIC BENEFIT

A. Examples of Public Benefit

Section 3.104.040, Public Benefits, specifies that the proposed project "must include a public benefit which may consist of, but is not limited to one or more of the following: (1) dwelling units at rental rates or sales prices which are accessible to a broad income range of the general public, (2) recreation facilities or space, (3) open spaces, (4) public meeting rooms, (5) day care facilities, (6) facilities supportive of the arts, (7) facilities for the handicapped, (8) service or commercial use which is permitted and needed at project, but not available for economic reasons, (9) dedications for public use, (10) other public benefits approved by the Planning Commission or City Council."

B. Proposal's Relationship to Public Benefits

In addition to providing 124 new rental units in the Central City, the applicant notes the following public benefits associated with the project (from Exhibit 4, Applicant's Project Narrative):

- "1) Housing Units. This is a mixed income project with 40% of the units reserved for persons earning less than 60% of median income and the balance of market rate units which should attract tenants earning up to 120% of medium income.
- "2) Open Space. A fully developed landscaped courtyard will be [accessible to building residents and] visible from SW Columbia Street.
- "3) Service. An approximately 7,500 sq. ft. neighborhood retail space is provided on SW Jefferson Street to satisfy neighborhood and planning guidelines. Construction of the retail required the underground garage to be larger and deeper which significantly raises the cost of the garage."

In the review process established for this tax exemption program, the Portland Development Commission is given primary authority to recommend to the Planning Commission approval, denial, or

approval with conditions [Section 3.104.050 (2)]. PDC's recommendation is determined by a finding that the property tax exemption is necessary in order to make the development economically feasible at rental rates which serve the public purposes of the tax exemption program.

The Planning Commission's role is to "review the application to determine whether the proposed development is consistent with the City's Comprehensive Plan. A recommendation shall thereafter be forwarded to the City Council that the application be approved subject to those conditions necessary to achieve the purposes of this Chapter. The Planning Commission shall specify in its recommendation to the Council the scope and nature of public benefit recommended for the proposed project."

The substance of the Planning Commission's hearing on this proposal is, therefore, a determination whether the suggested public benefits are sufficient to meet the purpose of the tax exemption program in the context of wider City policy.

VI. PLANNING COMMISSION RECOMMENDATION BASED ON ELIGIBILITY, PLAN, AND POLICY CONFORMANCE FINDINGS AND CONCLUSIONS

The project parcel is an infill site within an established neighborhood containing a broad array of uses. It is a highly visible and prime development site with the potential of meeting several City policies for Central City and transit supportive housing development. It also has the potential to spur further residential development in the neighborhood consistent with adopted City goals.

The Planning Commission recommends approval of the limited property tax exemption application by Gerding/Edlen Development Company for the project identified as the Collins Circle Apartments, located on Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition, based on the eligibility, plan, and policy conformance findings and conclusions of Section IV., and subject to the condition that the public benefits and assurances recommended in Section VII. be provided by the applicant.

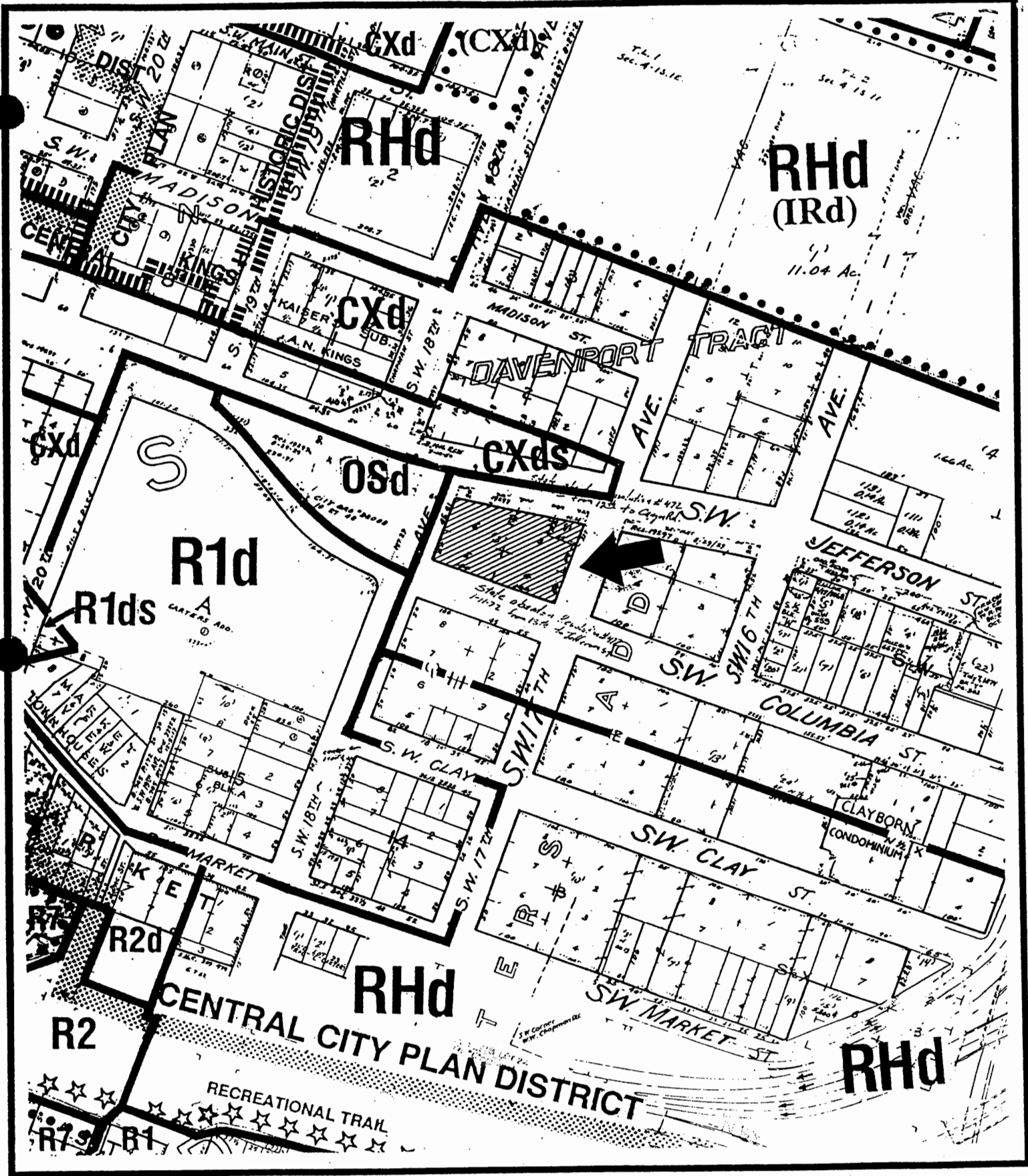
VII. PUBLIC BENEFIT RECOMMENDATION

The Planning Commission Staff recommends that City Council approve the limited property tax exemption for the Collins Circle Apartments subject to the following conditions:

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1. The apartment units be maintained as rental housing and not convert to condominiums or other ownership arrangement during the ten year term of the property tax exemption.
2. At least 52 of the units continue to be affordable to low income households earning 60 percent or less of the area median income during the ten year term of the exemption. The rent schedule is based on the annual formula for units of varying bedroom size used by the State of Oregon Housing and Community Services Department for calculating eligibility for the Low-Income Housing Tax Credit Program which is, in turn, based on the area median income for the Portland Metropolitan Area pro-rated for family size as determined by the U.S. Department of Housing and Urban Development. Nothing in this tax exemption approval modifies any other affordability obligation associated with other public assistance.
3. Neighborhood-oriented retail sales and service or offices uses (as described in sections 33.920.240 and 33.920.250 of the Zoning Code), be provided at ground floor to provide services to local residents which might not otherwise be available in the vicinity. In the event that there is a question concerning the neighborhood-oriented character of the retail sales and service or office use, the Planning Director shall be authorized to make a determination.
4. These and any other public benefits be provided in accordance with agreements reached by the relevant review bodies and agencies, including but not limited to the Planning Bureau, the Portland Development Commission, and the Design Review Commission.
5. The project comply with all applicable standards of Title 33, Planning and Zoning, as well as all conditions of approval of any land use and design reviews.

Mike Saba:mps



Zoning



Site

This site lies within the
CENTRAL CITY PLAN DISTRICT

● HISTORIC LANDMARK

File Number
Quarter Section
Scale
Request
Exhibit

P.C. 29
3128
1" = 200'
Property Tax Exemption
1



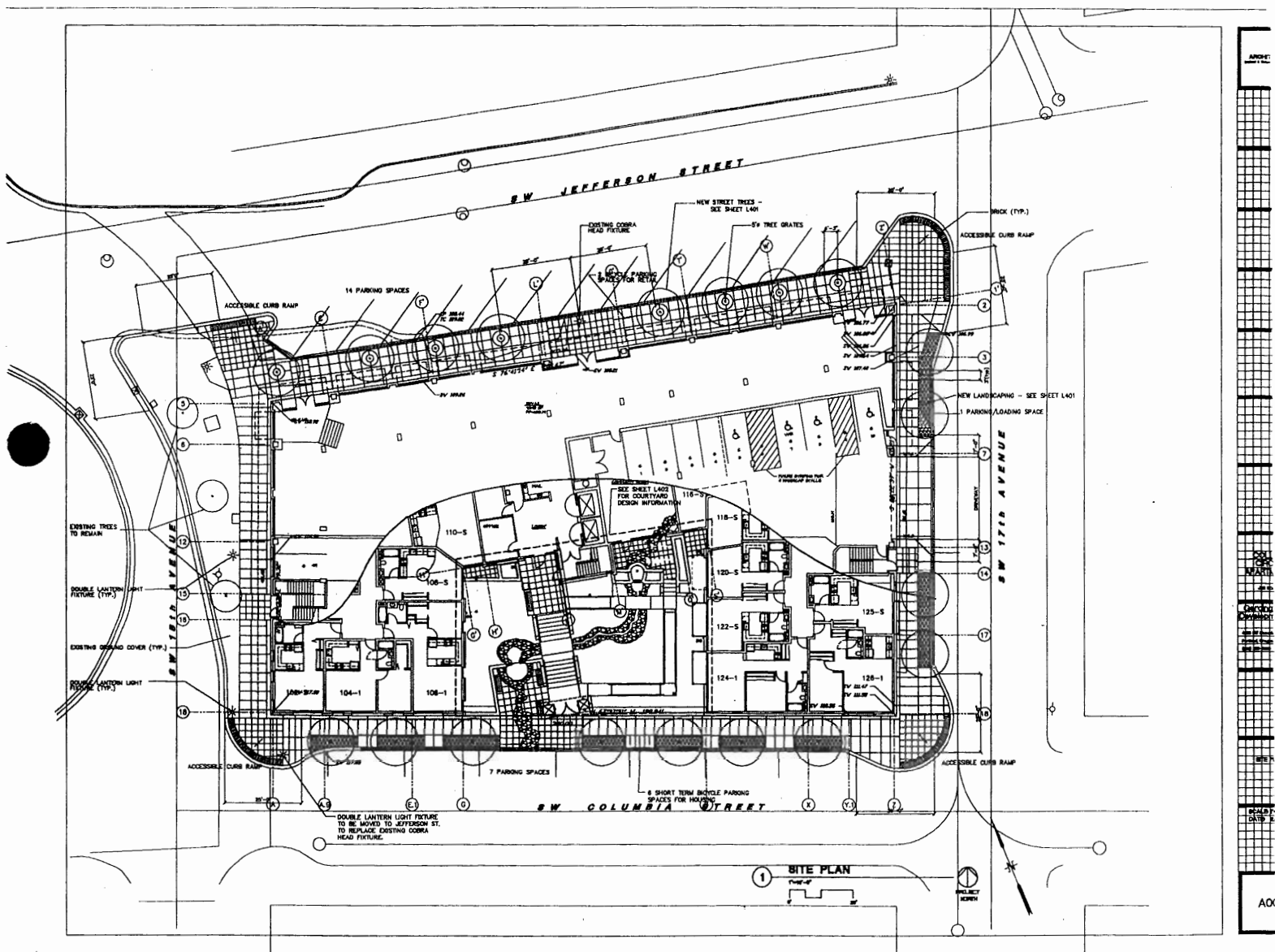
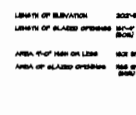
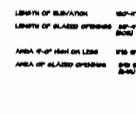


EXHIBIT 2. Site Plan

[illegible]

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ATTACHMENT II

Description of public benefits to be provided:

The Collins Circle Apartments provides the following public benefits per the eligibility criteria of Section 3.104 of Title 3 of the Municipal Code:

1. Housing units
This is a mixed income project with 40% of the units reserved for persons earning less than 60% of medium income and the balance of market rate units which should attract tenants earning up to 120% of medium income.
3. Open space
A fully developed landscaped courtyard will be visible from SW Columbia Street.
8. Service
An approximately 7,500 sq. ft. neighborhood retail space is provided on SW Jefferson Street to satisfy neighborhood and planning guidelines.
Construction of the retail required the underground garage to be larger and deeper which significantly raised the cost of the garage.

MEMORANDUM

GERDING/EDLEN DEVELOPMENT CO.
4650 S.W. MACADAM AVE., SUITE 220
PORTLAND, OR. 97201
tele: (503) 299-6000
fax: (503) 299-6703
email: vern@ge-dev.com

To: John Warner
Portland Development Commission
Mike Saba
Bureau of Planning

From: Vern Rifer

Date: Wednesday, March 04, 1998

Re: Collins Circle Apartments, property tax exemption

In reviewing the material we sent you last week I realize what you may need is a pure cash on cash analysis. What we sent you was our high-bred of cash, LIHTC's and proceeds of sale in year 16. Enclosed please find the two analysis which show a need for a 25% increase in the market rents to maintain the same cash on cash return. Also for this analysis we increased the bond interest rate from 5.25% to 5.5% since long term rates have gone up in the past week.

COLLINS CIRCLE APARTMENTS-PORTLAND, OREGON
DEVELOPMENT BUDGET- Fixed Rate

1 Land Costs	Quantity	Unit	Unit Price	Total Cost
2 LAND COST	124 Units		negotiated	\$405,000
Site Costs				
3 Site Development Costs	23,000 SF			\$497,184
4 Hard Construction Costs				
5 Apartment & common construction	93,250 SF			Walsh Const C \$6,013,314
6 Parking construction	28,525 SF			\$1,927,695
7 Brick upgrade	31,500 SF			\$157,500
8 Geopile				100,000
9 Inset window upgrade				\$35,000
10 Construction Contingency	4.00% Of Hard & Site Costs		1	\$349,228
TOTAL SITE & HARD CONST. COSTS				\$9,079,921
Soft Costs				
11 Const. Loan Interest (bonds)	9,000,000	5.25%	12	\$472,500
12 Architect / Engineering/Interiors/Landscape		proposal		\$382,050
13 Geotechnical/Environmental		estimate		\$25,000
14 Other consult.(geotech,acoustical,survey)		estimate		\$20,000
15 Building Permits and Fees	1.00% of Hard & Site Costs			\$90,799
16 Sewer System Fees	124 Units	\$850 /Unit		\$105,350
17 Water System Hookup Fees & meter	124 Units	\$500 /Unit		\$62,000
18 Transportation SDC	124 Units	\$300 /Unit		\$37,250
19 Sidewalk Rental Fee		estimate		\$35,000
20 Project Legal/Accounting		estimate		\$50,000
21 Builder's Risk Insurance		estimate		\$15,000
22 Construction Period Property Taxes	\$405,000	1.98%	12 Months	\$8,019
23 Bond Underwriting & Issuance	\$9,000,000	estimate	2.17%	
Fannie Mae Application Fees & Expen	31	estimate	\$22,000 *	\$22,000
Banc One Capital Funding Fee	31	1.00%	\$90,000 *	\$90,000
Misc Financing Costs	31	0.00%	\$17,500	\$17,500
Fannie Mae Legal Review Fee	31	estimate	\$45,000 *	\$45,000
Borrowers Counsel	31	estimate	\$15,000 *	\$15,000
MBS Issuance Costs	31		\$5,500	\$5,500
Fannie Mae review fee	31		\$1,500	\$1,500
Fannie Mae commitment fee	31		\$3,000	\$3,000
Issuers Fee (City of Portland)	31	0.70%	\$63,000	\$63,000
Issuers Counsel	31		\$25,000	\$25,000
Rating Agency Fee	31		\$23,000	\$23,000
Underwriters fee	31	0.90%	\$81,000	\$81,000
Underwriters counsel	31		\$25,000	\$25,000
Trustee Fee	1		\$5,000	\$5,000
24 Interest Rate Cap-7 years	0.00% of bonds		7	\$0
25 Construction Loan LOC	1.00% of bonds			\$90,000
26 Appraisal		estimate	*	\$8,250
27 Environmental Testing		available		available
28 Title Costs		estimate		\$15,000
29 Independent and bank inspections		estimate		\$25,000
30 Project Engineer/Manager	1.50% of Hard & Design Costs			\$142,605
31 Retail leasing Commissions	\$121,500	5.00%	10 years	\$60,750
32 Equity Financing Commission (Synd Fee)	\$2,000,000	10.00% estimated		\$200,000
33 Absorption Costs	7 Months			\$76,587
34 Property Tax Exemption Fee				5,000
35 LIHTC Reservation Fee	5.00% of annual credits			\$8,000
36 Apartment marketing/ leasing materials		estimate		\$35,000
37 Soft Cost Contingency	3.00% of soft costs		1	\$71,720
38 Subtotal				\$2,462,380
39 Developer Fee	7.50% Of Land, Hard & Soft Costs 15% Of Costs for LIHTC			\$896,048
40 TOTAL SOFT COSTS				\$3,358,427
41 TOTAL DEVELOPMENT COSTS				\$12,843,348

1 CALCULATION OF LIHTC 4% CREDIT					
2 LIHTC Basis					
3 Potential Yearly LIHTC @	3.58%				
4 Value Of Credits @ Purchase	0.00%	x	100.00%		
5 Total Development Costs					\$12,843,348
6 Mortgage Loan/Bonds			Fannie Mae underwritin		\$9,000,000
7 LIHTC Proceeds			assume no separate LIHTC partner		\$0
8 Arbitrage Interest	\$9,000,000	5%	50% outstanding		\$225,000
9 Developer deferred development and cash equity					\$1,205,995
Investor Cash Equity					\$2,412,353
<u>SOURCES AND USES SUMMARY</u>					
Sources					
Mortgage Loan/Bonds			estimate		\$9,000,000
Arbitrage Interest					\$225,000
LIHTC equity partner contribution		Investor	0.00%		\$0
Developer deferred fee and cash equity		Developer	33.33%		\$1,205,995
Investor Cash Equity		Investor	66.67%		\$2,412,353
TOTAL SOURCES					\$12,843,348
Uses					
Land Costs					\$405,000
Site & Hard Construction Costs					\$9,079,921
Soft Costs					\$3,358,427
TOTAL USES					\$12,843,348

INCOME CALCULATION WORKSHEET-PROPERTY TAX EXEMPTION

COLLINS CIRCLE APARTMENTS-PORTLAND, OREGON

Mixed Income Project

Fixed Rate

03:22 PM

04-Mar-98

Five Floors Over 1 1/2 Level garage

Potential Gross Income	# of Units	1997 Rent/Mo.	1997 To 1999 Escalation	1999 Rent/Mo.	Year 1
Market Rate Units					
Studio	27 x	\$752	1.061	\$814 x	12 Months \$263,670
1-Bdrm/1-Bath Apartments	31 x	\$941	1.061	\$1,017 x	12 Months \$378,415
2-Bdrm/2-Bath Apartments	14 x	\$1,370 average	1.061	\$1,482 x	12 Months \$249,022
Total Units	72				\$891,106
Turnover Income @ 65% Of Market Units	47 x	\$150	0.000	\$150 /Unit/Year	\$7,020
Potential Market Rent					\$898,126
Affordable Units					
Studio	24 x	\$485 less income utilities \$26	1.040	\$478 x	12 Months \$137,533
1-Bdrm/1-Bath Apartments	24 x	\$520 \$28	1.040	\$512 x	12 Months \$147,421
2-Bdrm/2-Bath Apartments	4 x	\$660 \$34	1.040	\$651 x	12 Months \$31,262
Total Units	52				\$316,215
Turnover Fee Income @ 0% Of Units	0 x	\$150	0.000	\$150 /Unit/Year	not applica.
Potential "Affordable" Rent					\$316,215
Total	124				1,214,341
Percent @ 60% of Medium Income	41.94%				
Residential Parking Rent	99 x	1997 \$75	1.061	Proj. 1999 Rents \$81 x	12 Months \$96,371
Retail Rent+@ 90% Occupancy	7,500 x	\$18 /year	1.000	\$1.50 90%	12 Months \$121,500
Laundry Income	62 Units	\$10 /month	0.000	\$10 x	12 Months \$7,440
Potential Gross Rent					1,439,652
Less: Apartment Vacancy				5%	(\$60,717)
Effective Gross Income					1,378,935
Less: Operating Expenses Market	72 units	1997 \$3,600 /unit 199	1.061	\$3,819 /Unit 1999	= (\$274,985)
(10 year property tax exemption)					
Less: Operating Expenses Affordable	52 units	\$3,600 /unit 199	1.061	\$3,819 /Unit 1999	= (\$198,600)
(10 year property tax exemption)					
NET OPERATING INCOME					\$905,349

PROPOSED COLLINS CIRCLE APARTMENTS
Cash Flow Calculation- Fixed Rate

	1	2	3	4	5	6	7	8
						(1 thru 6)		
	NOI	Trustee Fee	Primary Debt Service	Land Debt Service	Interest Rate Cap	Net Sale Proceeds Aft Debt	Cash Flow Available	% Cash On Cash
Year 0							*****	
Year 1	\$905,349	(\$5,000)	(\$569,700)	\$0			\$330,649	9.07%
Year 2	\$917,902	(\$5,000)	(\$687,830)	\$0			\$225,072	6.17%
Year 3	\$942,375	(\$5,000)	(\$686,819)	\$0			\$250,556	6.87%
Year 4	\$967,521	(\$5,000)	(\$685,843)	\$0			\$276,678	7.59%
Year 5	\$993,359	(\$5,000)	(\$684,623)	\$0	\$0		\$303,735	8.33%
Year 6	\$1,019,908	(\$5,000)	(\$683,432)	\$0			\$331,476	9.09%
Year 7	\$1,047,188	(\$5,000)	(\$682,173)	\$0			\$360,016	9.87%
Year 8	\$1,075,221	(\$5,000)	(\$680,843)	\$0			\$389,378	10.68%
Year 9	\$1,104,027	(\$5,000)	(\$679,438)				\$419,589	11.51%
Year 10	\$1,133,628	(\$5,000)	(\$677,953)				\$450,675	12.36%
						Total	\$3,337,824	9.15%

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PROPOSED COLLINS CIRCLE APARTMENTS
Cash Flow Calculation- Fixed Rate

	1	2	3	4	5	6	7	8
						(1 thru 6)		
	NOI	Trustee Fee	Primary Debt Service	Land Debt Service	Interest Rate Cap	Net Sale Proceeds Aft Debt	Cash Flow To Available	% Cash On Cash
Year 0							(\$3,643,898)	
Year 1	\$904,896	(\$5,000)	(\$569,700)	\$0			\$330,196	9.06%
Year 2	\$917,435	(\$5,000)	(\$687,830)	\$0			\$224,605	6.16%
Year 3	\$941,894	(\$5,000)	(\$686,819)	\$0			\$250,075	6.86%
Year 4	\$967,025	(\$5,000)	(\$685,843)	\$0			\$276,183	7.58%
Year 5	\$992,848	(\$5,000)	(\$684,623)	\$0	\$0		\$303,225	8.32%
Year 6	\$1,019,382	(\$5,000)	(\$683,432)	\$0			\$330,951	9.08%
Year 7	\$1,046,647	(\$5,000)	(\$682,173)	\$0			\$359,474	9.87%
Year 8	\$1,074,663	(\$5,000)	(\$680,843)	\$0			\$388,821	10.67%
Year 9	\$1,103,452	(\$5,000)	(\$679,438)				\$419,015	11.50%
Year 10	\$1,133,036	(\$5,000)	(\$677,953)				<u>\$450,083</u>	<u>12.35%</u>
						Total	\$3,332,626	9.15%

172274

PORTLAND DEVELOPMENT COMMISSION
Portland, Oregon

RESOLUTION NO. 4

**RESOLUTION RECOMMENDING TO THE PLANNING
COMMISSION AND CITY COUNCIL APPROVAL OF PROPERTY
TAX ABATEMENT FOR THE COLLINS CIRCLE APARTMENTS
LOCATED AT S.W. 17TH AVENUE AND S.W. JEFFERSON
STREET IN THE GOOSE HOLLOW DISTRICT OF THE
CENTRAL CITY PLAN AREA.**

WHEREAS, the City Code 3.104 specifies the process for reviewing and approving applications for new construction, multi-family limited property tax abatement; and

WHEREAS, after the application is submitted to the Bureau of Planning, the first step is review by the Portland Development Commission to analyze the financial feasibility of the project with and without the abatement and to forward to the Planning Commission a recommendation that indicates whether or not the abatement is necessary to achieve a feasible project; and

WHEREAS, the Planning Commission reviews the application for conformance to the public benefits test and forwards its recommendation to City Council for final approval; and

WHEREAS, Gerding/Edlen Development Company has applied for property tax abatement with the Bureau of Planning for a proposed 124 unit mixed-use affordable apartment project; and

WHEREAS, the project represents the type of new development encouraged by the Comprehensive Plan Housing Policy, Central City Plan, Downtown Housing Policy and Plan, and the Metro 2040 Framework Plan; and

WHEREAS, on November 20, 1997, the Commission approved Resolution No. 5045 recommending to City Council preliminary approval of economic development bonds for the project, and

WHEREAS, the Loan Review Committee has reviewed the proposed project construction costs, revenues and expenses submitted as of April 6, 1998 and based on the

EXHIBIT 5.

**Portland Development Commission
Recommendation**

JFW/BLA

April 15, 1998

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analysis of this information determines that the limited property tax abatement is a necessary element to achieve a financially feasible project; now, therefore be it

RESOLVED that this recommendation is subject to staff determining, prior to City Council approval of the property tax abatement, that there are no material changes to the project's financial structure as submitted as of April 6, 1998 that would affect the project's eligibility for the property tax abatement, and

FURTHER RESOLVED that the Commission directs the Executive Director to forward a recommendation to the Planning Commission indicating that the limited property tax abatement for the Collins Circle Apartments be approved based on a financial review of the project; and be it

FURTHER RESOLVED that this resolution shall become effective immediately upon its adoption.

ADOPTED by the Commission April 15, 1998.

By: _____
Carl B. Talton, Chairman

By: _____
John D. Eskildsen, Secretary

ORDINANCE No.

172274

*Grant a ten-year property tax exemption to Gerding/Edlen Development Company for new multiple-unit housing on the block bounded by SW 17th, 18th, Jefferson, and Columbia. (Ordinance)

The City of Portland ordains:

Section 1. The Council finds that:

1. Gerding/Edlen Development Company has applied for a ten year property tax exemption for property legally described as Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition, and located on the block bounded by SW 17th, 18th, Jefferson, and Columbia. The tax account number for the property is R14040-0080.
2. The applicant proposes to construct a 124-unit apartment building with landscaped courtyard over a parking garage and approximately 7,300 square feet of retail space.
3. The subject property is located in an eligible area (within the Central City Plan Area) as required by Chapter 3.104 of the City Code.
4. The proposed development conforms with the Comprehensive Plan, other relevant Council-adopted plans and policies, and the applicable regulations for the reasons contained in the Planning Commission Report and Recommendation. These plans, policies, and regulations include the Central City Plan; the CX, Central Commercial Zone and Plan designations; and the Livable City Housing Initiative.
5. The proposed development contains public benefits necessary for approval of the ten year property tax exemption on the improvement value.
6. On April 15, 1998, the Portland Development Commission reviewed the proposed development and recommended to the Planning Commission that the application be approved on a finding that the tax exemption is necessary to make the project feasible at rental rates affordable to a wider range of household incomes than would otherwise be possible without the tax exemption.
7. On April 28, 1998, the Planning Commission held a public hearing and found that the project complies with the eligibility requirements of Section 3.104.010 of the Municipal Code.

8. At their meeting, the Portland City Planning Commission voted that this application be approved subject to the public benefit conditions set forth in the Planning Commission Report and Recommendation and contained in this ordinance.
9. It is in the public interest that the limited property tax exemption for the proposed development be adopted in order to meet the City's goals for housing as stated in the Central City Plan and the Livable City Housing Initiative and to meet the housing production goals of the Central City 2000 Plan.

NOW, THEREFORE, the Council directs:

- a. The application of Gerding/Edlen Development Company for the ten year property tax exemption provided by Chapter 3.104 of the Municipal Code of the City of Portland, Oregon, and ORS 307.600-690 is hereby approved for the following property:

Tax Lot '1' of Lots 2 and 3, and Tax Lot '3'; Block 2; Carters Addition; Tax Account Number R14040-0080.
- b. The application described in paragraph "a" above is approved subject to the following conditions:
 1. The apartment units be maintained as rental housing and not convert to condominiums or other ownership arrangement during the ten year term of the property tax exemption.
 2. At least 52 of the units continue to be affordable to low income households earning 60 percent or less of the area median income during the ten year term of the exemption. The rent schedule is based on the annual formula for units of varying bedroom size used by the State of Oregon Housing and Community Services Department for calculating eligibility for the Low-Income Housing Tax Credit Program which is, in turn, based on the area median income for the Portland Metropolitan Area pro-rated for family size as determined by the U.S. Department of Housing and Urban Development. Nothing in this tax exemption approval modifies any other affordability obligation associated with other public assistance.
 3. Neighborhood-oriented retail sales and service or office uses (as described in sections 33.920.240 and 33.920.250 of the Zoning Code), be provided at ground floor to provide services to local residents which might not otherwise be available in the vicinity. In the event that there is a question concerning the neighborhood-

oriented character of the retail sales and service or office use, the Planning Director shall be authorized to make a determination.

4. These and any other public benefits be provided in accordance with agreements reached by the relevant review bodies and agencies, including but not limited to the Planning Bureau, the Portland Development Commission, and the Design Review Commission.
 5. The project comply with all applicable standards of Title 33, Planning and Zoning, as well as all conditions of approval of any land use and design reviews.
- c. The Bureau of Planning provide copies of this Ordinance to the applicant and the Multnomah County Tax Assessor as prescribed by Section 3.104.050(1)(d) of the Code of the City of Portland.

Section 2. The Council declares an emergency exists because this property tax exemption is an essential element for the timely assurance to funders participating in this project; therefore, this ordinance shall be in full force and effect from and after its passage by the Council.

MAY 20 1998

Passed by the Council,
Commissioner Charlie Hales
Michael P. Saba:mps
April 30, 1998

BARBARA CLARK

Auditor of the City of Portland

by

Britta Olson Deputy

ORDINANCE NO. **172274**

Title

*Grant a ten-year property tax exemption to Gerding/Edlen Development Company for new multiple-unit housing on the block bounded by SW 17th, 18th, Jefferson, and Columbia. (Ordinance)

<p>INTRODUCED BY Commissioner Charlie Hales</p>	<p>Filed: May 13, 1998 MAY 15 1998</p>
<p>NOTED BY COMMISSIONER</p>	<p>Barbara Clark Auditor of the City of Portland</p>
<p>Affairs</p>	<p>By: <u>Clay Kershner</u> Deputy</p>
<p>Finance and Administration</p>	<p>For Meeting of: May 20, 1998</p>
<p>Safety <u>Chh Hare</u></p>	<p>Action Taken:</p>
<p>Utilities</p>	<p>_____ Amended</p>
<p>Works</p>	<p>_____ Passed to 2nd Reading _____</p>
<p>BUREAU APPROVAL</p>	<p>_____ Continued to: _____</p>
<p>Bureau: Bureau of Planning</p>	<p>Prepared by: Michael Saba Date: April 30, 1998</p>
<p>Budget Impact Review:</p>	<p>_____ X Completed _____ Not Required</p>
<p>Bureau Head: David C. Knowles <u>David Knowles</u></p>	<p></p>

AGENDA		FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
			YEAS	NAYS
Consent <input checked="" type="checkbox"/> Regular		Francesconi	Francesconi	—
NOTED BY		Hales	Hales	S
City Attorney <u>KS Beaumont</u>		Kafoury	Kafoury	
City Auditor		Sten	Sten	
City Engineer		Katz	Katz	