



CITY OF
PORTLAND, OREGON
PORTLAND HOUSING BUREAU

Nick Fish, Commissioner
Margaret Van Vliet, Director
421 SW 6th Avenue, Suite 500
Portland OR 97204
(503) 823-2375
Fax (503) 823-2387
www.portlandonline.com/PHB

DATE: April 7, 2011

TO: Planning and Sustainability Commission

FROM: Portland Housing Bureau Investment Committee
Submitted by: Kim McCarty Portland Housing Bureau

SUBJECT: RECOMMEND APPROVAL TO THE CITY PLANNING AND SUSTAINABILITY COMMISSION OF A 20 YEAR EXTENSION OF NEW MULTIPLE-UNIT HOUSING LIMITED PROPERTY TAX EXEMPTION FOR ONLY THE AFFORDABLE UNITS OF COLLINS CIRCLE APARTMENTS.

PROJECT DESCRIPTION:

Project Name: Collins Circle Apartments
Applicant: RSGF Collins Circle LLC

Project Description:

Collins Circle Apartments is a 6-story, 124-unit apartment complex with ground level retail and 99 structured parking spaces located at 1701 SW Columbia Street Portland Oregon, in the Goose Hollow neighborhood of Portland (the Project). The Project is a transit-oriented development, located one block from the MAX light rail station at SW 18th Ave. and SW Jefferson St. The Project was completed and granted a New Multiple-Unit Housing (NMUH) limited property tax exemption in 1999. The property was purchased by the RSGF Collins Circle LLC (the Applicant or Owner) on 12/30/2010, at which time the existing \$350,000 PDC (now PHB) Housing Development Subordinate Loan was repaid in full and the existing regulatory agreements were assigned and assumed by the new owner.

Regulatory Agreement:

PDC Regulatory Agreement, dated 12/22/99, restricts 52 units to be affordable to and rented to households with incomes at or below 60% of area median income (AMI) for a period of 60 years.

BACKGROUND:

State Statute ORS 307.630 allows for extensions of tax exemptions if a project has a long term affordability agreement. State statute leaves it up to the jurisdiction where the project is located to decide whether or not to grant extensions. As required by City Code, Chapter 3.104, the Portland Housing Bureau staff review the application to determine whether extension of the NMUH limited property tax exemption is necessary to make the project financially feasible. After a recommendation of approval from PHB, the Bureau of Planning and Sustainability staff prepares a report for the Planning and Sustainability Commission determining whether the project complies with applicable

City policies and includes requisite public benefits. Following approval by the Planning and Sustainability Commission, the application is forwarded to City Council for approval.

The limited property tax exemption, if approved by the City, exempts the value of the Project’s residential improvements from taxation for the period of the exemption or extension. The property owners pay property taxes on the value of the land and on the value of retail space of the project.

City staff, represented by PHB, Portland Department of Transportation, and Portland Bureau of Planning and Sustainability, and Multnomah County held a pre-application meeting with the Applicant and determined that the project met the NMUH program requirements as specified in City Code Chapter 3.104.

UNIT MIX AND AFFORDABILITY:

Fifty two units (52) are proposed to be restricted at 60% AMI under this application. All fifty two units would remain affordable for the term of the extension of the tax exemption. The detailed unit breakdown and the Area Median Income (AMI) to be served are represented in the table below.

Unit		Net Rent	Affordability (% of AMI)		
Type	Number		Income	Rent	
Affordable					
Studio	23	656	60%	58.1%	
1 Bedroom	25	690	60%	58.3%	
2 Bedroom	4	849	60%	59.9%	
Subtotal/Weighted Average		52	687	60%	58.4%
Market					
Studio	28	730	NA	64.1%	
1 Bedroom	30	910	NA	74.8%	
2 Bedroom	14	1,293	NA	87.6%	
Subtotal/Weighted Average		72	915	NA	73.1%
Total/Weighted Average		124	903	NA	66.9%

PUBLIC BENEFITS ADDRESSED:

The Project meets the NMUH limited tax exemption base public benefit requirements (City Code, Chapter 3.104.040 B) to have more than 15 apartment units and make at least 15% of its units affordable to and rented to households earning 80% or less of AMI. The Project has 124 units and 40% of its units are rent and income restricted to households earning 60% or less of AMI. In addition, a new project must provide one (1) additional public benefit from a designated list of public benefits (City Code, Chapter 3.104.040 D) and be in alignment with the Comprehensive Plan. This project is still in alignment with the Comprehensive plan and will strive for additional public benefits in the form of energy efficiency and air quality improvements. Project provides two (2) of these designated public benefits:

1. By City Code a total of 25% of the rental units must be affordable to households earning 80% or less of AMI. 40% of the Project’s units are rent and income restricted to households earning 60% or less of AMI
2. LEED Silver certification. The Owner is committed to achieving LEED Silver EB certification for the Project.

DEVELOPMENT TEAM:

Owner: RSGF Collins Circle LLC, a subsidiary of Rose Smart Growth Investment Fund, an affiliate of the Jonathan Rose Companies)

Developer: Jonathan Rose Companies

Engineer: PAE Consulting Engineers

Property Management: Guardian Management LLC

Architect: SERA Architects

General Contractor: B & G Builders Inc.

FINANCIAL EVALUATION:

City Code Sections 3.104.30 A and 3.104.050 B specifies that the Applicant must provide financial feasibility analysis for the Project and the PHB staff must make a finding whether the projected internal rate of return (IRR) for the Project for the period of the exemption will exceed ten percent (10.0%).

PHB staff has evaluated the Project’s financial feasibility and concluded that the projected 10-year IRR for the Project is substantially below the designated 10.0% maximum. This finding is summarized in the following table and more fully described in the accompanying attachments.

Project Component	Unleveraged 10-Yr IRR	
	With LTE	W/O LTE
Retail	-11.77%	-11.77%
Market Residential	-10.82%	-10.82%
Affordable Residential	-9.28%	-11.72%
Total	-10.67%	-11.19%

The following table shows the sources and uses of funding for the Project:

Sources of Funding		Uses of Funding	
Term Debt	8,861,955	Acquisition	12,500,000
Owner Equity	4,543,869	Transaction Costs	505,824
Total Sources of Funding	13,405,824	Green Cap Ex	400,000
		Total Uses of Funding	13,405,824

CONDITIONS:

The existing PHB 60-year regulatory agreement supersedes the requirement for a 15-Year Extended Use Agreement, pursuant to City Code Sections 3.104.040 B and 3.104.055 D. The project was verified by the PHB Financial Manager to not have any bond covenant issues.

RECOMMENDATION:

PHB staff has reviewed the proposed Collins Circle Apartments Limited tax exemption extension and concluded that it meets the requirements of City Code Chapter 3.104 Property Tax Exemption for New Multiple-Unit Housing (NMUH). The IRR is well below 10% with or without the tax exemption. The limited tax exemption will ensure that the affordability can be retained long-term and allow the Owner to enhance the quality and long-term sustainability of the building. The existing residents will benefit from energy efficiency upgrades the Owner will make to receive LEED Silver certification under the LEED EB program. The existing ground floor commercial, which is fully taxable, provides neighborhood serving retail, including two restaurants, a convenience grocery, an insurance agent, and a coffee shop, at this transit served location.

PHB staff recommends that the PHB Investment Committee recommend to the City of Portland Planning and Sustainability Commission, approval of a 20-year extension of NMUH LTE for affordable units in Collins Circle Apartments, which would be subject to further extension for full remaining term of affordability agreement, upon meeting standards for tax exemption extensions to be enacted by the City Council, upon completion of the policy and procedure changes to the LTE programs under the “Big Look” review of LTE programs. The related limited tax exemption for the parking associated with the affordable units will be determined on a prorated basis.

ATTACHMENTS:

- Pre-application
- Site Plan
- Architect’s renderings
- PHB Financial Evaluation
- Pre-application meeting notes
- Timelines