



CITY OF
PORTLAND, OREGON

PORTLAND HOUSING BUREAU

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TO: Portland Housing Bureau (PHB) Housing Investment Committee with expanded representation from the Planning and Sustainability Commission and Multnomah County

FROM: Dory Van Bockel, PHB Housing Program Coordinator

SUBJECT: Recommend Approval of a Ten Year Multiple-Unit Limited Tax Exemption for **The Wilmore Apartments** Located at 4327 N Williams Avenue.

Project Description:

N Williams Avenue Apartments, LLC proposes to build a mixed use development on currently vacant land at 4327 North Williams Avenue between NE Skidmore and Prescott Streets in the Humboldt neighborhood. The Wilmore Apartments (Project) will contain ground floor commercial space and sixty-five housing units including twenty-one studio units, thirty one-bedroom units, and fourteen two-bedroom units.

The Project will be a four story building consisting of 64,450 gross square feet with 38,330 square feet of residential space, 4,260 square feet of accessory space for the residences, 6,820 square feet of commercial space, and 10,781 square feet of common space. The building will be slab on grade construction with a fire sprinkled wood frame type V-A structure and brick and hardy plank exterior siding, and will have elevator access and a balcony for every unit. There will be two common landscaped rooftop patios and four other private rooftop patios for four of the units, and the Project will also provide a media room and fitness/exercise equipment room.

With a self service bike repair shop and a transportation coordination area, the Project will cater to bicycle commuters along the Vancouver/Williams bicycle corridor and help increase mass transit ridership on the Interstate max line. The Project will provide thirty-five parking spaces for the residents and eighty-three bicycle parking spaces including indoor bike parking on the first floor and additional outdoor bike parking.

The Project will meet healthy and resource efficient environmental building standards by building, registering, and certifying per LEED silver level standards.

The Project will be developed by Marathon Acquisition & Development Inc. with Marathon Construction Services, LLC serving as the general contractor and will be managed by Marathon Management, Inc. The Project owner, developer, and contractor entities all have the same principal, Robert G. Johnson.

Proposed Unit Mix and Affordability:

Unit type	Count	Sq Footage	Rent	MFI
Studio	6	433	766	60%
Studio	15	433	779	Market
One Bedroom	9	622	821	60%
One Bedroom	21	622	999	Market
Two Bedroom	4	755	985	60%
Two Bedroom	10	755	1199	Market
	65			

Scoring of Public Benefits:

Staff has reviewed the Project's application and determined it meets the minimum program threshold guidelines. Staff scored the public benefits the Project will provide based on the application. **A proposed project must receive a minimum score of 50 out of 140 possible points, available in seven different categories.**

Affordability – 30% of units in the Project will be affordable to households earning 60% or less of the area median family income. The affordable units will be distributed evenly amongst the unit mix – six studios, nine one-bedrooms, and four two-bedrooms. By providing 10% more than the minimum 20% of affordable units and by demonstrating that market rents are higher than rents at the 60% MFI level, the Project earned **12 out of 50 possible points.**

Equity – The applicant presented clear plans for marketing the units and MWESB contracting. The applicant performed extensive research to determine multiple organizations through which the units will be marketed and developed a marketing plan based on neighborhood needs. An overview of that analysis is provided in the attached table (see Appendix A) which is part of the application. The Project's development team will not only perform Good Faith Efforts to work with MWESB contractors, but also has past relationships with MWESB contractors whom they plan to work with again for architectural and planning services as well as engineering and surveying. By pursuing equity goals for the Project well beyond the minimum submission requirements, the project earned **25 out of 30 possible points.**

Accessibility – The Project site, all 65 units, and the rooftop patios will be accessible to people with disabilities via an elevator and have been designed with more than 100 different Universal Design attributes (52 in addition to those required by the American with Disabilities Act and Fair Housing Act) that make the Project more livable and comfortable for tenants and visitors with disabilities. This public benefit will remain beyond the period of the exemption into perpetuity. Providing such amenities to all of the units earned the Project **15 of 20 possible points.**

Family Housing/Location – The proposed Project is not located in an area defined as having a high lack of family sized units so even though the project does have some two-bedroom units, **no points were awarded out of 10 possible points.**

Access to Amenities – The Project summary in the application describes the Project's proximity to schools, childcare, parks, and grocery stores and the property is within an area with a 20-minute neighborhood score of 67 so the Project earned **7 out of 10 possible points.**

Gathering Space – A few of the Project’s private amenities include two common rooftop patios, indoor bike parking on the first floor, outdoor bike parking, a self-service bike repair shop, community room, media room, fitness/exercise equipment room, business center, and transportation coordination area. There will be two public amenities available by reservation; the Project’s community room will be available for community organizations and the self-service bike repair shop will be available to biking organizations. The Project will also have pedestrian connections to the sidewalks on N. Williams Avenue and N Skidmore Street and bicycle connections to the Williams/Vancouver Corridor bike lanes. The application shows extensive efforts by the applicant to provide both interior and exterior gathering space which earned the Project **8 out of 10 possible points**.

Special Needs Populations – No units will be reserved specifically for “at-risk” or “special needs” populations however the Marketing Plan for renting out the Project outlines several established relationships with agencies assisting vulnerable populations and provides a special rent incentive to veterans which earned the Project **2 out of 10 possible points**.

The Project earned a total score of 69 out of 140 points, well above the minimum threshold score of 50. There were not sufficient applications received to compete for the annual cap of \$1 million estimated foregone revenue so the Project does not need to be compared to other Projects’ scores.

Public Benefit	Points Earned	Possible Points
Affordability	12	50
Equity	25	30
Accessibility	15	20
Family Housing/Location	0	10
Access to Amenities	7	10
Gathering Space	8	10
Special Needs Populations	2	10
Total	69	140

Financial Evaluation:

The 10-year income projections derived from the pro formae show:

- Scenario 1 - the financial performance of the Project with the tax exemption, and
- Scenario 2 - the financial performance of the Project without the tax exemption.
- Scenario 3 - the financial performance of the Project with the rents necessary to achieve feasibility without the tax exemption, setting the return equal to that of the financial performance with the tax exemption.

As shown in Scenario 1, the Project’s 10-year average cash on cash rate of return with the exemption is 4.8%.

As shown in Scenario 2, the Project’s rate of return calculation without the exemption is 1.2% over the 10-year evaluation period, sometimes dropping negative and near zero on an annual basis. Also reflected here, evidenced by the debt service coverage ratio, is that the project would be unable to

attain the proposed financing structure and would need to decrease the debt on the project or increase the rents.

As shown in Scenario 3, imputed rents are utilized in order to arrive at the same senior debt service coverage ratio as rents with the exemption in order to determine how much higher the rents would need to be to achieve the same result. Rents without the exemption would need to be an average of \$115 a month per unit higher overall, which precludes units affordable at 60% MFI.

The projected rents must also incorporate room for a utility allowance. In this project, the project will pay utilities on the affordable and restricted units delivered under the exemption.

Staff examined the projected rents for adequacy and appropriateness of the implied utility allowance to ensure that rents weren't simply being projected lower than they should be. Rents estimated for the projections appear to be appropriately set. Per unit per annum expenses are projected to be substantially lower than most projects staff reviews. Raising these expenses would only further reduce the return.

Unlike many affordable projects, the initial equity contribution will only be repaid upon sale or refinance, not from available cash flow.

The estimated ten-year value of exempted tax revenue is approximately \$771,492 in today's dollars assuming a 4.5 percent discount rate (selected in consultation with the City's Debt Manager), a three percent annual assessment increase.

CONDITIONS:

The Project will be required to carry an extended use agreement, according to the terms of City Code 3.103.070(A) and submit Project financial information annually during the exemption period.

RECOMMENDATION:

Staff recommends the approval of a ten-year property tax exemption for the residential portion, including parking, of The Wilmore Apartments to be built by N Williams Avenue Apartments, LLC (or affiliated entity) to the Portland City Council because the Project meets the minimum threshold and public benefits requirements set forth in Section 3.103 of Portland's City Code.



Appendix A - Project Plan to Eliminate Housing Barriers

DISABLED AND SENIOR CITIZEN COMMUNITIES	
Challenges:	Solutions:
Lack of Accessible Housing or Housing with Universal Design Attributes	The Wilmore will incorporate more than 100 Universal Design attributes
Lack of Accessible Affordable Housing with Close Proximity to Healthcare Facilities	The Wilmore is located a ½ mile from Legacy Emanuel Hospital and close to other clinics and medical specialty services

Lack of Easy Access Public Transportation	The Wilmore is adjacent to Bus Line 44 stop and ¾ mile directly East on N Skidmore Street from the MAX station at N Skidmore Street and N Interstate Avenue
HOMELESS AND VETERAN COMMUNITIES	
Challenges:	Solutions:
Start-up Living Expenses for Veterans	The Wilmore will waive application fees and provide one month of free rent with execution of a one-year lease for veterans
Credit, Rental, and Job History	The Wilmore has formed partnerships with community organizations to jointly provide housing to those who have shown progress and commitment to improving their housing standards. Example: People who have completed the Rent Well Tenant Education Program
COMMUNITIES OF COLOR	
Challenges:	Solutions:
Racial Discrimination by On-Site Staff	Rental applications are reviewed off-site by corporate office that strictly adheres to anti-discrimination laws
Geographic Boundaries	The Wilmore is located in the Humboldt neighborhood which has a relatively high percentage of residents of color. The Wilmore is being constructed on vacant land so it will not displace any existing Humboldt residents. The Wilmore also provides units at market and affordable rents providing housing for people of color in varying economic circumstances.
Quality Schools	The Wilmore's schools include Jefferson High and Boise-Eliot Middle and Elementary School. A tax exemption is requested for The Wilmore's residential improvements but the commercial portion of The Wilmore will immediately generate tax increment that will benefit the schools
LOW-INCOME COMMUNITIES	
Challenges:	Solutions:
Lack of Affordable Housing	30% of The Wilmore's units will be reserved people at or below the 60% MFI level
Access to Grocery Stores and Healthy Foods	New Seasons is opening a new grocery store in June 2013 0.4 miles from The Wilmore and there are four other stores selling fresh food within 0.5 miles of the Wilmore as shown on Exhibit K.
Lack of Easy Access Public Transportation	The Wilmore is adjacent to the Williams/ Vancouver Corridor bike lanes, adjacent to a Bus Line 44 stop, and ¾ mile directly East on N Skidmore Street from the MAX station at N Skidmore Street and N Interstate Avenue