



CITY OF
PORTLAND, OREGON

PORTLAND HOUSING BUREAU

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EXHIBIT A

187749

DATE: March 1, 2016

TO: Portland Housing Bureau (PHB) 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 (MULTE) for **Jarrett Street Condos** located at 5732 N Interstate Avenue

Project Description:

Jarrett St Properties LLC proposes to build a twelve unit condominium development, being referred to as the Jarrett Street Condos (the "Project"), at 5732 N Interstate Avenue, on the northeast corner of N Jarrett Street in the Overlook neighborhood, which is within the Interstate Urban Renewal Area. Currently, the site is vacant. The Project will be four stories and consist of twelve condominium units which will be affordable to homebuyers earning 80 percent of median family income (MFI).

The Project will consist of two (2) studio units and ten (10) one-bedroom units. The building will be 7,613 gross square feet with units ranging from 387 to 556 square feet.

Proposed Unit Mix

Unit Type	Total Unit Count	Square Footage	Projected Sale Price
Studio	2	387	\$164,000
One Bedroom	4	477	\$183,000
One Bedroom	6	556	\$204,000
Total	12	502 Average	\$190,333 Average

All of the units will feature energy-efficient amenities such as tankless water heaters, above-code insulation, double-pane windows and low-flow plumbing. Additional livability features include tilt and turn windows, Panasonic whisper fans and low-VOC materials. Among the projects high-end finishes are the following: quartz counter tops, Evoke Martin flooring, modern cabinets with soft close drawers, smooth wall finish, polished chrome hardware, modern light and plumbing features, tile showers and kitchen backsplash, garbage disposals and stainless steel appliances including dishwashers, washer/dryer combos, and natural wood siding.

The Project will not have any parking on site. The Project is only three blocks from a MAX light rail stop at Killingsworth St., as well as the #72 bus line running east and west. Each unit will have space to store a bike and there will be additional onsite bike parking.

Within the Overlook neighborhood, the Project is situated around a mix of small apartment buildings and single-family homes in addition to small businesses, including shops, services and restaurants. The site is easily accessible from Interstate 5 and connects directly to the Convention Center, Rose Quarter and downtown Portland via Interstate Ave. There are several parks as well as schools in the area, including Trillium Charter School and Portland Community College's Cascade Campus. Both grocery stores and medical facilities are close-by. The site has a "Walk Score" of 82, 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 both the Overlook Neighborhood Association and the North Portland Neighborhood Coalition of the project.

The property is owned and the Project will be developed by Jarrett St Properties LLC. Lloyd Development LLC, a local development company, is acting as the General Contractor for construction. The units will be listed for sale through Urban Nest Realty. There is a related entity interest in all three aspects of the development.

The Project is largely being constructed by a manufacturer rather than onsite which is significantly reducing the construction timeline.

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 \$20,000, staff calculated the ten-year value of this exempted tax revenue in today's dollars at approximately \$175,000 assuming a five percent discount rate and a three percent annual assessment increase. The City's portion of the foregone revenue over ten years is estimated at \$58,000, or 33% of the total. The annual value of the tax exemption will benefit the homebuyers. The estimated average amount of foregone revenue exempted per unit is projected to be \$1,700 annually, or about a \$140 per month benefit to each homeowner. The benefit of the tax exemption provides a homebuyer with roughly \$32,000 of additional purchasing power when comparing how much of a loan a homebuyer could qualify for with and without the exemption.

The Project is located within the Interstate Urban Renewal Area. Staff will confirm with the City's Debt Manager that the Project fits within the requirements of the existing bond covenants. Jarrett Street Properties LLC has applied to PHB for a construction loan which will convert into down payment assistance loans for the homebuyers at the sale of the condominiums. The Project is also receiving private financing and will benefit from the System Development Charge Exemption Program. Additionally, the Project may receive a grant from Metro which would require that the Project have long-term affordability restrictions in order to keep the units affordable to subsequent buyers over a 30-year period; this will either be achieved through the land-trust model or by other shared equity covenants.

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 – All of the twelve units will be sold to homebuyers earning no more than the annual income limit of 100% MFI, which is currently \$73,300, and will sell for well under the annual sale price cap, which is currently \$310,000. If those requirements are not met for any of the units however, the exemption will not go into place for that unit. As part of the financing being applied for through PHB and the potential Metro grant, the developer will agree to selling units in order for them to be affordable to households earning no more than 80% of MFI.

Equity – Lloyd Development LLC, as the general contractor for the Project, is certified as an Emerging Small Business (ESB). Because the Project is being constructed by a manufacturer offsite and subcontractors have already been selected for the finishing of the Project, the opportunity to affect bidding to subcontractors is minimal. The requirement for the developer to enter into an agreement with a technical assistance provider around Minority, Women and Emerging Small Business (MWESB) subcontracting will be waived. The applicant will still be required to report quarterly to the City's procurement office and submit a summary of any efforts and successes post construction.

As part of the loan from PHB, Jarrett St Properties LLC is agreeing to market the units for sale through the non-profit housing agencies partnering with PHB through PHB's Preference Policy for N/NE Portland.

Accessibility – The first floor of the Project, four units, will be built to be ADA adaptable which will meet the requirement that 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.

Financial Evaluation:

Because this project is being built as for-sale condominiums, the financial need of the exemption is met by the sale price and homebuyer income limitations.

CONDITIONS:

The Project will be required to have a Homebuyer Notice recorded on title outlining the requirement that the sale of all of the units meet the sale price and homebuyer income limits and owner-occupancy, according to the terms of City Code 3.103.080.

RECOMMENDATION:

Staff recommends approval by the Portland City Council of a ten-year property tax exemption for the improved value of all of the units in the Project to be built by Jarrett St Properties, 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.