PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: March 11, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-29

Revisions to existing loan and approval of new loan to Central City Concern for the Rose Quarter Housing Project

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6682

ACTION SUMMARY

This action will authorize the Executive Director to approve amendments to previously funded PDC loan #38394-04, including a revised collateral structure**,** dividing the loan in two pieces and changing the borrower to Central City Concern, enabling PDC to be in compliance with New Market Tax Credit Regulations which are a vital financing piece for the success of this project. Also authorizes the executive director to approve a rehabilitation loan converting to a grant of up to $1,600,000 to Central City Concern or a related entity.

PUBLIC BENEFIT

This action will ensure the long term financial viability of an important Affordable Housing and Permanent Supportive Housing project in an underserved area of Northeast Portland. The project will also serve as the home to Multnomah County Hooper Detoxification Center

This action will support the following PDC goals:

- ☒ Sustainability and Social Equity
- ☒ Healthy Neighborhoods
- ☒ A Vibrant Central City
- ☒ Strong Economic Growth and Competitive Region
- ☒ Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

Developer has informed and received feedback from the neighborhood association and other community groups regarding the target population and scope of work, which has been incorporated in to the project plan and design.

Public Benefits Addressed:

No Net Loss: The last PDC Central City Housing Inventory dated 2002 documented a need for rental housing below the 50% MFI threshold and in fact identified less than 1% of total

Lloyd District rental units are within the 0-50% MFI range. The Rose Quarter rents will be approximately $375-$475 or 50% MFI.

Workforce Housing/Access to Central City Jobs: Project rents will be affordable to residents working full time earning wages between $7.21 and $8.65 per hour which is equivalent to average retail, service, or hotel sector wages. The project's location has excellent pedestrian access to public transit both rail and bus offering the project as a desirable Lloyd District workforce housing site.

Area Revitalization: The subject property is greatly underutilized and is not currently viable for other uses. This redevelopment project will combine a 24-hour use with day time employment services, thereby contributing to the viability of the area.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This project supports objectives of the OCC Urban Renewal Plan by removing urban blight and providing affordable housing opportunities for individuals at or below 50% MFI.

No Net Loss: In August 2001, City Council adopted a No Net Loss (NNL) policy for affordable housing in the Central City which states that either through preservation or replacement the Central City will retain at least the current number of housing units affordable to households at or below 60% of Area MFI. Additionally, City Council directed the Portland Development Commission and the Bureau of Housing and Community Development to develop a NNL Funding Plan for the preservation, replacement or new construction of at least 1,200 low-income units in the Central City by 2006.

PDC Strategic Plan: The Housing Business Strategy identified in the Strategic Plan is to "contribute to Portland's livability by facilitating the development of housing opportunities for residents of all income levels. This redevelopment project will create housing affordable to people at or below 50% of MFI, thereby helping to fill an existing housing supply gap in the Lloyd District.

10 year plan to end homelessness: The project will provide up to 80 units of permanent supportive housing for homeless individuals, or those at risk of homelessness.

Lloyd District Housing Strategy: Intended to guide housing urban renewal investments in the Lloyd District, the Lloyd District Housing Strategy was adopted by the Commission in 2002. Rental housing accessible to Lloyd District workers at or below 50% of Area MFI is a major gap in housing supply identified in the Strategy. This project would help achieve 176 units toward the 300 NNL unit production target, and all will be below 50% of MFI.

The rehabilitation of the Ramada Inn is consistent with the Goals, Objectives and Action items of the Strategy. [Abbreviated from the Strategy]:

Housing Availability: Increase the availability of housing through the development of 3,000 new housing units. Objective A, Strategy 2: Assist in the preservation and replacement of 300 affordable housing units for households at or below 60% of median income.

Housing Affordability: Increase the range of affordability of housing in the District. Objective A, Action 1: Develop rental housing for households with range of incomes at or below 50% of median family income.

Housing Diversity: Increase the diversity of housing options. Objective B, Strategy 1: Encourage the development of special needs housing.

Job and Housing Balance: Encourage housing development supportive of job growth and increase the balance of housing units available to employees. Objective A, Strategy 1: Support the development of housing affordable to the range of incomes of jobs available in the District. Current rental and ownership options do not meet the needs of this range of employees – most rental is targeted above the income of a retail or service worker.

Neighborhood Livability: Improve Lloyd District's livability by enhancing and developing neighborhoods within the District

FINANCIAL IMPACT

The existing PDC acquisition loan of $5,000,000 (#38394-04) is fully funded. Of the proposed additional funding of $1,600,000, $800,000 is included in the FY 08-09 budget and $800,000 is included in the 09-10 draft budget and subject to appropriation (See Attachment 1).

RISK ASSESSMENT

PDC will lack any real estate collateral during the seven year New Market Tax Credit period for Condominium B. PDC will obtain security in the New Market Tax Credit portion of the project through an assignment of interests up through the leveraged structure. The loans associated with Condominium A (approximately $3,220,000 of the existing acquisition loan and $1,600,000 of the proposed additional funding) will be secured by a Deed of Trust on Condominium A. Due to cash flow issues at the project, the loan is proposed to have similar terms to the existing PDC loan # 38394-04, and be structured as a loan that converts to a grant at maturity in 2017.

WORK LOAD IMPACT

There are sufficient resources within the Housing Department to process this request.

ALTERNATIVE ACTIONS

The Board may withhold approval. This will jeopardize the financial feasibility of the entire project.

CONCURRENCE

Housing Department staff has worked with the legal and finance departments, as well as BHCD to evaluate the proposal. Loan committee has reviewed and approved taking this item to commission.

BACKGROUND

The PDC Board of Commissioners through Resolution Number 6168 dated August 11, 2004 approved an acquisition loan to Central City Concern (CCC) for the formerly vacant Ramada Inn located at 10 North Weidler in the Oregon Convention Center Urban Renewal Area (OCCURA), with the goal of rehabilitating the building into the Rose Quarter Housing project. The project will include 176 housing units consisting of 96 workforce housing units and up to 80 Permanent Supportive Housing units, all restricted at 50% MFI. Rose Quarter Housing is classified as a "recovery friendly" project, giving preference to individuals already engaged in a drug and/or alcohol treatment program. In addition the project contains approximately 16,000 square feet of commercial space all of which will be occupied by the Hooper Detoxification Center.

CCC's original plan was to perform a minor ($4,000,000) building rehabilitation and have all workforce housing units with 16,000 square feet of commercial space. CCC's project team, SERA Architects and Howard S. Wright, concluded in their due diligence review that the original rehabilitation plan was inadequate and major rehabilitation is necessary ($14,000,000) to ensure the building's long term viability. The revised rehabilitation plan will address all major building systems and will include much needed improvements to the exterior of the building. The increase in cost can be attributed to cost inflation over four years, inclusion of BOLI wages, replacement of mechanical systems, major improvements to the building's exterior, and site improvements.

CCC and the Housing Development Center (project consultant) have been working since 2005 on putting together a financing package to fund the rehabilitation of the building. In total the team has identified 19 sources of funding for the project. The project was awarded Low Income Housing Tax Credits in November 2007, and the project will be receiving New Market Tax Credits equity for the financing of the Hooper Detoxification Center portion of the project. In order to meet the requirements of the Low Income Housing Tax Credit and New Market Tax Credit regulations, the project is being divided into two Condominiums. Condominium A is to be financed with LIHTC and will contain a total of 132 units consisting of 96 affordable workforce units and 36 Permanent Supportive Housing (PSH) units. Condominium B is to be financed with New Market Tax Credit and will contain 44 PSH units and the Hooper Detoxification Center.

CCC has requested an additional $1,600,000 in OCCURA TIF funding to fill the remaining funding gap on the project. The funds will be allocated to Condominium A. PDC staff in the Housing Development Finance Group has been involved in the design and construction pricing phases of the project and confirm the need for additional funding. The proposed financing will be structured as a loan converting to a grant at maturity to mirror the terms of the existing PDC loan.

In order to maximize the leverage of the New Market Tax Credit equity, the developer has proposed channeling a portion of the previously funded $5,000,000 TIF acquisition loan through the New Market Tax Credit leverage model structure (see Attachment 2 for flow chart). The New Market Tax Credits will flow to the project through a three level financing structure:

a) Upper level Investment Fund (Investor),

b) Mid level Sub Community Development Entity (Recipient),

c) Qualified Active Low-Income Community Business (Rose Quarter Condominium B)

Wells Fargo Community Development Corporation is utilizing a portion of their allocation of New Markets Tax Credits for this project through the leverage model structure as described above.

The requested modifications to the existing PDC TIF loan (#38394-04) are to change the borrower from Rose Quarter Housing to Central City Concern or a related entity and concurrently to split the loan into two separate loans, Condominium A ($3,220,000) and Condominium B ($1,780,000). Due to NMTC requirements, the PDC Deed of Trust for the property associated with Condominium B must be released for the 7 year New Market Tax Credit compliance period and is anticipated to be replaced by an assignment of the Sub-Community Development Entity's interest in Condominium B. At the end of the 7-year New Market Tax Credit compliance period it is anticipated that PDC will obtain a subordinated Deed of Trust for Condominium B.

PDC will be able to retain its Deed of Trust interest in Condominium A, although it will be subordinated to the senior construction and permanent loans.

ATTACHMENTS:

1) 09/10 Draft OCCURA budget

2) The Project's New Market Tax Credit Leverage Model Flow Chart

Board Report No. 09-29 - New Loan to Central City Concern — Attachment A
March 11, 2009 —

CONVENTION CENTER URA - Five-Year Budget Planning by Project for FYs 2010-2014

Resources

Resources	*Adopted FY 2008-09*	*2008-09 Actuals July-Dec*	**AMENDED 2008-09 BUDGET**	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
3110 Tax Increment - S-T Debt	2,868,619	0	3,496,500	3,411,128	2,734,945	2,488,021	1,078,131	0	9,712,225
3120 Tax Increment - L-T Debt	10,989,000	0	3,896,100	7,392,600	0	6,406,400	3,748,691	0	17,547,691
3130 Loan Fees	0	2,500	2,500	0	0	0	0	0	0
3140 Loan Late Charges	0	159	0	0	0	0	0	0	0
3310 Loans - Principal Collection	97,616	33,827	97,616	97,616	97,616	94,151	89,666	0	379,049
3320 Loans - Interest Earned	97,616	41,436	97,616	97,616	97,616	94,151	89,666	0	379,049
3325 Loans - Interest Capitalized	0	56,693	56,000	0	0	0	0	0	0
3340 Reimbursement	70,000	15,370	70,000		0	0	0	0	0
3510 Rent and Property Income	130,000	132,085	150,000	126,000	0	0	0	0	126,000
3710 Interest - City Invest Pool	25,000	89,908	125,000	160,000	110,000	61,000	50,000	0	381,000
3810 Real Property Sales	2,900,000	897,177	900,000		4,000,000		0	0	4,000,000
3901 Loan Repayment-Other Funds	0	604,002	642,259	0	0	0	0	0	0
3910 Budgeted Transfers	642,259	0	0	0	0	0	0	0	0
3999 Beginning Fund Balance	656,604	7,379,026	7,379,026	765,155	76,571	1,741,648	57,034	0	2,640,408
Total Fund	**18,476,714**	**9,252,182**	**16,912,617**	**12,050,115**	**7,116,748**	**10,885,370**	**5,113,188**	**0**	**35,165,420**

Requirements

Project Expenditures (These do not include Personal Services or Indirect Cost)

Development	*Adopted FY 2008-09*	*2008-09 Actuals July-Dec*	**AMENDED 2008-09 BUDGET**	2009-10	2010-11	2011-12	2012-13	2013-14	5 Yr Total
16212 OCC Community Outreach	20,000	1,405	20,000	20,000	20,000	20,000	10,000	0	70,000
16230 Lloyd Trans Improve/Streetcar	0	0	100,000	0	0	0	0	0	0
16231 OCC Streetcar	1,750,000	384,165	1,750,000	1,000,000	0	0	0	0	1,000,000
16237 HQ Hotel	4,100,000	67,552	1,900,000	2,100,000	0	0	0	0	2,100,000
16241 OCCURA DOS Program	125,000	13,529	100,000	100,000	100,000	100,000	100,000	0	400,000
25525 Blvd Improvements	50,000	970	50,000	50,000	0	0	0	0	50,000
25533 Vanport Redevelopment	0	8,196	20,000	15,000	0	0	0	0	15,000
25535 3934 NE MLK Renovation	287,759	56,993	2,087,759	0	0	0	0	0	0
25536 3510 NE MLK Fremont Redevel	0	0	237,000	250,000	0	0	0	0	250,000
25537 MLK Jr Blvd Gateway Imprvmnts	150,000	2,858	100,000	100,000	500,000	0	0	0	600,000
25605 MLK Jr Blvd Commercial SiteDev	30,000	10,725	30,000	50,000	0	0	0	0	50,000
25606 Lloyd Commercial Develop	20,000	7,610	20,000	10,000	0	0	0	0	10,000
25607 MLK Jr Blvd Action Pln Implmnt	10,000	4,008	10,000	10,000	0	0	0	0	10,000
25608 OCC Redevelopment Loan Program	1,500,000	227,578	1,500,000	1,000,000	1,000,000	1,000,000	1,000,000	0	4,000,000
25610 Bee Car Rental Redevelopment	7,000	2,773	7,000	7,000	7,000	0	0	0	14,000
25611 OCC Blk 47/49 Redevel	300,000	3,600	10,000	0	0	0	0	0	0
25612 King/Parks Commercial	0	0	0	0	700,000	0	0	0	700,000
25613 Rose Quarter Revitalization	0	0	0	35,000		3,500,000	1,900,000	0	5,435,000
Development Total	**8,349,759**	**791,961**	**7,941,759**	**4,747,000**	**2,327,000**	**4,620,000**	**3,010,000**	**0**	**14,704,000**
Economic Development									
25521 OCC Storefront Grants	250,000	65,197	250,000	250,000	250,000	250,000	150,000	0	900,000
70016 OCC Business Finance	1,000,000	258,754	900,000	1,000,000	550,000	250,000	300,000	0	2,100,000
70241 OCC Business Retention	100,000	0	100,000	100,000	50,000	50,000	50,000	0	250,000
70551 OCC Community Ec Dev	500,000	0	150,000	250,000	250,000	300,000	350,000	0	1,150,000
70751 OCC Target Industry Devel	100,000	0	250,000	100,000	0	100,000	100,000	0	300,000
Economic Development Total	**1,950,000**	**323,951**	**1,650,000**	**1,700,000**	**1,100,000**	**950,000**	**950,000**	**0**	**4,700,000**
Housing									
19032 King/Parks Afford Hsg	299,752	80,471	299,752	500,000	625,000	625,000	0	0	1,750,000
25203 North OCC Housing	0	0	0	0	0	0	0	0	0
37921 Lloyd Hs Policy/Planning	5,000	0	3,800	0	0	0	0	0	0
80002 MFH2nd and Wasco	1,600	1,131	1,600	0	0	0	0	0	0
80003 Lloyd Cascadian Phase II	0	582	1,200	0	0	0	0	0	0
80007 OCC Affordable Rental Housing	608,417	141	223,417	0	400,000	900,000	0	0	1,300,000
80010 Fremont Housing	0	0	140,000	0	0	0	0	0	0
80026 Grant Warehouse/Affordable Hsg	1,600,000	686	100,000	0	0	1,900,000	0	0	1,900,000
80042 OCC Miracles Club	1,500,000	193,511	1,400,000	2,085,000	0	0	0	0	2,085,000
80043 Rose Qtr Afford Rental Hsg	0	0	800,000	800,000	0	0	0	0	800,000
Housing Total	**4,014,769**	**276,521**	**2,969,769**	**3,385,000**	**1,025,000**	**3,425,000**	**0**	**0**	**7,835,000**
Central Services									
59163 OCC Debt Management	24,717	10,161	24,717	25,953	27,250	28,613	30,044	0	111,860
Central Services Total	**24,717**	**10,161**	**24,717**	**25,953**	**27,250**	**28,613**	**30,044**	**0**	**111,860**
Executive									
60039 OCC Eastside/Central City Plan	75,000	36,677	75,000	57,000	0	0	0	0	57,000
60042 OCC N/NE Ec Dev Initiative	0	0	11,000	63,000	0	0	0	0	63,000
Executive Total	**75,000**	**36,677**	**86,000**	**120,000**	**0**	**0**	**0**	**0**	**120,000**
Total Project Expenditures	**14,414,245**	**1,439,272**	**12,672,245**	**9,977,953**	**4,479,250**	**9,023,613**	**3,990,044**	**0**	**27,470,860**
Total All Personal Svcs & Indirect Costs	**3,233,012**	**1,469,528**	**3,475,217**	**1,995,591**	**895,850**	**1,804,723**	**798,009**	**0**	**5,494,172**
Total Fund Expenditures	**17,647,257**	**2,908,801**	**16,147,462**	**11,973,544**	**5,375,100**	**10,828,336**	**4,788,053**	**0**	**32,965,032**
Contingency	829,457	0	765,155	76,571	1,741,648	57,034	325,135	0	2,200,388
Ending Fund Balance	0	0	**0**	0	0	0	0	0	0
Total Requirements	**18,476,714**	**2,908,801**	**16,912,617**	**12,050,115**	**7,116,748**	**10,885,370**	**5,113,188**	**0**	**35,165,420**

*Please note that the 2008-09 Actuals data only shows revenue and expenditures which have been entered into Lawson as of December 31, 2008.
These numbers DO NOT show or represent any encumbrances, since encumbrances may or may not spend in the current fiscal year. *(Revised 2-11- 09)*

Rose Quarter Housing Condo B

Draft New Markets Tax Credits Structure

FINANCIAL STRUCTURE FLOW CHART