

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: October 14, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number No. 09-124
Approve \$180,000 funding increase to Central City Concern for the Rose Quarter Housing Project

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6747

ACTION SUMMARY

This action will authorize an increase of \$180,000 to PDC's existing \$1,600,000 loan to Central City Concern for the Rose Quarter Housing project.

Central City Concern has requested in a letter dated 9/14/09 that PDC provide the \$180,000 in additional funding to cover a portion of cost overruns at the project (see Attachment 1).

PUBLIC BENEFIT

This action will enable the successful completion 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.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Standard PDC policies were followed in the evaluation of this request for additional funding.

FINANCIAL IMPACT

The additional funding of \$180,000 is included in the amended 09/10 OCCURA TIF budget (See Attachment 2).

RISK ASSESSMENT

There is little additional risk to PDC through the increased funding. PDC already has \$6,600,000 dedicated to the project through previous commission actions, of which approximately \$6,190,000 has previously been funded. If PDC declines to fund the additional \$180,000, the developer will need to identify an alternative funding source.

WORK LOAD IMPACT

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

ALTERNATIVE ACTIONS

PDC is not obligated to provide additional funding in which case the developer will need to identify an alternative funding source.

CONCURRENCE

Loan committee has reviewed and supports taking this action.

BACKGROUND

On March 11, 2009, the Portland Development Commission Board approved Resolution No. 6682 that provided \$1,600,000 in funding for Central City Concern's Rose Quarter Housing project), in addition to \$5,000,000 of acquisition financing that was provided in 2004. Immediately prior to project financing closing in March 2009, the developer's abatement contractor started removal of previously identified asbestos containing and mold affected gypsum drywall, as well as the removal of vinyl wallpaper. Removing the wallpaper revealed more extensive mold growth on the existing gypsum drywall finishes than was identified in previous investigations, leading to the need for complete reconstruction of the fifth floor and additional abatement activities and spot repairs throughout the building.

Abatement work associated with the above identified problems has been completed and was funded through project contingencies. Reconstruction of the affected areas is in progress. The costs associated with the additional abatement work and reconstruction of affected areas is estimated at \$1,289,745. This amount combined with other known upcoming change orders of \$357,459 exceeds the project's current contingency by \$403,926. A portion of the deficit (\$179,000) can be made up through adjustments to line items in the current budget. However, given the current early stage of construction, it is prudent to recapitalize the contingency line item at 4% (\$488,812) to allow for future potential issues. This results in a funding gap of \$713,738 which is proposed to be addressed through a combination of OHCS funding, increased PDC funding, and developer equity as outlined in the table below.

Funding Gap Calculation

Additional Abatement and reconstruction	\$1,289,745
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Known upcoming Change Orders	\$357,459
Recapitalize contingency at 4%	\$488,812
Less funds available in other budget line items	(\$179,000)
Less existing contingency	(\$1,243,278)
Total	\$713,738

Proposed Budget to Cover Funding Gap

OHCS Trust Fund	\$200,000
OHCS Housing Plus	\$200,000
PDC Additional Funding	\$180,000
CCC Equity Contribution	\$133,738
Total	\$713,738

The additional sources of funding have been approved for the project.

ATTACHMENTS:

- A) Funding request letter from Central City Concern
- B) 09/10 Amended OCCURA budget



Changing lives
Building communities
Creating opportunities

September 14, 2009

Dan Williams
Portland Development Commission
222 NW Fifth Avenue
Portland, OR 97209

**Re: Rose Quarter Housing
Request for Gap Funding**

Dear Dan,


As you know, the Rose Quarter Housing development encountered unanticipated costs shortly after construction activities commenced this past spring. These costs were primarily related to moisture and mold related damage which had remained masked due to multiple layers of vinyl wall coverings, and the additional asbestos mitigation required by the resulting increase in demolition and construction scope. The upper floors were the most impacted, with the 5th (top) floor requiring a complete rebuild. This impacted Condo A to a greater extent as Condo B occupies the project's first two floors. All told, the project experienced approximately \$1.8M in additional costs (including typical contingency exposures unrelated to the mold/asbestos scope), leaving the project with a gap of approximately \$730,000.

To date Central City Concern has worked to bring additional sponsor equity of \$150,000 to the project and has also secured \$400,000 from OHCS, leaving a remaining gap of \$180,000.

Central City Concern is requesting an additional \$180,000 from PDC to fill the remaining project gap. These funds would be used in Condo A, which is the more severely impacted of the two condos. Even with the increase in costs the per unit cost remains below \$110,000, and we believe the project remains a very strong value for 176 new units of affordable housing.

Central City Concern greatly values the long partnership between PDC and CCC on this development, and we are looking forward to its opening next spring. Please let me know if you have any questions concerning this request.

Regards,


Sean Hubert
Director of Housing

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Revised FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Convention Center URA						
Resources						
Beginning Fund Balance	7,379,026	5,363,115	135,621	191,823	256,836	0
Fees and Charges	2,500	0	0	0	0	0
Interest on Investments	125,000	160,000	110,000	100,000	150,601	0
Loan Collections	251,232	220,665	195,232	188,302	179,332	0
Property Income	1,050,000	126,000	4,000,000	0	0	0
Reimbursements	70,000	0	0	0	0	0
TIF Proceeds	7,392,600	12,787,200	3,396,600	7,117,875	3,715,403	0
Transfers In	642,259	0	0	0	0	0
Total Resources	16,912,617	18,656,980	7,837,453	7,598,000	4,302,172	0
Requirements						
Program Expenditures						
Business and Industry						
Community Economic Development						
H72030 Community Econ Development	150,000	250,000	250,000	300,000	350,000	0
General Business Assistance						
H79020 Business Finance	900,000	1,060,851	550,000	250,000	300,000	0
H79022 Business Retention	100,000	50,000	0	0	0	0
Target Industries						
H79020 Business Finance	250,000	100,000	0	100,000	100,000	0
Business and Industry Total	1,400,000	1,460,851	800,000	650,000	750,000	0
Housing						
Multi-Family - For Sale						
H19032 King/Parks Affordable Housing	299,752	500,000	625,000	625,000	0	0
H80003 Lloyd Cascadian Phase II	1,200	3,000	0	0	0	0
H80010 Fremont Housing	140,000	140,000	0	0	0	0
H80026 Grant Warehouse - Affordable Housing	100,000	300,000	1,600,000	0	0	0
Multi-Family - Rental Housing						
H80002 MFH - 2nd and Wasco	1,600	5,000	0	0	0	0
H80042 OCC Miracles Club	1,400,000	3,285,000	0	0	0	0
H80043 Rose Qtr Afford Rental Housing	800,000	1,244,100	0	0	0	0
H89030 Affordable Rental Housing	223,417	0	800,000	0	0	0
H89049 McCoy Apartments Rehab	0	500,000	0	0	0	0
Plans and Strategies - Housing						
H37921 Lloyd Hsg Policy/Planning	3,800	0	0	0	0	0
Portland Housing Bureau						
H28025 Administration	0	72,267	158,129	151,782	88,674	0
Housing Total	2,969,769	6,049,367	3,183,129	776,782	88,674	0
Infrastructure						
Transportation						
H16230 Lloyd Trans Improve/Streetcar	100,000	40,000	0	0	0	0
H16231 OCC Streetcar Planning	1,750,000	1,637,000	0	0	0	0
H25525 MLK Jr Blvd Improvements	50,000	50,000	0	0	0	0
H25537 MLK Jr Blvd Gateway Improve	100,000	240,000	500,000	0	0	0
Infrastructure Total	2,000,000	1,967,000	500,000	0	0	0

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Revised FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Revitalization						
Community Outreach - Revitalization						
H11601 Community Outreach	20,000	20,000	20,000	20,000	10,000	0
Plans and Strategies - Revitalization						
H25607 MLK Jr Blvd Action Plan Implmnt	10,000	10,000	0	0	0	0
H60041 Eastside Central City Plan	75,000	83,292	0	0	0	0
H60042 N/NE Economic Dev Initiative	11,000	63,000	0	0	0	0
Redevelopment						
H16237 Headquarters Hotel	1,900,000	4,000,000	500,000	0	0	0
H25533 Vanport Redevelopment	20,000	15,000	0	0	0	0
H25535 3934 NE MLK Renovation - Heritage Project	2,087,759	0	0	0	0	0
H25536 3510 NE MLK Fremont Redevel	237,000	0	0	0	0	0
H25605 MLK Jr Blvd Commercial Site Dev	30,000	50,000	0	0	0	0
H25606 Lloyd Commerical Development	20,000	10,000	0	0	0	0
H25610 Bee Car Rental Redevelopment	7,000	7,000	7,000	0	0	0
H25611 OCC Blk 47/49 Redevelopment	10,000	0	0	0	0	0
H25612 King/Parks Commercial	0	0	700,000	0	0	0
H25613 Rose Quarter Revitalization	0	360,000	0	3,500,000	1,900,000	0
H27001 Storefront Grants	250,000	250,000	250,000	250,000	150,000	0
H27050 DOS Grants	100,000	100,000	100,000	100,000	100,000	0
H28030 Redevelopment Loan Projects	1,500,000	1,000,000	500,000	1,000,000	680,023	0
Revitalization Total	6,277,759	5,968,292	2,077,000	4,870,000	2,840,023	0
Administration						
Finance						
H98001 Debt Management	24,717	25,953	27,250	28,613	30,044	0
Administration Total	24,717	25,953	27,250	28,613	30,044	0
Total Program Expenditures	12,672,245	15,471,463	6,587,379	6,325,395	3,708,741	0
Personal Services	957,696	818,429	267,604	256,861	150,063	0
Internal Expenditures	2,517,521	2,231,467	790,647	758,908	443,368	0
Total Fund Expenditures	16,147,462	18,521,359	7,645,630	7,341,164	4,302,172	0
Contingency	765,155	135,621	191,823	256,836	0	0
Ending Fund Balance	0	0	0	0	0	0
Total Requirements	16,912,617	18,656,980	7,837,453	7,598,000	4,302,172	0