

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 12, 2010

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number No. 10-43
Extension of Predevelopment Loan with Williams and Dame Development for Block 49 Affordable Rental Housing Project in North Macadam Urban Renewal Area

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6775

ACTION SUMMARY

This action will authorize the Executive Director to execute the third extension to the second amended predevelopment loan agreement (Predevelopment Loan) with Williams and Dame Development (WDD) for the Block 49 affordable housing project (Project) located at 650 SW Lowell Street in the South Waterfront area of the City of Portland in the North Macadam (NMAC) Urban Renewal Area (URA).

PUBLIC BENEFIT

The Project will be the first affordable rental housing development in the emerging South Waterfront neighborhood, located immediately adjacent the southernmost stop for the Portland Streetcar, three blocks south of the new, two-block neighborhood (Elizabeth Caruthers) park, and five blocks south of the terminal for the Portland Aerial Tram.

The Project is a full block, six-story (5 over 1 construction type), 244,986 gross square foot, multi-family apartment building with 209 apartments above 20,995 square feet of ground floor commercial space. The apartments are comprised of 56 studio units (27%), 123 one-bedroom units (59%), and 30 two-bedroom units (14%). The Project includes 50 spaces of interior, at-grade, structured parking serving the commercial space, which must be made available to an adjacent business, the Old Spaghetti Factory, at nights and on weekends, pursuant to recorded agreements. The project also includes 116 spaces of underground parking for the apartments. The Project has been designed and will be commissioned to achieve LEED Silver certification.

The project will be 100% affordable, with 166 (80%) of the apartments affordable at 60% of area median income (AMI) and 42 (20%) of the apartments affordable at 30% of AMI with rental assistance from the U.S. Department of Housing and Urban Development (HUD) Section 8 and/or Veteran Affairs Supportive Housing (VASH) programs. The HUD-Section8/VASH units will serve low- and very low-income and formerly homeless veterans

through innovative rental assistance and resident and clinical services partnership with the U.S. Department of Veterans Affairs (VA).

Extension of the Predevelopment Loan for the Project until December 31, 2010 will accommodate the planned closing and start of construction for the Project in November 2010.

This action will support the following PDC goals:

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

PUBLIC PARTICIPATION AND FEEDBACK

The Project implements affordable housing goals of the NMAC Housing Development Strategy and affordable housing production obligations in the South Waterfront Central District Project Development Agreement, which were subject to extensive community and stakeholder involvement during their development. Staff has periodically briefed the NMAC Urban Renewal Advisory Committee (URAC) on the Project. The Project has been approved by the Design Review Commission. Staff will continue to keep the NMAC URAC, community and stakeholders informed of the Project's progress as it moves through final development and financing approvals and during the course of construction.

Extension of the Predevelopment Loan for the Project is an administrative action that does not require to public involvement.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Project complies with the affordable housing goals of the NMAC Housing Development Strategy and affordable housing production obligations in the South Waterfront Central District Project Development Agreement.

FINANCIAL IMPACT

Staff has included extension of the Predevelopment Loan for the Project in the current proposed FY10-11 budget for PDC.

RISK ASSESSMENT

No significant risks are associated with the extension of the maturity date for the Predevelopment Loan.

WORK LOAD IMPACT

The associated accounting and loan administration work load will be incorporated into staff work plans.

ALTERNATIVE ACTIONS

PDC's Board of Commissioners (Board) could elect not to authorize the extension of the Predevelopment Loan or the Board could direct revisions to the terms and conditions of the Predevelopment Loan. A decision to not extend the Predevelopment Loan would cause the loan to be in default

CONCURRENCE

The PDC Investment Committee reviewed and approved the disposition and financing strategy for the Project on March 30, 2010. The PDC Loan Review Committee recommended approval of the extension of the Predevelopment Loan on April 14, 2010.

BACKGROUND

North Macadam Investors (a WDD Affiliate) and PDC entered into a Purchase and Sale Agreement (PSA) for Block 49, in November 2006, whereby PDC acquired the property to control its development for affordable rental housing, subject to agreement that PDC and WDD would enter into a disposition and development agreement (DDA) for the Project and PDC's right to pursue development of the property with a third party in the event NMI failed to enter into an agreement with PDC to do so.

WDD (as NMI's assignee) and PDC staff negotiated a draft DDA for the Project in 2007.

PDC funded a \$1.37M predevelopment loan to WDD, in March 2007, to fund the preparation of construction drawings and a financing plan for the Project. In March 2008, PDC increased its predevelopment loan to WDD by \$592K to \$1.96M, to fund the completion of construction documents, development of detailed construction cost estimates, and to identify opportunities for value engineering to reduce project costs.

The Project construction drawings are complete and have been reviewed and approved by the City's Bureau of Development Services. The Project is "permit-ready." WDD and the prospective general contractor, Walsh Construction Company, have negotiated a construction contract for the Project. The Project is "shovel ready."

WDD and PDC staff have developed a detailed development budget and financing plan for the Project. PDC staff has included \$23.6M in the working draft of the proposed budget for FY 10-11 and budget forecast through FY 12-13.

PDC and City staffs are preparing to bring the DDA to the PDC Board and City Council for approval in August, 2010. The Project closing and start of construction is anticipated in November 2010.