



**DATE:** August 12, 2020  
**TO:** Board of Commissioners  
**FROM:** Kimberly Branam, Executive Director  
**SUBJECT:** Report Number 20-41

Authorizing the Sixth Amendment to the Purchase and Sale Agreement with BRIDGE Northwest Development for the RiverPlace Parcel 3 Project in the North Macadam Tax Increment Finance District

#### **BOARD ACTION REQUESTED AND BRIEF DESCRIPTION**

Adopt Resolution No. 7396

This action by the Prosper Portland Board of Commissioners (Board) will authorize the Executive Director to execute the Sixth Amendment to the Option for Purchase and Sale, Development, and Right of Repurchase Agreement dated May 10, 2016, as amended, (Agreement) with BRIDGE Northwest Development (BRIDGE) for the RiverPlace Parcel 3 project (Project) located in the North Macadam Tax Increment Finance (TIF) District (see a Project Map and Rendering in Attachment A).

The Portland City Council, through Ordinance No. 188712 approved on December 6, 2017, directed that BRIDGE or an affiliate would have the right to develop a Phase II affordable housing building subject to delivery of a viable financing plan by December 31, 2020. If approved, this Prosper Portland Board action will recognize that BRIDGE has developed a financing plan to the satisfaction of the Portland Housing Bureau (PHB) and will approve modifying Phase II of the Project program from market-rate housing to an affordable housing building consisting of at least 178 units (of which 176 will be affordable), ground floor commercial space, and at least 64 parking spaces. In addition, this action will provide for Prosper Portland to be paid \$1,250,333 at the Phase II closing, which is the amount underpaid at the Phase I closing due to a mutual mistake in the escrow instructions.

#### **STRATEGIC PLAN ALIGNMENT AND OUTCOMES**

This action aligns with Prosper Portland’s Strategic Plan by creating healthy, complete neighborhoods and contributes to meeting the City of Portland’s affordable housing goals.

#### **BACKGROUND AND CONTEXT**

Prosper Portland acquired RiverPlace Parcel 3 (Property), a 2.01-acre property located at the southwest corner of SW River Parkway and SW Moody Street, in June 1985 as part of a larger 16.4-acre property exchange with Pacific Power & Light (PP&L) for the redevelopment of waterfront parcels in exchange for the relocation of the PP&L substation. Guided by the RiverPlace Development Strategy, approved by the Prosper Portland Board in July 1997, development of the neighborhood has largely been completed, including The Strand Condominiums in 2004, the extension of the Portland Streetcar to RiverPlace in 2005, and the Hyatt House hotel in 2016.

Prosper Portland, in partnership with PHB, issued a Request for Proposals (RFP) on April 9, 2015 to solicit development proposals from qualified developers to redevelop the Property with a mixed-use development including a minimum of 200 housing units affordable to households with zero to 60 percent median family income (MFI), and for a minimum of 90 of those units to be affordable to households at zero to 30 percent MFI. Prosper Portland received three proposals and BRIDGE was selected as the preferred developer. BRIDGE proposed a single-phase development consisting of two residential buildings connected by a common parking podium. The Project included an affordable housing building on the western portion of the Property including 203 affordable apartments, and a market-rate building on the eastern portion of the Property including 162 apartments. To support development of the affordable housing units, on January 13, 2016 through Resolution No. 7161, the Prosper Portland Board authorized a \$7,700,000 Special Authority Grant which effectively reduced the purchase price from \$11,000,000 to \$3,300,000, and PHB agreed to provide a \$19,000,000 cash-flow dependent loan.

Prosper Portland and BRIDGE executed the Agreement dated May 10, 2016. At that time, based upon the BRIDGE's proposal, the Project was anticipated to consist of no fewer than 362 residential units consisting of 200 units affordable to households with zero to 60 percent MFI, and of those 200 units no less than 90 units to be affordable to households with zero to 30 percent MFI, and 162 market-rate apartments, approximately 150 parking spaces, and commercial ground floor space.

Between 2016 and 2018, BRIDGE advanced the design and financing of the Project, including receiving Portland Design Commission approval on April 25, 2017 of a two-building design connected by a common parking podium. Consistent with the original concept and the Agreement, the Project was anticipated to be constructed as a single phase with the affordable housing units in the western building, and the eastern building intended to be market-rate apartments. However, BRIDGE was unable to secure a market-rate investor due to rising construction costs, prevailing wage requirements, and inability to meet investor return benchmarks. In addition, construction cost estimates exceeded the original budget, and the affordable housing project faced the certainty of a drop in low-income housing tax credit prices as a direct result of tax reforms implemented on January 1, 2018.

As a result of these challenges, it was not possible for BRIDGE to proceed with the entire single-phase project as originally envisioned and BRIDGE required additional financing to close financing on the affordable housing units by December 31, 2017. Consequently, Prosper Portland, PHB, and BRIDGE worked to restructure the development including: (1) PHB agreed to increase its loan by \$2,700,000 million (to \$21,700,000) to support the affordable housing units; (2) the Project was split into two phases; (3) BRIDGE conveyed the entire Property to PHB and the Phase 1 tax credit limited partnership ground leased the western half of the parcel from PHB for 99 years; and (4) BRIDGE retained the right to develop the eastern portion of the parcel, as an affordable housing building predicated on BRIDGE's ability to deliver a viable financing plan by December 31, 2020. In the event a viable financing plan could be established, PHB intended to enter a 99-year ground lease with BRIDGE to accommodate development of Phase II. This overall structure and PHB financing were approved by the Portland City Council on December 6, 2017 through Ordinance No. 188712 and incorporated into a Purchase and Sale Agreement entered into between PHB and BRIDGE dated December 28, 2017.

This restructuring was incorporated into the Fifth Amendment to the Agreement executed on December 28, 2017. The Fifth Amendment defined the Project to consist of two phases, with Phase I consisting of the western, affordable housing building, to begin construction no later than March 15, 2018, and Phase II described as a "market rate housing building of at least 159 residential units, including commercial ground floor retail space for local retailing uses and approximately 73 parking spaces, or such other project as has been approved by the Board." At the time the Fifth Amendment was executed, Phase II was defined as a market-rate building because a viable affordable housing financing strategy had not yet

been developed. The Fifth Amendment further stated that the Phase II construction commencement date shall be agreed to between Prosper Portland and shall be no later than December 31, 2020 in order to allow adequate time for BRIDGE and PHB to identify a feasible financing plan.

BRIDGE commenced construction of Phase I, now known as The Vera, in February 2018, achieved Substantial Completion in September 2019, and the apartment building is now operational and partially occupied as lease up continues. The Project delivered 203 affordable apartments units, including 90 reserved for households earning zero 30 percent of MFI, of which 70 are supported by Project-based Section 8 vouchers and 10 dedicated to homeless veterans utilizing Veterans Affairs Supportive Housing (VASH) vouchers.

Between 2018 and 2020, BRIDGE and PHB have worked to assemble a feasible financing plan for Phase II. That financing plan is now complete to PHB’s satisfaction although additional approvals are still required. Upon receipt of those approvals, BRIDGE anticipates closing by the end of 2020 and beginning construction by early 2021. This approval to amend the Agreement to redefine the Phase II program to consist of affordable housing is a precursor to closing and commencement of construction. Phase II is anticipated to be a \$78,000,000 project with the following residential program and affordability:

Unit Type	Avg. Unit Size	No. of Units	Rent Range (net of utilities)	MFI Range
Studio: 61 Units	516 square feet (SF)			
		12	\$431	30%
		10	\$1,045	30-60%/VASH*
		39	\$915	60%
1 Bedroom: 67 Units	656 SF			
		10	\$1,204	30-60%/VASH*
		57	\$969	60%
2 Bedroom: 32 Units	1,016 SF			
		30	\$1,160	60%
		2	NA	Manager’s Units
3 Bedroom: 18 Units	1,183 SF			
		18	\$1,338	60%
<b>Total</b>		<b>178</b>		

\*Currently under discussion

**EQUITY IMPACT**

Consistent with the Agreement, Phase II of the Project will comply with and implement Prosper Portland Business Equity and Workforce Equity Program Specifications.

For Phase I, BRIDGE and its general contractor Hoffman Construction achieved the following:

Specification	Goal	Accomplishment
<u>Workforce Equity Specifications</u>		
<ul style="list-style-type: none"> <li>• Workforce Hiring and Training Requirement: Labor Hours in each Apprentice-able Trade</li> <li>• Workforce Goals:                             <ul style="list-style-type: none"> <li>○ People of Color</li> <li>○ Female</li> </ul> </li> </ul>	20%	29%
	30%	26%
	15%	6%
<u>Business Equity Specifications</u>		
<ul style="list-style-type: none"> <li>• Percent of Hard Construction Costs performed by Certified Firms</li> </ul>	20%	13%

Achieving 13 percent against the 20 percent business equity goal is due to a number of factors, including:

- Low bid participation by bidders due to busy subcontractor market even though Hoffman Construction broke the bids into multiple work packages;
- Budget constraints resulted in Hoffman Construction being unable to award contracts to certified subcontractors where they were not the low bidder;
- Subcontractor volatility led to work first being awarded to certified firms eventually awarded to non-certified firms; and
- Growth of certified firms resulted in scope assigned to certified firms not contributing toward the participation rate.

The applicable Business Equity Program goal for Phase II will be 30 percent. BRIDGE anticipates contracting with Walsh Construction for construction of Phase II in part due to Walsh Construction’s subcontracting performance with certified contractors on past and ongoing projects. Recent examples of Walsh Construction’s performance include:

Project Name	Contract Value	Goal	Accomplishment
<b>Completed</b>			
Eastside Clinic Housing	\$11,690,345	20%	21.98%
Woody Guthrie Place	\$8,004,360	20%	20.94%
New Meadows	\$1,142,175	30%	28.32%
<b>Under Construction</b>			
Medford Hotel Renovation	\$1,367,987	20%	12.42%
Small Division Apartments	\$2,935,738	30%	30.07%

The Argyle	\$12,844,408	30%	34.07%
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Walsh Construction’s equitable contracting efforts focus on three main areas:

- Leveraging existing successful relationships with certified subcontractors and trade organizations;
- Identifying all qualified certified subcontractors and suppliers in the area and engaging with new and emerging firms; and
- Begin engagement in pre-construction, understand subcontractor capacity and capabilities, and provide mentorship to ensure subcontractor success.

**COMMUNITY PARTICIPATION AND FEEDBACK**

There has been a considerable amount of community and outreach regarding development of the Project including:

- 2014-15: Stakeholder outreach leading to the Portland City Council approval of Resolution No. 37118 which amended the North Macadam Urban Renewal Plan and directed for at least 200 units of affordable housing to be provided as part of Phase I of the Project;
- 2015: Community members participated in the Evaluation Committee that led to the selection of BRIDGE as the developer for the Project;
- 2016-18: Stakeholder and neighborhood association outreach and communication regarding the overall development design and program, including the opportunity to participate in the Portland Design Commission approval process; and
- 2018-2020: Ongoing neighborhood communications regarding construction schedule, logistics and site contacts during the construction of Phase I (The Vera).

Prosper Portland and BRIDGE provided an update to stakeholders and neighbors, including the Strand Homeowners Association and the Portland Downtown Neighborhood Association (PDNA), in July 2020 and solicited feedback regarding the Phase II affordable housing financing package and plans to move forward with construction beginning by early 2021. Stakeholder response has generally been positive recognizing the importance of affordable housing. Public comments received and the staff response is summarized below. With regard to comments on design issues, as an overarching response the public had the opportunity to participate in and provide comments to the Portland Design Commission in two Design Advice Request sessions in February and April 2016, the building received Type IIx design review approval in April 2017, and the building permits have already been issued.

Issue	Source	Response
Building Design		
Building should include additional environmental features to reduce the footprint of building, including green roof or energy generation.	Strand resident David Steinbrecher and PDNA	The building has been designed to achieve LEED Gold. A green roof and solar panels were considered but eliminated due to cost. The building is solar ready.
Building has only 4 trees adjacent to roadway which seems insufficient.	Strand resident David Steinbrecher and PDNA	The development includes street trees in accordance with Portland Bureau of Transportation (PBOT) standards, and trees are also located in the private accessway and plaza space between Phase II and The

		Vera, and in the shared stormwater bioswale on the southwest side of the parcel.
Pet area should be provided or the building should be designated “no pets” due to perceived shortage of space for pets to relieve themselves	Strand residents David Steinbrecher and Lory and Paul Utz, and the PDNA	A pet area is not required by code and has not been included due to space limitations and costs. As with residents of other buildings in the neighborhood, Phase II residents will be able to walk pets along public streets and in public parks.
Laundry facilities in each unit should be provided instead of group laundry facilities due to pandemic-related safety concerns	Strand residents Paul and Lory Utz	Individual laundry facilities are not required by code and are higher costs for both construction (washers/dryers, ventilation and plumbing), and maintenance and operations, and have been excluded for those reasons. BRIDGE has social distancing protocols in place for residents to safely use common laundry areas during pandemic. The building is expected to be completed in mid-2022.
Operations		
Will BRIDGE drug test residents or require “dry” building?	Strand resident	No. Residents are not typically drug tested as a condition of living in affordable housing. BRIDGE will use the City’s resident screening criteria which takes a low barrier to entry approach. Residents who are struggling with substance abuse will be connected to assistance or will be assigned a case worker.
Community and Public Facilities		
Transit service is not frequent enough and bus service is inconvenient, especially for mobility impaired and affordable housing residents that rely on public transportation	Portland Downtown Neighborhood Association	Comment has been forwarded to TriMet.
Additional outdoor living or park space for recreation should be provided as part of the development due to density of neighborhood.	Portland Downtown Neighborhood Association, Strand resident David Steinbrecher	The building will include a playground for residents in the outdoor building courtyard. However, recreation facilities and parks are not required by code. South Waterfront Park and Poet’s Beach are within a quarter mile of the building. Broader neighborhood needs for park space and facilities are best addressed by the neighborhood residents working with Portland Parks & Recreation.
Unclear if transportation facilities are adequate to support planned land uses and densities	Portland Downtown Neighborhood Association	The project has been reviewed and permitted in accordance with PBOT standards. Broader neighborhood concerns regarding transportation facilities are best addressed by the neighborhood residents working with PBOT.

Staff is not recommending any changes to the Phase II building after reviewing these comments.

**BUDGET AND FINANCIAL INFORMATION**

This action does not include any Prosper Portland expenditures. At the Phase I closing, due to a mutual mistake in the escrow instructions, Prosper Portland was underpaid in the amount of \$1,260,000 less \$9,667 in closing costs. The payment of these funds will be made at the Phase II closing currently

anticipated in December 2020. The receipt of these funds is not currently in the fiscal year (FY) 2020-21 North Macadam fund; in a separate action on the August 12 2020 meeting, staff will request that the Prosper Portland Board amend the FY 2020-21 North Macadam TIF fund budget to reflect this revenue for future North Macadam projects and programs.

**RISK ASSESSMENT**

There are additional financing approvals necessary and there is a risk these approvals will not be made. In the event these approvals are not received by December 31, 2020, PHB has the right to terminate BRIDGE's development rights and select another developer.

**ATTACHMENTS**

- A. Project Map and Rendering
- B. North Macadam TIF District FY 2020-21 Budget

**Project Map**



**Project Rendering**



*Looking south, Phase II on left, Phase I (The Vera) completed early 2020 on the right*



**North Macadam TIF District FY 2020-21 Budget**

**Financial Summary  
Five-Year Forecast**

<b>North Macadam TIF Fund</b>	<b>Revised 5 FY 2019-20</b>	<b>Adopted FY 2020-21</b>	<b>Forecast FY 2021-22</b>	<b>Forecast FY 2022-23</b>	<b>Forecast FY 2023-24</b>	<b>Forecast FY 2024-25</b>
<b>Resources</b>						
Beginning Fund Balance	20,045,992	28,660,996	4,009,888	4,212,999	9,315,894	4,613,895
Revenue						
Interest on Investments	476,360	235,238	3,270	79,651	104,893	218,978
TIF - Short Term Debt	14,686,722	17,269,358	12,666,513	12,848,495	13,876,833	14,822,527
TIF - Long Term Debt	0	-	11,000,000	-	-	7,522,751
Rent and Property Income	220,224	201,039	445,424	494,421	548,806	609,176
<b>Total Revenue</b>	<b>15,383,306</b>	<b>17,705,635</b>	<b>24,115,207</b>	<b>13,422,567</b>	<b>14,530,532</b>	<b>23,173,432</b>
<b>Total Resources</b>	<b>35,429,298</b>	<b>46,366,631</b>	<b>28,125,095</b>	<b>17,635,566</b>	<b>23,846,426</b>	<b>27,787,327</b>
<b>Requirements</b>						
<b>Administration</b>						
A00024-Debt Management-NMC	24,615	15,337	15,337	15,337	20,000	20,000
<b>Administration Total</b>	<b>24,615</b>	<b>15,337</b>	<b>15,337</b>	<b>15,337</b>	<b>20,000</b>	<b>20,000</b>
<b>Housing</b>						
A00165-Affordable Housing-NMC	3,682,018	12,558,041	13,792,386	2,393,203	13,022,322	1,795,245
<b>Housing Total</b>	<b>3,682,018</b>	<b>12,558,041</b>	<b>13,792,386</b>	<b>2,393,203</b>	<b>13,022,322</b>	<b>1,795,245</b>
<b>Infrastructure</b>						
<b>Transportation</b>						
A00589-Infrastructure Investments-NMC	0	6,300,000	3,475,000	3,750,000	2,000,000	3,000,000
<b>Infrastructure Total</b>	<b>0</b>	<b>6,300,000</b>	<b>3,475,000</b>	<b>3,750,000</b>	<b>2,000,000</b>	<b>3,000,000</b>
<b>Property Redevelopment</b>						
<b>Commercial Property Lending</b>						
A00360-CPRL-General-NMC	500,000	500,000	-	-	-	-
<b>Real Estate Management</b>						
A00273-RiverPlace Prkng-NMC	107,603	107,141	112,500	118,123	124,031	136,472
A00560-South Waterfront Lot 4-NMC	14,680	-	-	-	-	-
A00618-Portland Center Park	0	1,000	1,000	-	-	-
<b>Real Estate Disposition</b>						
<b>Redevelopment Strategy</b>						
A00268-Eco District-NMC	2,500	-	-	-	-	-
A00270-N Distr Partnershp-NMC	150,000	-	-	-	-	-
A00274-Project Development-NMC	200,000	15,800,000	-	-	-	-
A00533-University Place-NMC	0	5,100,000	4,500,000	-	-	-
A00624-South District-NMC	200,000	-	-	-	-	-
A00633-Fourth Avenue Bldg-NMC	0	-	-	-	2,000,000	-
<b>Property Redevelopment Total</b>	<b>1,174,783</b>	<b>21,508,141</b>	<b>4,613,500</b>	<b>118,123</b>	<b>2,124,031</b>	<b>136,472</b>
<b>Total Program Expenditures</b>	<b>4,881,416</b>	<b>40,381,519</b>	<b>21,896,223</b>	<b>6,276,663</b>	<b>17,166,353</b>	<b>4,951,717</b>
Personnel Services	17,918	285,856	321,875	326,556	330,431	343,489
<b>Total Fund Expenditures</b>	<b>4,899,334</b>	<b>40,667,375</b>	<b>22,218,098</b>	<b>6,603,219</b>	<b>17,496,784</b>	<b>5,295,206</b>
Interfund Transfers - Indirect Charges	1,868,968	1,689,368	1,693,998	1,716,453	1,735,747	1,787,164
Contingency	28,660,996	4,009,888	4,212,999	9,315,894	4,613,895	20,704,957
<b>Total Fund Requirements</b>	<b>35,429,298</b>	<b>46,366,631</b>	<b>28,125,095</b>	<b>17,635,566</b>	<b>23,846,426</b>	<b>27,787,327</b>