

ORDINANCE No.

* Authorize the Portland Housing Bureau to dispose of property at 1306 NE 2nd Ave. and make a loan of up to \$7,100,000 to develop the Miracles Central project (Ordinance)

The City of Portland ordains:

Section 1. The Council finds that:

1. On behalf of the City of Portland, the Portland Housing Bureau (PHB) administers affordable housing programs using resources, including tax increment proceeds, to support the development of affordable housing.
2. In July, 2010, PHB acquired a 10,000 square foot site located at 1306 NE 2nd Ave, in the Oregon Convention Center Urban Renewal Area (“OCCURA”) from the Portland Development Commission (“PDC”) commonly known as the King Crusher property (the “Property”).
3. PHB issued a notice of funding availability (“NOFA”) on November 15, 2012 that offered the Property and tax increment funding (“TIF”) from OCCURA in order to affect the redevelopment of the Property for the provision of affordable housing. As part of the NOFA, PHB conducted an evaluation process and selected a development team to redevelop the Property.
4. The selected development team included Central City Concern (“CCC”) as the project sponsor, the Miracles Club (“TMC”) as the partner service provider and the Multi-Cultural Development Group (“MCDG”) as the provider of development services to the the sponsor.
5. The development team has finalized plans to develop a project to be called “Miracles Central” (the “Project”) on the Property which will provide 47 units of affordable housing as further described below and in the Disposition and Development Agreement attached hereto as Exhibit A (the “DDA”). The Project will also contain ground floor space in which CCC and TMC will provide services focused on people in recovery from alcohol and drug addiction.
6. Miracles Central Apartments Limited Partnership will own the Project and enter into a regulatory agreement requiring eighteen (18) of the units to be affordable at incomes up to 60% MFI, twenty-eight (28) of the units to be affordable at incomes up to 50% MFI, and one (1) unit to be affordable at incomes up to 30% MFI.
7. Total cost of the Project is approximately \$13,000,000. Financing for the Project will utilize 4% low income housing tax credits. PHB will join other lenders and investors including J.P Morgan Chase, the National Equity Fund, Oregon Housing and Community Services, CCC, Banner Bank and Federal Home Loan Bank, Seattle to provide equity and financing for the Project.

8. PHB and the development team have negotiated a financial structure that includes \$7,100,000 from PHB OCCURA TIF. The city funding is necessary to leverage nearly \$6,000,000 of other public and private financing.
9. The development team has obtained or is reasonably expected to obtain all financing, building and other approvals necessary to build the project.
10. The city funding will be directed at tax increment financing eligible uses for the development of the Project.
11. On May 20, 2015, the PHB Housing Investment Committee recommended approval of the city funding for Miracles Central subject to Council authorization.

NOW, THEREFORE, the Council directs:

- a. The city funding to Miracles Central Apartments Limited Partnership to implement the Project will consist of up to \$7,100,000 from the Oregon Convention Center URA budget.
- b. The Director of PHB or his/her designate is authorized to enter into a disposition and development agreement (DDA) that would transfer the Property to the development team generally in the form attached hereto and to approve amendments or modifications to the financing and to execute regulatory agreements, loan documents, trust deeds, and such other documents in form and substance as required to complete the financing authorized by this Ordinance, within the maximum amounts approved under this Ordinance, and subject to the approval as to form of such documents by the City Attorney's Office.
- c. The Mayor and Auditor are hereby authorized to draw and deliver checks chargeable to the PHB budget when demand is presented and approved by the proper authority

SECTION 2. The Council declares that an emergency exists because a delay in the City's approval would impair the ability of the Project to meet the timeline required by other financing sources including final approval of low income housing tax credits anticipated by the State Housing Council for which prior Council approval is required, and would delay the Project and impact the budget; therefore, this Ordinance shall be in full force and effective from and after its passage.

Passed by the Council:

Commissioner Dan Saltzman
Prepared by: Karl Dinkelspiel
Date Prepared: June 4, 2015

Mary Hull Caballero
Auditor of the City of Portland
By

Deputy

IMPACT STATEMENT

Legislation title: * Authorize the Portland Housing Bureau to dispose of property at 1306 NE 2nd Ave. and make a loan of up to \$7,100,000 for the purpose of developing the Miracles Central project

Contact name: Karl Dinkelspiel, Senior Program Manager

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Presenter name: Javier Mena, Assistant Director

Purpose of proposed legislation and background information:

On November 15, 2012 the Portland Housing Bureau (PHB) released a Notice of Funding Availability (NOFA) which requested proposals to redevelop a 10,000 square foot site the Bureau owns at 1306 NE 2nd Ave. in the Oregon Convention Center Urban Renewal Area. In March 2013, PHB selected a proposal from a team including Central City Concern (CCC) and the Miracles Club (TMC). The project will create 47 units of housing affordable to households earning 60% or less of area median family income (MFI) as well as ground floor space where CCC and TMC will run programs focused on people in recovery from alcohol and drug addiction. To facilitate the construction of the project, PHB will loan the project up to \$7,100,000 in Oregon Convention Center Urban Renewal Area (OCCURA) Tax Increment Financing (TIF).

Financial and budgetary impacts:

Funds for the project are contained in PHB's FY 2015-16 proposed budget. PHB will transfer the property to a single purpose ownership entity thereby removing it from PHB/City ownership. Use of the property will comply with the requirements of the disposition and development agreement that is part of this legislation. PHB will enter into a cash flow share loan with the owner, which provides that, after certain priority payments and loans, the Bureau will receive 50% of any remaining cash. However, PHB does not expect to realize any such payments until those priority loans are repaid. Once priority loans are paid, PHB will become the senior lender. At such time, provided it is sufficient, PHB expects it will share in cash flow.

PHB staff time for the project is already built into PHB's budget.

Community impacts and community involvement:

The Miracles Central project focuses on people in recovery from alcohol and drug addiction. In keeping with fair housing laws, the project will be open to all meeting the project's income requirements. However, given the partnership with the Miracles Club, it is expected that a number of tenants will have come through or be actively engaged in the Club's programs. Miracles Club clients are overwhelmingly people of color, especially African American.

The development team has engaged in outreach to surrounding properties including the Holy Rosary Church, the residents and management of Calaroga Terrace apartments and Legacy Hospital. The Holy Rosary Church has agreed to provide access from their adjacent property during construction and the development has agreed to provide aerial access over the completed project should the Church redevelop its property.

The project received Portland Design Commission approval on November 21, 2014.

Budgetary Impact Worksheet

Does this action change appropriations?

- YES:** Please complete the information below.
 NO: Skip this section