

Phase I Concept Endorsement Staff Report for Mary Ann Apartments | March 12, 2019



Project Concept Overview

The City of Beaverton has requested a concept endorsement and preliminary commitment of \$3.0 million in Metro Housing Bond funding for the construction of the Mary Ann Apartments (“the Mary Ann”), a four-story affordable apartment building that will provide 54 residential units, including 26 two-bedroom units and 3 three-bedroom units. Eleven units will be affordable to households making 30 percent of area median income (AMI) or below. The Mary Ann will be developed by REACH CDC and located at First Street and Main Avenue in Downtown Beaverton.

Eligible implementation jurisdictions have been invited to submit up to one “Phase 1” project to Metro for consideration between March and June 2019, prior to completion of a full Local Implementation Strategy. The Mary Ann will be submitted to Beaverton City Council on March 19 for concept approval and prioritization as the City’s Phase 1 project. Because the project is seeking a preliminary funding commitment prior to completion of a full Local Implementation Strategy, Metro Council action is requested to provide a concept endorsement for this project.

Within the funding distribution framework approved by Metro Council (see *Exhibit B* of the Affordable Housing Bond Program Work Plan), and based on preliminary agreement among the three eligible implementation jurisdictions in Washington County, the City of Beaverton is eligible to administer \$31.14 million in total bond funding to support affordable housing projects that align

Exhibit A to Resolution No. 19-4975

with Bond Program goals. Beaverton staff are actively working to develop a Local Implementation Strategy for consideration by Beaverton City Council, the Housing Bond Community Oversight Committee and Metro Council in summer 2019.

Development Program

The proposed concept contains 54 units, including 26 two-bedroom units and 3 three-bedroom units. The project also includes 39 parking spaces and a second floor outdoor community space.



All units will be affordable at 60 percent of AMI or below. Eleven units will be affordable at 30 percent of AMI and 29 units will be sized for families, with 2-3 bedrooms. Seven units will be both family sized and deeply affordable at 30 percent of AMI or below, including four two-bedroom units and three three-bedroom units.

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| <u>Unit Size</u> | <u>Median Income %</u> | <u># of Baths</u> | <u>Square Feet / Unit</u> | <u>Gross Monthly Rent / Unit</u> | <u>Units</u> | <u>Project Based Vouchers</u> |
|------------------|------------------------|-------------------|---------------------------|----------------------------------|--------------|-------------------------------|
| One Bedroom | 30% | 1 | 600 | \$458 | 3 | 0 |
| One Bedroom | 30% | 1 | 600 | \$458 | 1 | 1 |
| One Bedroom | 40% | 1 | 600 | \$611 | 16 | 0 |
| One Bedroom | 50% | 1 | 600 | \$763 | 5 | 0 |
| Two Bedroom | 30% | 1 | 800 | \$550 | 4 | 4 |
| Two Bedroom | 40% | 1 | 800 | \$733 | 3 | 0 |
| Two Bedroom | 50% | 1 | 788 | \$916 | 3 | 0 |
| Two Bedroom | 60% | 1 | 800 | \$1,076 | 16 | 0 |
| Three Bedroom | 30% | 1.5 | 1,231 | \$681 | 3 | 3 |
| Total | | | | | 54 | 8 |

Project Context

Background

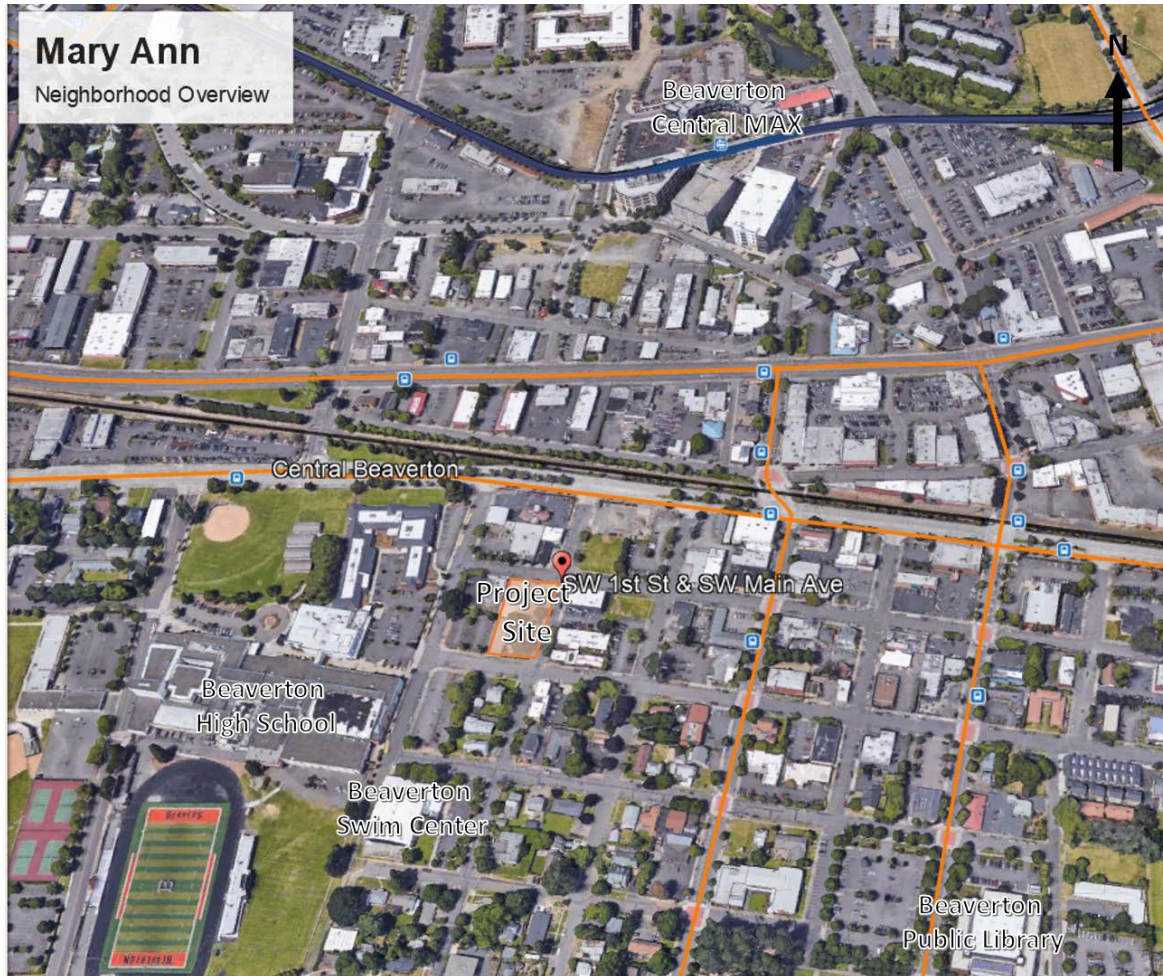
Since September of 2018, the City of Beaverton and REACH CDC have been in exclusive negotiations to facilitate an affordable housing project at First and Main. During this time, REACH CDC has conducted due diligence and predevelopment activities necessary for the half block development, including but not limited to the creation of schematic architectural designs, property appraisals, environmental assessments, financial modeling, submittal of a HOME fund application, and conducting of a neighborhood review meeting.

Site and Neighborhood

The proposed project is located on Main Avenue between First and Second Streets in Old Town, the historic downtown core of Beaverton. The area has a mix of pre WWII commercial and retail buildings, single-family homes, and two- to three-story offices dating from the 1960s to 1980s. To the immediate southwest of the site is The Rise at Old Town, a new, four-story, market rate apartment building. Several amenities are within easy walking distance, including Beaverton City Library, Beaverton Swim Center, Beaverton High School, and the Beaverton Farmer’s Market.

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The Beaverton Central MAX station is located approximately 0.5 miles to the north. Farmington Road, one block north of the site, and Canyon Road, one block further north, are major arterials, and separate Old Town from newer and denser development immediately surrounding the Beaverton Central Max station. Signalized crosswalks provide pedestrian access across these high-volume roads to the transit center.



The site itself consists of four tax lots, totaling approximately 0.44 acres. Two tax lots on the northern half of the site are owned by the City of Beaverton. One of the two southern tax lots is owned by a private developer; the other is owned by the Beaverton School District. REACH CDC has entered into Purchase and Sale Agreements for the two southern tax lots and will enter into a separate agreement with the City of Beaverton for the use of its parcels. The sites are currently cleared and have no existing buildings.

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The site has environmental conditions that will be addressed as part of the development process. An initial Phase 1 Environmental Site Assessment, followed by a geophysical survey, identified a cesspool that will need to be decommissioned. In addition, soils in the northern portion of the property are contaminated with petroleum hydrocarbons above allowed levels for Urban Residential land use. Further testing and preparation of a remediation strategy will occur as the project proceeds.

Community Engagement

REACH CDC held a neighborhood meeting to discuss The Mary Ann and reported that all feedback received was positive. REACH staff also presented the project and proposed name to Beaverton's Diversity Advisory Board, which endorsed the project and name. The project is named for Mary Ann Spence Watts, who was Beaverton's first school teacher and taught in a log cabin near the current Beaverton High School site.

REACH is working with the Career and Technical Education department at the Beaverton School District with the goal of expanding an existing partnership between Walsh Construction, the Mary Ann's general contractor, and the School District. This partnership would use the Mary Ann as a case study for a partnership aimed at attracting high school students to the construction trades. Westview, Mountainside, and Aloha are the schools currently participating in the program, which will provide for student tours during construction.

Additional community engagement will be completed as the project moves forward.

Development Team

REACH is a Portland based non-profit affordable housing developer and operator active throughout the Portland metropolitan area. Founded in 1982, REACH has developed or preserved over 2,200 housing units.

Walsh Construction will serve as General Contractor. Walsh Construction is a Portland based firm with extensive experience in the construction of affordable projects including the Orchards Apartments in Southeast Portland and Woody Guthrie Apartments in Portland's Lents neighborhood.

Scott Edward Architects ("S|EA") will design the Project. S|EA is a Portland based architectural firm with extensive multifamily experience. Recent affordable housing experience includes Cornelius Place, a mixed use building in downtown Cornelius which integrates a ground floor public library with 45 units of low income senior housing on its upper floors.

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Project Financing

The Mary Ann has an estimated total development cost of approximately \$20.9 million, reflecting a per unit cost of \$388,888 and a per gross square foot cost of \$303. The proposed developer fee of \$1.15 million represents 5.5 percent of total costs and is within Oregon Housing and Community Service limitations.

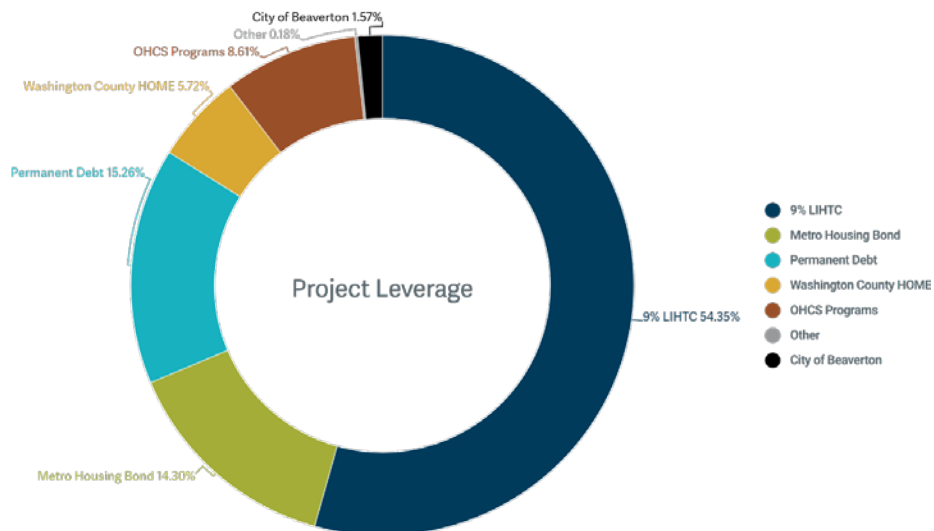
Projected sources for the project include \$11.4 million in competitive 9 percent Low Income Housing Tax Credits (LIHTC), \$3.0 million in Metro Regional Bond funds, \$3.1 million in permanent debt, and \$1.2 million in Washington County HOME funds. Metro bond subsidy reflects 15.7 percent of total project cost, or an average of \$61,111 per unit. The 9 percent LIHTC competitive application will be submitted March 29. If this application is unsuccessful, the project will need to be restructured or delayed.

The City of Beaverton is contributing a \$300,000 write down of the cost of its land; \$25,000 in design assistance and \$5,000 of pre-development assistance. The project will be exempt from real estate taxes.

MARY ANN Project Financing

| Uses | Total |
|--------------------------|---------------------|
| Site and Due Diligence | \$855,000 |
| Construction Costs | \$14,763,746 |
| Construction Contingency | \$738,000 |
| Development Costs | \$2,328,673 |
| Developer Fee | \$1,150,000 |
| Construction Interest | \$507,184 |
| Operating Reserves | \$250,000 |
| Lease Up Costs | \$80,005 |
| Financing Fees | \$301,062 |
| Total Uses | \$20,973,670 |

| Sources | Total |
|-----------------------------------|---------------------|
| Limited Partner Equity (9% LIHTC) | \$11,398,860 |
| Metro Regional Housing Bond | \$3,000,000 |
| Permanent Loan (NOAH) | \$1,426,000 |
| Permanent Loan (OATC) | \$1,774,000 |
| Washington County HOME Funds | \$1,200,000 |
| General Housing Account Program | \$1,078,125 |
| Oregon-Multifamily Energy Program | \$200,000 |
| Housing Trust Fund | \$528,125 |
| Beaverton Land Value Write Down | \$300,000 |
| Beaverton Design Assistance Grant | \$25,000 |
| Beaverton Predevelopment Assistan | \$5,000 |
| Energy Trust | \$38,560 |
| Total Sources | \$20,973,670 |



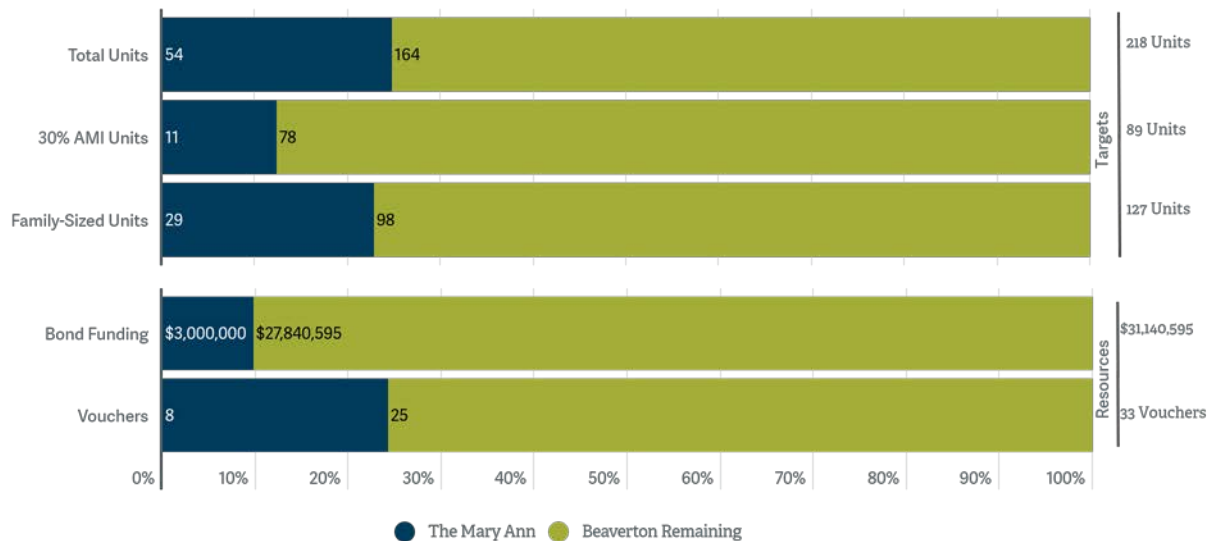
Alignment with Local Implementation Strategy

While Beaverton’s local implementation strategy is not yet available, the proposed project appears to be in alignment with the unit production targets. Further information will be needed prior to final funding authorization to confirm consistency of the project with local implementation strategy requirements related to advancing racial equity and incorporating community engagement to shape project outcomes to meet the needs of future residents.

Contribution to Unit Production Targets

Beaverton is requesting \$3.0 million in Metro Bond Funds and plans to use 8 project based rental assistance vouchers from the Washington County Housing Authority as part of an agreement in development to commit 33 total project-based rental assistance vouchers to support Metro Housing Bond program implementation in Beaverton. Overall, the project would utilize 9.6 percent of Beaverton’s allocation of Bond funds while delivering 25 percent of the City’s overall unit production target, 12 percent of the City’s target of units affordable at 30 percent of AMI, and 27 percent of the City’s family sized unit target.

Production Targets & Resources



In addition to the Mary Ann Project Concept, Beaverton staff have submitted a preliminary portfolio concept to Beaverton City Council for approval on March 18. The table below illustrates The Mary Ann’s contribution to targets in relation to the anticipated mix of future projects. The purpose of this approach is to provide certainty in Beaverton’s commitment to achieve overall Bond Program targets, while allowing flexibility for each project to play a different role in contributing to the 30% AMI and family-sized unit goals.

Preliminary Beaverton Housing Bond Portfolio Concept

Exhibit A to Resolution No. 19-4975

| | Mary Ann | Project B | Project C | Project D | Total | Target |
|------------------|----------|-----------|-----------|-----------|-------|--------|
| Units | 54 | 79 | 66 | 51 | 250 | 218 |
| ≥2 Bdrm | 29 | 37 | 42 | 6 | 114 | 109 |
| | | | | | | |
| 30% w/o vouchers | 3 | 19 | 22 | 12 | 56 | 29 |
| PBV w/vouchers | 8 | 9 | 16 | 0 | 33 | 60 |
| Total 30% AMI | 11 | 28 | 38 | 12 | 89 | 89 |

Advancing Racial Equity

In addition to expectations related to Unit Production Targets, Metro's Housing Bond Work Plan provides guidance regarding strategies to advance racial equity. The Project Concept being submitted to Beaverton City Council includes a commitment to incorporate equity strategies and goals that align with the city's Local Implementation strategy and overall equity goals and policies. Final development plans will include Minority-Owned, Woman-Owned, Service-Disabled Veterans and Emerging Small Businesses goals; creation of an Affirmative Fair Housing Marketing Plan; and efforts to work with REACH and other project sponsors and partners to lower barriers to housing through screening criteria. Additional work is needed prior to final funding authorization to incorporate commitments related to fair housing, economic opportunity, culturally specific services and community partnerships.

Community Engagement

Metro's Housing Bond Work Plan calls for ongoing engagement of historically marginalized communities to shape project outcomes. As described earlier in the report, initial community engagement has been completed by REACH, but further efforts are needed to ensure engagement of communities of color and other historically marginalized community members, as described in Metro's Bond Program Work Plan. A summary of engagement activities and outcomes, including a description of how community engagement has shaped project planning or will shape project outcomes, will be submitted prior to full funding authorization.

Next Steps

If the Project receives a Concept Endorsement from Beaverton City Council and Metro Council, the anticipated timeline of next steps includes:

- March 29, 2019: Deadline to apply for competitive 9% LIHTC
- Summer 2019: Announcement of 9% LIHTC awards
- Summer 2019: Beaverton Local Implementation Strategy completion
- Winter 2019-20: Final Metro funding authorization (if 9% LIHTC approved)
- Winter 2020: Mary Ann project closing (if 9% LIHTC approved)
- Spring 2020: Mary Ann project Groundbreaking (if 9% LIHTC approved)

Staff Findings and Recommendations

Findings

Key staff findings include:

- Requested Metro Housing Bond funding is proportionate to the Mary Ann's contribution toward unit production targets. Overall, the project would utilize 9.6 percent of Beaverton's available Bond funds while delivering 25 percent of the City's overall unit production target, 12 percent of the City's target of units affordable at 30 percent of AMI, and 27 percent of the City's family sized unit target.
- If the Mary Ann does not receive an award of 9 percent LIHTC, the project concept will need to be adapted to reflect lower leveraged equity. This will result in a delay to the anticipated timeline and will likely require another concept endorsement if significant changes to the development program are required.
- Further information will be needed prior to final funding authorization to confirm consistency of the project with local implementation strategy requirements related to advancing racial equity and incorporating community engagement to shape project outcomes to meet the needs of future residents.

Recommendations

Staff recommends that the Metro Council provide a concept endorsement for the Mary Ann. Full funding authorization will be conditioned on demonstration of project feasibility and consistency with Beaverton's forthcoming local implementation strategy.