



Phase I Concept Endorsement Staff Report for 72nd & Baylor Apartments



Overview

The Housing Authority of Washington County (HAWC) has requested a Phase I Concept Endorsement for \$11,440,000 in Metro Housing Bond funds for the construction of the 72nd and Baylor Apartments (the “Project”), a six-story affordable apartment building that will provide 80 residential units, including 55 two and three-bedroom units. Thirty-three units will be affordable to households earning 30 percent of area median income (AMI) or below. The Project will be developed by Community Development Partners (CDP) and is located at the corner of 72nd Avenue and Baylor Street in Tigard.

Eligible Housing Bond implementation jurisdictions have been invited to submit up to one “Phase 1” project to Metro for consideration between March and June 2019, prior to approval of a full Local Implementation Strategy. The Project will be submitted to the Washington County Board of Commissioners on June 25th for concept approval and prioritization as HAWC’s Phase 1 project. Because the project is seeking a preliminary endorsement prior to approval of a full Local Implementation Strategy, Metro Council action is requested to provide a Concept Endorsement.

Within the funding distribution framework approved by Metro Council, and based on preliminary agreement among the three eligible implementation jurisdictions in Washington County, HAWC is eligible to administer \$116.47 million in total bond funding to support affordable housing projects that align with Bond Program goals. This eligible share of Housing Bond Funding does not include bond funds the Cities of Beaverton and Hillsboro are eligible to administer. HAWC staff are finalizing a Local Implementation Strategy for consideration by the Housing Authority Board of Directors, the Housing Bond Community Oversight Committee, and Metro Council in summer 2019.

Preliminary Development Program

The Project concept contains 80 units, including 45 two-bedroom units and 10 three-bedroom units. The Project includes 64 parking spaces, bicycle storage, community space on the ground and second floors, an indoor play area, laundry facilities on each floor, and a private 2nd floor courtyard.

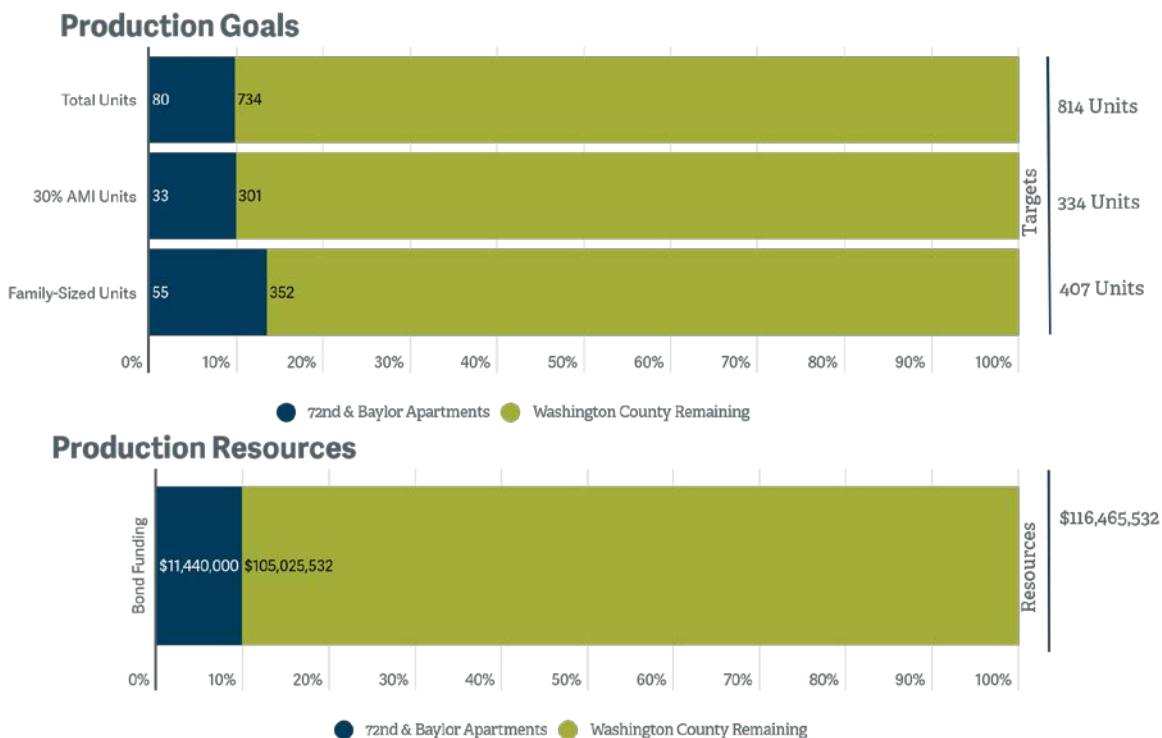


All units will be affordable at 60 percent of AMI or below. Thirty-three units will be affordable at 30 percent of AMI. Of the 33 units offered at or under 30 percent of AMI rent levels, 20 units are two- or three-bedroom units sized for families.

Development Program					
Bedroom Type	Units	Median Income %	PBVs	Square Feet / Unit	Gross Monthly Rent / Unit
One Bedroom	13	30%	5	600	\$445
One Bedroom	12	60%	0	600	\$939
Two Bedroom	10	30%	5	800	\$532
Two Bedroom	35	60%	0	800	\$1,126
Three Bedroom	10	30%	6	1,100	\$613
Total	80		16		

Contribution to Unit Production Targets

HAWC is requesting \$11,440,000 in Metro Regional Housing Bond funds. The Project will use 16 project based vouchers to support the project, including eight of 124 project-based rental assistance vouchers reserved by HAWC to support its Metro Bond implementation strategy and eight Veterans Affairs Supportive Housing (VASH) vouchers. Units with VASH vouchers would be reserved for homeless veterans and families. As proposed, the Project would utilize 9.8 percent of the County's bond allocation to achieve 9.8% of the County's 30% of AMI unit production target and 13.5% of the County's family-sized unit target.



Project Context and Team

Background

Community Development Partners has obtained site control of the Project property and is beginning pre-development due diligence. HAWC is partnering with CDP by funding the Project and selecting it as a Phase 1 project because it will provide new affordable housing in a high opportunity neighborhood while helping implement Tigard's vision for the Tigard Triangle. The City of Tigard's recent work to rezone the Triangle and plan for infrastructure in support of future growth has contributed to creating a valuable opportunity site for new affordable housing.

Site and Neighborhood

This site is located in the heart of the Tigard Triangle area of Tigard, OR, in the NE corner of Tigard, just east of downtown Tigard, and is shaped by the bordering roadways of Highway 99W, Highway 217 and Interstate 5. Through the Tigard Triangle Strategic Plan, the City of Tigard and its community identified a vision for this area to create a place "where people of all ages, abilities and incomes can live and work within walking distance to shops, restaurants and parks." The City of Tigard created the Tigard Triangle Urban Renewal Area and adopted a new innovative Lean Code to facilitate new development, invest in necessary infrastructure and to ultimately implement the Tigard Triangle Strategic Plan's vision.



Project site and possible nearby SW Corridor Stations at 68th Ave and Elmhurst

The Project is located at the northeast corner of 72nd Avenue and Baylor Street and across the street from an established retail center that includes a grocery store. The site consists of three tax lots distributed among two separate owners. Each lot consists of a single family home that is currently renter occupied. CDP will allow the existing tenant leases to expire and will not renew them prior to



groundbreaking. The rest of the neighborhood includes single family homes, vacant parcels, and lower density retail and commercial space; however, Tigard expects significant future growth and urbanization. The Project will be responsible for some offsite infrastructure including construction of sidewalks and a bike lane along the street frontage lining the site. The estimated cost of this improvement is approximately \$730,000. Currently there is not continuous sidewalk coverage between the site and 99W to the north and the timing of those improvements are not known. The City is currently working on a

project to determine the ultimate future cross section of 72nd Avenue and a project to prioritize investments within the Tigard Triangle Urban Renewal Area. Once completed, both City projects will determine whether 72nd Avenue will be completed entirely by the City or in conjunction with future development along the road.

Assuming residents will eventually use future 72nd Avenue sidewalks, the Project is approximately one-third of a mile walk from the TriMet #12 Frequent Service Bus line that serves Tigard, Downtown Portland and NE Sandy Blvd. Prior to 72nd Avenue improvements residents would need to walk two thirds of a mile and use 68th Avenue to reach frequent service bus stops on 99W. The Project is also near two future transit stations currently planned along the Southwest Corridor Light Rail Project. The Southwest Corridor Light Rail Project will connect Downtown Portland and Tualatin via Tigard and West Portland Town Center. It is expected to carry 43,000 riders on an average weekday by 2035 with a travel time of 30 minutes end to end. The Southwest Corridor is currently in the design and environmental analysis stage. With a successful regional funding vote and federal funding application, the Southwest Corridor could begin construction near the end of 2022 and open in 2027.

A Phase 1 Environmental Site Assessment and soils analysis were both performed on the Project site. The Phase 1 ESA identified an underground storage tank that was decommissioned in 2005, but otherwise no other extraordinary evidence of contamination. The buildings on site are assumed to contain asbestos contaminated material and will need appropriate abatement during demolition.

Development Team

Community Development Partners was founded in 2011 and has since developed 1,400 units in 19 buildings throughout four states. In Oregon, CDP has completed two renovations with partners with Salem and Linn Benton Housing Authorities. CDP also has a new 60 unit, four-story project under construction in Portland called Nesika Illahee which was developed in partnership with the Native American Youth Association (NAYA).

Bremik Construction will serve as the Project’s general contractor. Founded in 2004, Bremik completed construction on Deskins Commons for the Housing Authority of Yamhill County and Vibrant! Apartments for Innovative Housing Inc. in Portland. Bremik has experience reaching workforce and contracting goals associated with affordable housing and other publicly financed projects. The firm exceeded 20 percent MWESB participation on many affordable projects including Vibrant! And Lents Commons and met most of the workforce participation goals on those same projects.

Scott Edward Architects (“S|EA”) will design the Project. S|EA is 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.

Guardian Real Estate Services (GRES) will be providing the Project’s property management and tenanting services. GRES has been providing property management services to the region for over 40 years and has extensive experience managing both market rate and affordable projects. GRES manages over 120 income-restricted projects and over 4,700 units throughout Oregon, Washington, and Arizona.

Project Financing

Estimated costs

The Project has an estimated total development cost of approximately \$20.8 million, which translates to about \$360,000 per unit and \$346 per gross square foot. The proposed \$3 million developer fee represents 10.4 percent of the project’s total development costs. Sixty-seven percent of that fee is paid up front and nearly \$990,000 will be deferred. The developer fee is within Oregon Housing and Community Service limitations.

The Project’s total cost per unit of just over \$360,000 is higher than the OHCS’ average cost for new construction projects endorsed for Low Income Housing Tax Credits (LIHTC), which was \$280,391 for 26 projects endorsed for funding in Multnomah, Washington, and Clackamas counties over the past three years. However, the Project’s total cost per gross square foot of \$346 is on par with the OHCS average of \$345.

72nd and Baylor Project Financing

Uses	Total
Land	\$1,399,472
Construction Costs	\$20,380,406
Development Costs	\$3,593,500
Developer Fee	\$3,000,000
Operating Reserves	\$200,000
Lease Up Costs	\$230,000
Total Uses	\$28,803,378

Sources	Total
Limited Partner Equity (4% LIHTC)	\$10,199,013
Metro Regional Housing bond	\$11,440,000
Permanent Loan (TBD)	\$6,100,000
Weatherization Program	\$75,000
Deferred Development Fee	\$989,364
Total Sources	\$28,803,377

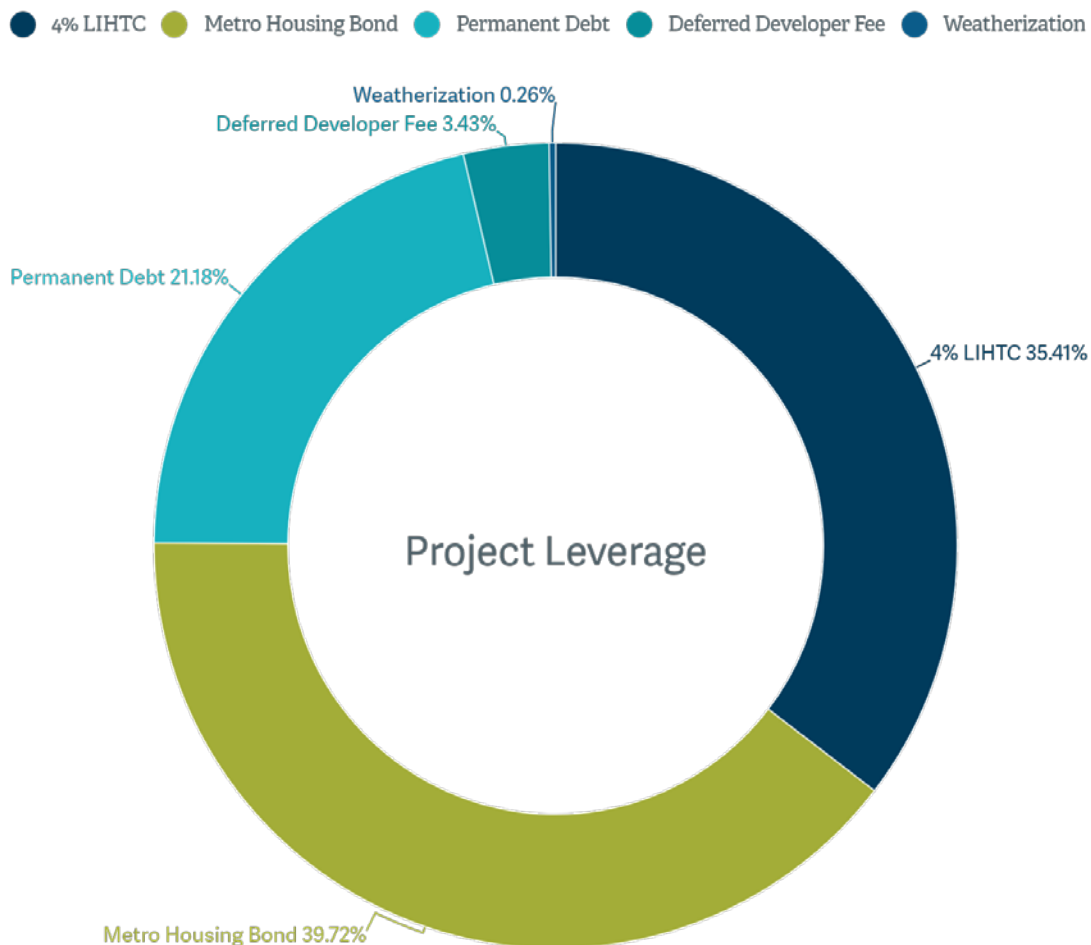
Project Metrics

Measure	Amount
Total Cost	\$28,803,378
Cost/Unit	\$360,042
Cost/Bedroom	\$198,644
Cost/Gross SF	\$346
Cost/Rentable SF	\$465

Leverage

New projects that take place within the City's Triangle Mixed Use zoning can benefit from reduced parking requirements and increased height limits. Tigard also exempts affordable housing projects from transportation and parks system development charges in order to encourage new development.

Primary funding sources include approximately \$10.2 million in four percent Low Income Housing Tax Credits (LIHTC) and \$11,440,000 from Washington County's allocation of the Metro Regional Housing Bond. Other sources include a grant from the State Weatherization program, the deferred developer fee, and a \$6.1 million permanent loan. The Project will also receive additional support from the City of Tigard in the form of a system development charge (SDC) waiver with an approximate value of \$700,000 and a property tax exemption from Washington County. The Project will also receive rent support from 16 project based vouchers split between the County's allocation of traditional vouchers and VASH vouchers.



Engagement, Partnerships and Racial Equity

Community Engagement

In the first phase of community engagement focused on developing HAWC's Local Implementation Strategy, Washington County met with nearly 300 people including members of affected communities as well as individuals representing over 50 community-based organizations. For engagement specific to the Project, CDP is working with the Center for Public Interest Design (CPID) during the Project's early phase. The Center for Public Interest Design is a research and action center at Portland State University that aims to investigate, promote, and engage in inclusive design practices that address the growing needs of underserved communities. CDP engaged CPID to lead an asset-based development research and outreach process. CPID will conduct research to identify existing resident-serving assets that are in the surrounding community as well as identifying needs that are not being met by those existing assets. The process involves utilizing PSU Master of Architecture students and CPID staff for on the ground outreach. The PSU-OHSU School of Public Health is also involved in creating a community health needs assessment. The entire process produces an in depth understanding of the community's assets and needs that can then be utilized to inform the concept and design of CDP's project. CPID has started canvassing the neighborhood and meeting with surrounding residents. They will work with CPD and HAWC to identify additional support necessary to serve residents and incorporate culturally specific services.

Project outreach will also leverage the work done by several jurisdictions, non-profits, and other community-based organizations active in the Southwest Equitable Development Strategy (SWEDS). SWEDS convened stakeholders active throughout the Southwest Corridor to help plan for future equitable growth and economic development. The Project can leverage these existing connections and relationships to help facilitate more engagement with the existing community and future residents.

Advancing Racial Equity

The Project proposes to meet Washington County's MWESB contractor participation goal of 20 percent and will incorporate affirmative outreach and marketing techniques to communities of color through tenant selection and lease-up. To date, the Project has utilized MWESB firms to achieve 26 percent of predevelopment work. In addition to a minority, woman-owned, and emerging small business goal, HAWC and the developer are currently discussing the potential of incorporating a workforce participation goal, however it is not confirmed as of the date of this report.

Future lease-up will be guided screening criteria included in the County's Housing Choice Voucher Administrative Plan guidelines and will include less than standard income-to-rent ratios and reduced credit history requirements. Washington County's screening criteria will also ease criminal history requirements such that they consider recent convictions and successful strategies that may have been employed to prevent similar future misconduct. Guardian Real Estate Services will provide leasing and property management services and will follow HAWC's screening

guidelines through lease up. The Department of Veterans Affairs will provide lease-up services for the eight units on site utilizing VASH vouchers.

Partnerships and Services

The Department of Veterans Affairs will provide lease-up services for the eight units on site utilizing VASH vouchers. Staff will request additional information related to partnerships and services prior to final funding approval.

Findings, Recommendations, and Next Steps

Findings

- Requested Metro Housing Bond funding is proportionate to the Project's contribution to unit production targets. Overall, the project would utilize 9.8 percent of HAWC's available Bond funds while delivering 9.8 percent of the County's overall unit target, 9.8 percent of the 30 percent unit target, and 13.5 percent of the family sized unit target.
- The project does not require additional competitive funding sources and will benefit from the City of Tigard's local incentives.
- While the Local Implementation Strategy is not yet available, the proposed project appears consistent with the unit production targets and expectations related to advancing racial equity and ensuring community engagement of historically marginalized communities.

Recommendations

Staff recommends that the Metro Council provide a Concept Endorsement for the 72nd and Baylor Apartments as described. Funding authorization will be conditioned on demonstration of project feasibility and consistency with HAWC's approved Local Implementation Strategy.

Next Steps

If the Project receives a Concept Endorsement from the Housing Authority Board of Directors and Metro Council, the anticipated timeline of next steps includes:

- November 2019: Design completion
- June 2020: Groundbreaking
- September 2021: Construction completion and certificate of occupancy. Begin lease up
- May 2022: Stabilized occupancy