

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF APPROVING HOME) RESOLUTION NO. 19-5007
FORWARD'S REQUEST FOR AN)
AFFORDABLE HOUSING BOND MEASURE) Introduced by Interim Chief Operating
PHASE I PROJECT CONCEPT ENDORSEMENT) Officer Andrew Scott in concurrence
) with Council President Lynn Peterson

WHEREAS, on June 7, 2018, the Metro Council adopted Resolution No. 18-4898, "For the Purpose of Referring to the Metro Area Voters a Ballot Measure Authorizing General Obligation Bond Indebtedness in an Amount Not to Exceed \$652 Million to Fund Affordable Housing; and Setting Forth the Official Intent to the Metro Council to Reimburse Certain Expenditures Out of the Proceeds of Said Bonds Upon Issuance," approving, certifying and referred by the Metro Council to the Metro Area voters on the November 6, 2018 General Election as Ballot Measure 26-199 ("Affordable Housing Bond Measure"); and

WHEREAS, at the General Election held on November 6, 2018, the Metro Area voters approved the Affordable Housing Bond Measure providing Metro with the authority under the laws of the State of Oregon and the Metro Charter to issue bonds and other obligations payable from ad valorem property taxes for the purpose of financing and identifying funds to be used for affordable housing; and

WHEREAS, on January 31, 2019, the Metro Council adopted Resolution No. 19-4975, "For the Purpose of Approving the Metro Affordable Housing Bond Measure Program Work Plan," (the "Workplan") adopting the Metro Housing Bond Measure Program Work Plan to serve as a framework for the Metro Housing Bond implementation activities, including the completion by each local jurisdiction implementer of a plan outlining strategies for achieving its allocated share of unit production targets (the "Local Implementation Strategies") and consideration and approval by the Metro Council of said Strategies; and

WHEREAS, the staff report supporting Metro Council Resolution No. 19-4975 contemplated the likelihood that certain implementing jurisdictions would be bringing forward projects for funding in fiscal year 2019, prior to the completion of Local Implementation Strategies (the "Phase I Projects"), such that Metro consideration and approval of said Phase I Projects would need to occur outside the parameters of the newly adopted Work Plan; and

WHEREAS, the Home Forward has requested a Phase I Project concept endorsement and reservation of \$22,894,240 in Affordable Housing Bond Measure funding for the construction of the Dekum Court Apartments, a multi-building apartment complex that will provide 200 residential units, including 40 units of replacement housing supported by project based vouchers; and

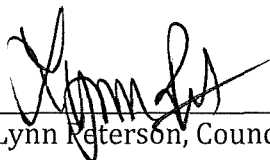
WHEREAS, Metro staff believes that the Dekum Court Apartments Phase I Project will contribute to Home Forward's unit production targets set forth in the Work Plan and

the Home Forward staff has committed to align the project with all elements of its forthcoming Local Implementation Strategy, including strategies to advance racial equity; now therefore

BE IT RESOLVED that the Metro Council:

. Approves Home Forward's request for Metro Affordable Housing Bond Measure concept endorsement for the Dekum Court Apartments and authorizes the Metro Chief Operating Officer to approve final funding provided that such approval is otherwise consistent with the applicable process described in the Work Plan.

ADOPTED by the Metro Council this 11th day of July, 2019.



Lynn Peterson, Council President

Approved as to Form:



Carrie MacLaren, Metro Attorney

IN CONSIDERATION OF RESOLUTION NO. 19-5007, FOR THE PURPOSE OF
APPROVING A CONCEPT ENDORSEMENT FOR HOME FORWARD'S PHASE I
HOUSING BOND PROJECT

Date: June 27, 2019
Department: Planning
Meeting date: July 11, 2019

Prepared by: Emily Lieb
Presenter(s): Emily Lieb
Length: 15 min.

ISSUE STATEMENT

Home Forward has requested a concept endorsement and preliminary reservation of \$22,894,240 million in Metro Housing Bond funding for the redevelopment of Dekum Court (the "Project"). The Project will replace 40 aging housing units with 200 new affordable housing units. The 200 units will be distributed across eight 3-4 story buildings and will include 40 units of replacement housing not counted toward the Metro bond targets. The Project will be developed by Home Forward and is located at the intersection of NE 27th Avenue and NE Saratoga Street in Northeast Portland.

By mutual agreement of Home Forward and the City of Portland, the proposed Housing Bond contribution and associated production targets for Dekum Court will be transferred from the City of Portland's eligible share of Housing Bond funding to Home Forward. Under this agreement, Home Forward will be eligible to administer a total of \$38.8 million in total bond project funding, including \$22.9 million for the proposed Dekum Court project and an additional \$15.9 million for implementation activities in the balance of Multnomah County not covered by the cities of Portland and Gresham. Home Forward staff are finalizing a Local Implementation Strategy for consideration by Metro's Housing Bond Community Oversight Committee and Metro Council in fall 2019.

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. Because the project is seeking a concept endorsement prior to completion of a full Local Implementation Strategy, Metro Council action is requested to provide a concept endorsement for this project.

ACTION REQUESTED

Adopt a resolution approving Home Forward's request for Metro Affordable Housing Bond Measure Concept Endorsement for Dekum Court and authorizing the Metro Chief Operating Officer to approve final funding provided that such approval is otherwise consistent with the applicable process described in the Work Plan.

IDENTIFIED POLICY OUTCOMES

The Project would utilize 59.0% of Home Forward's total allocation of bond funds while delivering the following unit production outcomes:

- 59% of Home Forward's overall unit production target;
- 58% of Home Forward's target of units affordable to households making 30% or less of area median income (AMI); and
- 59% of Home Forward's family sized unit target.

See Attachment 1A for additional details regarding strategies for advancing racial equity and approach to community engagement.

POLICY QUESTION(S)

Is the proposed Project concept in alignment with the bond unit production targets and other outcomes described in Council's approved Housing Bond Framework adopted by the Metro Council in June 2018?

POLICY OPTIONS FOR COUNCIL TO CONSIDER

- Adopt Resolution No 19-4997 approving the Housing Authority of Washington County's request for Metro Affordable Housing Bond Measure Concept Endorsement for the 72nd and Baylor Apartments and authorizing the Metro Chief Operating Officer to approve final funding provided that such approval is otherwise consistent with the applicable process described in the Work Plan.
- Do not approve the concept endorsement. This could impact the project timeline and success in securing additional funding sources.

STAFF RECOMMENDATIONS

Staff recommends adoption of Resolution No. 19-5007.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

Home Forward is actively working on an implementation strategy for consideration by Metro Council in fall 2019.

The proposed Phase I project concept endorsement is based on numerous policies previously adopted by the Metro Council, including but not limited to:

- Resolution 19-4956, adopting the Housing Bond Program Work Plan
- Ordinance 19-1430, amending Metro Code Chapter 2.19 to establish the Metro Affordable Housing Bond Community Oversight Committee
- Resolution No. 18-4895, adopting the Initial Housing Bond Framework for implementation of the Regional Affordable Housing Bond
- Resolution No. 18-4898, referring the Affordable Housing Bond Measure to Metro District Voters

- Ordinance No. 18-1423, For the Purpose of Determining that Affordable Housing is a Matter of Metropolitan Concern and Undertaking an Affordable Housing Function

Staff consulted with two volunteer members of the Housing Bond Community Oversight Committee prior to finalizing the staff recommendation for this Phase 1 project concept endorsement. Committee members concurred with staff's recommendations.

If Metro Council approves a concept endorsement, next steps for the Dekum Court will include:

- Immediate post concept endorsement: Selection of design team and general contractor
- Fall 2019: Home Forward Local Implementation Strategy submitted to Housing Bond Community Oversight Committee for review, and potentially forwarded to Metro Council for approval
- June 2020: Zoning approval
- August 2020: Plans completed
- January 2021: Start of construction
- Construction completion: Phase I- replacement of existing housing in March 2022 and demolition of existing units, and Phase II- completion of new units September 2023

Staff is not aware of any opposition to the Project. Resident engagement began in 2015, when it was first determined Dekum Court would be demolished and rebuilt. An update to current residents—to discuss preliminary funding, the anticipated project timeline, and the creation of a Community Advisory Committee (CAC) to guide further Project planning—is planned for June 2019. Home Forward often convenes a CAC for large projects.

BACKGROUND

Metro Council previously endorsed two Phase I projects between March and June 2019 (See Resolutions 19-4975 and 19-4991), and staff previously discussed the purpose of Phase I projects with the Council at a work session on December 11, 2018 and prior to approval of Resolution 19-4956, adopting the Housing Bond Program Work Plan on January 31, 2019.

ATTACHMENTS

Attachment 1: Phase I Concept Endorsement Staff Report for Dekum Court

Phase I Concept Endorsement Staff Report for Dekum Court



Overview

Home Forward has requested a Phase I Concept Endorsement for \$22,894,240 in Metro Housing Bond funds to support the redevelopment of Dekum Court (the “Project”). The Project will replace 40 aging public housing units in Portland’s Concordia neighborhood with 200 new affordable housing units—a net increase of 160 units. New federal vouchers tied to the forty units slated for replacement will be dedicated to the project. For purposes of tracking progress toward Housing Bond production targets, only the 160 new units (those not directly supported by vouchers) will be considered.

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. Home Forward’s Board of Commissioners and Real Estate and Development Committee have discussed the Project and expressed support for the Project and ongoing partnership with Faubion’s early learning program. 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.

By mutual agreement of Home Forward and the City of Portland, the proposed Housing Bond contribution and productions targets achieved by the Project will be transferred from the City of Portland’s eligible share of Housing Bond Funding to Home Forward. Under this agreement, Home Forward will be eligible to administer a total of \$38.8 million in total bond project funding, including \$22.9 million for the proposed Dekum Court Phase 1 Project and an additional \$15.9 million for projects

in the balance of Multnomah County not covered by the cities of Portland and Gresham. Home Forward staff are finalizing a Local Implementation Strategy for consideration by Metro’s Housing Bond Community Oversight Committee and Metro Council in fall 2019.

Preliminary Development Program

As currently proposed the 200 units will be distributed across eight 3-4 story buildings and will include 40 units of replacement housing supported by project-based vouchers and not counted toward the Metro bond targets. The design and number of buildings will be refined once an architect and contractor are procured. The 40 voucher-supported replacement units include sixteen two-bedroom units and twenty-four four-bedroom units. Of the remaining 160 units, 80 units will be family size units of two- to four-bedrooms and 65 will be deeply affordable, regulated to serve households at 30% AMI or below. The remaining units will be regulated for affordability at 60% of AMI.

Development Program- Net New Units					
Bedroom Type	Units	Median Income %	PBVs	Square Feet / Unit	Gross Monthly Rent / Unit
Studio	1	60%	0	350	924
Studio	31	30%	0	350	462
One Bedroom	29	60%	0	600	990
One Bedroom	19	30%	0	600	495
Two Bedroom	22	60%	0	800	1188
Two Bedroom	15	30%	0	800	594
Three Bedroom	35	60%	0	1000	1371
Four Bedroom	8	60%	0	1250	1530
Net New Units Counted Toward Production Targets	160		0		

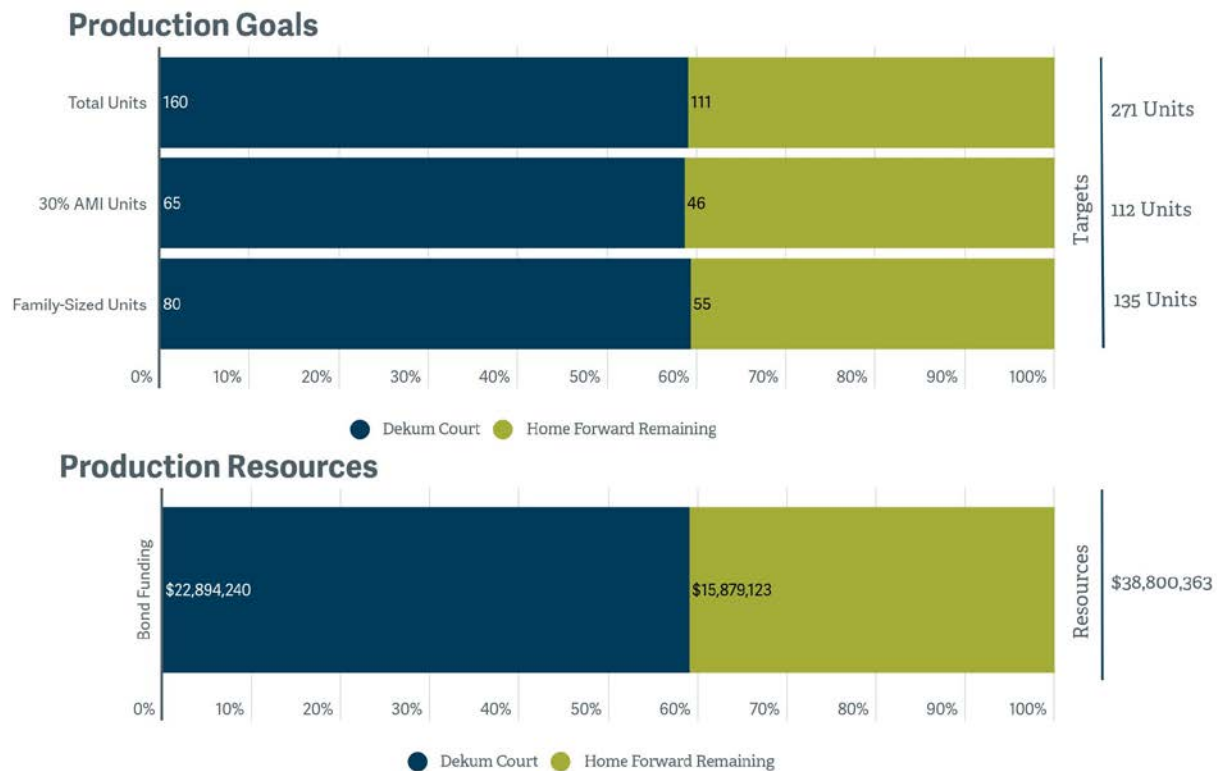
Development Program- Replacement Units					
Bedroom Type	Units	Income %	PBVs	Feet / Unit	Rent / Unit
Two Bedroom	16	60%	16	800	1140
Three Bedroom	24	60%	24	1000	1270
Total Replacement Units (Not Counted Towards Production)	40		40		



Contribution to Unit Production Targets

Home Forward is requesting approximately \$22,894,240 in Metro Bond Funds. These funds, along with the associated unit creation responsibilities, will be reallocated from the City of Portland’s Eligible Share of Housing Bond project funding. As described above, the project will include 200 units, of which 160 will be counted toward Metro Bond Production targets.

The proposed project will utilize 59.0% of Home Forward’s rebalanced Bond allocation and will achieve 59.0% of the Home Forward’s total unit production target, 58.0% of its 30% of AMI unit production target, and 59.3% of its family-sized unit target. In addition to Dekum Court, Home Forward anticipates developing one to two additional projects with bond funds.



Project Context and Team

Background

Dekum Court is an existing 40-unit public housing site built in 1972. As part of Home Forward’s 85 Stories Initiative—a multi-year conversion of federally subsidized housing units from public housing to Section 8 Project-Based Vouchers (PBVs)—and HUD’s Section 18 demolition and disposition process, the existing public housing site has been determined to be obsolete and is available for redevelopment. Through the federal Section 18 program, Home Forward has received new PBVs to support redevelopment and operations of the existing sixteen two-bedroom units and twenty-four three-bedroom units.

Site and Neighborhood

Dekum Court is located at the intersection of NE 27th Avenue and Saratoga Street in Northeast Portland. The surrounding neighborhood is mostly comprised of single family homes built between the 1950s and the 1980s.

Within a block of the site are the #75 Frequent Service bus line connecting west to the North Lombard Transit Center (Yellow Line MAX) and south to the Hollywood Transit Center (MAX Red, Blue, and Green Lines). The site is also served by the #17 Holgate-Broadway bus line and the #70 12th Avenue/33rd Avenue bus line. A Walgreens Pharmacy and New Seasons grocery are approximately one mile from the site and are directly served by the #70 bus line. Portland Public School's Faubion Elementary School, located two blocks away.

The site consists of 7 tax lots on a 5.5 acre parcel. The land is owned outright by Home Forward and will be provided at no cost to the redevelopment.

Home Forward intends to build one to two buildings in the vacant Southwest corner that will be comprised of at least 40 units that the current residents will be moved into prior to demolishing the existing 40 units. If relocation is required, Home Forward's relocation policies and procedures comply with the Federal Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA).

At 7.25 units per acre, the site is less dense than the surrounding single-family neighborhood, and following an anticipated up-zone through the Better Housing By Design code update expected to occur in Fall 2019, the site will have the capacity to house several times more households than exist today. With the anticipated zoning changes, the site's zoned capacity will increase from Residential 2000 (R2), a *low density* base zone with a maximum density of ~115 units, to the Residential Multi Dwelling 1 (RM1), a *low scale* base zone with a maximum density of ~461,000 built square feet.

There are no known geotechnical issues, subsurface contaminants, or Recognized Environmental Conditions at this site. As part of the redevelopment due diligence, a Phase 1 Environmental Site Assessment will be completed.

Development Team

Home Forward will act as developer and provide both property management services and supportive services to the redeveloped Project. Home Forward will also be the general partner in a to-be-created Low Income Housing Tax Credit (LIHTC) limited partnership entity that will own the property for 15 years. Following the 15 year compliance period the LIHTC partnership will dissolve and Home Forward will become the sole owner of the property.

Founded in 1941, Home Forward has evolved to be the largest provider of affordable housing in Oregon. Home Forward's Development & Community Revitalization team has overseen multi-million-dollar



redevelopment and rehabilitation programs, including the redevelopment of three other public housing sites—New Columbia, Humboldt Gardens, and Stephens Creek Crossing—similar in nature to Dekum Court. Home Forward owns and operates more than 6,500 units of affordable housing, administers more than 9,000 rental assistance vouchers, and partners with more than 100 community agencies.

A public procurement process to select a design team and general contractor will begin as soon as Metro and PHB endorse the proposed concept.

Project Financing

Estimated Costs

The preliminary sources and uses primarily reflects historical real estate development and operations data from Home Forward’s portfolio. Costs for current pipeline projects in the Portland metro area are also gathered from funding agencies, other developers, and contractors.

Dekum Court’s conceptual hard construction cost estimate is based on the review of multiple projects that are characteristically similar to Dekum Court. Costs are escalated to account for the projected construction start date. As design work and pre-construction services progress, cost estimates will be generated by both the general contractor and a third party cost estimator.

Leverage

Home Forward intends to donate the land and provide as much as \$10 million in cash equity to support the project. Land will be included as both a source and a use once the property has been appraised. For current purposes the land is shown at \$0. No competitive funds, aside from the Metro Housing Bond funds will be utilized.

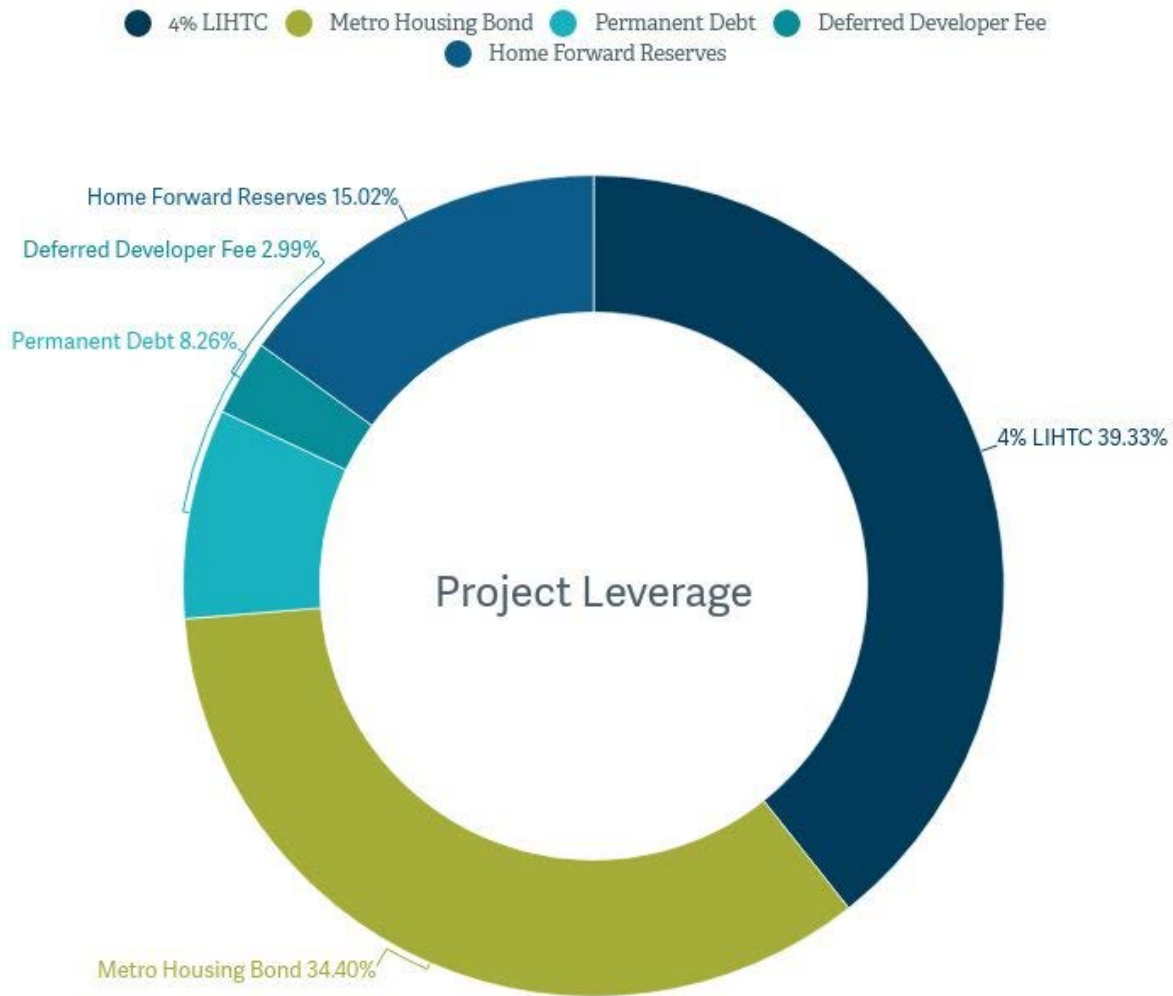
While the 40 replacement units will leverage special vouchers provide by HUD, none of the 160 counted toward the production targets will utilize vouchers.

Dekum Court Project Financing

Uses	Total
Land	\$0
Construction Costs	\$47,797,438
Development Costs	\$9,708,971
Developer Fee	\$8,000,000
Operating Reserves	\$892,412
Lease Up Costs	\$160,000
Total Uses	\$66,558,820

Sources	Total
Limited Partner Equity (4% LIHTC)	\$26,178,899
Metro Regional Housing bond	\$22,894,240
Permanent Loan (TBD)	\$5,495,227
Home Forward Reserves	\$10,000,000
Deferred Development Fee	\$1,990,454
Total Sources	\$66,558,820

Project Cost Efficiency Metrics	
Measure	Amount
Total Cost	\$66,558,820
Cost/Unit	\$332,794
Cost/Bedroom	\$168,503
Cost/Gross SF	\$352
Cost/Rentable SF	\$440



Engagement, Partnerships and Racial Equity

Community Engagement

Building strong relationships with nearby neighbors and a commitment to community engagement are hallmarks of Home Forward’s approach to development and operations. As a redevelopment of an existing property, community engagement will focus on specific communities in NE Portland near to the site and most impacted by the construction and new development. Resident engagement began in 2015, when it was first determined Dekum Court would be demolished and rebuilt. An update to current residents—to discuss preliminary funding, the anticipated project timeline, and the creation of a Community Advisory Committee (CAC)—is planned for late 2019.

- **Community Advisory Committee:** Co-chaired by a member of the Home Forward Board of Commissioners and a current Dekum Court resident, the CAC will take shape in late 2019. In Home Forward’s experience, the CAC model creates an effective forum for all stakeholders to hear and discuss with staff—and each other—issues ranging from physical design to equity in construction contracting to future supportive service programming. The CAC will likely meet monthly during the design phase and scale back to quarterly during construction. Design workshops with the architectural team will be open to the broader community. An “open house” community meeting will also be planned when initial design concepts are ready to share. As construction nears completion, the CAC will discuss marketing and lease-up strategies and work underway to forecast school enrollment increases.

Each CAC participant is asked to serve as a two-way communication link with the groups they represent. Participants will include: current residents of Dekum Court; neighbors immediately adjacent to the property; neighborhood/business association and faith-based representatives; school and social service agency representatives; Metro, Multnomah County and City of Portland partners; and members-at-large recruited from advocacy groups.

- **Ongoing Communication:** As the design begins to take shape with input from the CAC and design workshops, newsletter will be sent to all households and businesses within a half-mile radius of the site. Since the design and construction will span multiple years, these periodic newsletters will keep people updated on the project schedule and point people to the project website for more information.
- **Lease up:** The property management team will conduct enhanced outreach to communities of color during the marketing phase for lease up of the 160 units funded with the Metro Housing Bond. Home Forward is currently piloting a new outreach model that includes an “outreach and equity navigator” position to ensure targeted outreach is occurring for new properties.

Advancing Racial Equity

Home Forward’s Economic Participation in Contracting Policy, created in 2002, establishes a goal of 20% participation by minority-owned, woman-owned, and emerging small businesses certified by Oregon’s Certification Office of Business Inclusion and Diversity (COBID) in targeted professional services, construction contracts and apprenticeship labor hours for construction contracts over \$200,000. Mirroring Portland’s Workforce Hiring and Training Program, apprentices account for at least 20% of hours worked. Large construction projects typically exceed the 20% goal and can be as high as 50% depending on market conditions.

Dekum Court’s current 40 households represent a diverse population and their stability is Home Forward’s highest priority. Initial planning has focused on avoiding disruptions to housing stability for the large number of children attending local schools. This priority has resulted in a phased approach to redevelopment intended to minimize disruptions to existing residents. Home Forward anticipates that the households living in the redeveloped Dekum Court will likely reflect current residents, of which 63% identify as coming from a community of color, 49% are under 18 years old, and 69% are at or below 30% AMI.

Partnerships and Services

The current iteration of Dekum Court has partnerships with Portland Public School's Faubion Elementary School, Concordia University's 3-to-PhD program, located three blocks away and an on-site Albina Head Start facility. A redesigned service program will focus on early childhood health and education and housing stability. Children at Dekum Court will continue to have access to Faubion's new learning environment and the 3-to-PhD program.

Findings, Recommendations, and Next Steps

Findings

Key staff findings include:

- 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.
- Requested Metro Housing Bond funding is proportionate to the project's contribution toward unit production targets. The proposed project would utilize 59.0% of Home Forward's rebalanced Bond allocation and will achieve 59.0% of the Home Forward's total unit production target, 58.0% of its 30% of AMI production target, and 59.3% of its family sized unit target.
- The project does not require additional competitive funding sources and creates new deeply affordable units without drawing on Home Forward's constrained pool of Project Based Vouchers.
- The project could be delayed or require significant changes if zoning code changes anticipated to occur this fall are delayed. In the event the project concept changes significantly staff will review the revised concept.

Recommendation

Staff recommends that the Metro Council provide a Concept Endorsement for Dekum Court as described. Funding authorization will be conditioned on demonstration of project feasibility and consistency with Home Forward's approved Local Implementation Strategy.

Next Steps

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

- Immediate post Concept Endorsement: Selection of design team and general contractor, approved by Home Forward's Board of Commissioners
- Fall 2019: Anticipated City of Portland adoption of Better Housing By Design code update

- November 2019: Home Forward Local Implementation Strategy approval
- June 2020: Zoning approval
- August 2020: Plans completed; application to OHCS for 4% Low Income Housing Tax Credits, with approval by Home Forward's Board of Commissioners
- August 2020: Final project approval by Metro
- January 2021: Start of construction
- Construction completion: Phase I- replacement of existing housing in March 2022 and demolition of existing units, and Phase II- completion of new units September 2023