

Progress Report

**Downtown Target Area
Housing Implementation Strategy**

**Fiscal Years
2001-2006**

**Prepared by:
Portland Development Commission
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Investing in Portland's Future

PDC

PORTLAND DEVELOPMENT COMMISSION

Overview

In June 2001, PDC adopted the Downtown Target Area Housing Implementation Strategy (Strategy), which established housing goals and plans for the period July 1, 2001 to June 30, 2006. The Downtown Target Area is defined as the area south of Burnside and bounded by I-405 and includes portions of several Urban Renewal Areas (see map on page 7). At the time the Strategy was adopted it was expected the Downtown Waterfront and South Park Blocks URAs would expire, reach their maximum indebtedness or reach their debt capacity by June 2006. Therefore, the Strategy was intended to set forth goals in the Downtown Target Area for the remaining life of these two districts.

This is the final report on the progress made by the City and private developers towards implementing the objectives of the Strategy.

Highlights during this period include:

- A total of 948 housing units have been developed, preserved or replaced in downtown, in addition to projects already committed by July 1, 2001. An additional 628 units have obtained design review approval.
- Low-income housing units for households earning less than 80% MFI comprised 13% of all housing units developed. An additional 300-400 low income housing units are in the predevelopment stage.
- There was a dramatic surge in condominium conversions including 739 rental units converted into 722 condominiums.
- PDC invested \$9.2 million in Tax Increment Financing (TIF) to achieve the Strategy goal. This included \$3.8 million expended on multi-family rental housing and \$5.4 million expended on mixed-use site acquisition.

| Total Unit Production Goals in the Downtown Target Area | | | |
|--|--------------------|--------------------------|-----------------------------|
| FY 2001-2006 | | | |
| (Units produced with or without PDC financial assistance) | | | |
| | Production Goal | Unit Production Achieved | Percent of Total Production |
| Preserve or Replace Low-Income Rental Housing | 300-400 | 125 | 13% |
| Develop New Middle & Mixed Income Rental Housing | 400-500 | 0 | 0% |
| Develop New Middle & Mixed Income Condominiums | 500-600 | *823 | 87% |
| Total | 1,200-1,500 | 948 | 100% |

*All market rate condominiums

| Housing Expenditures in the Downtown Target Area Only of South Park Blocks and Downtown Waterfront URA FY 2001-2006 | | |
|--|----------------------|----------------------------|
| Housing Budget Program Area | Strategy Goal | Actual Expenditures |
| Multi-Family Rental Housing | \$15,200,000 | \$3,759,080 |
| Ownership Development | \$8,500,000 | \$0 |
| Mixed-Use Site Acquisition Subtotal* | \$8,000,000 | \$5,435,411 |
| Total | \$31,700,000 | \$9,194,491 |

*The mixed-uses site acquisition funds were intended for area revitalization and could include housing but were not intended exclusively for housing.

Preserve or Replace Low-income Rental Housing

The production goal of 25-50 units serving households below 30% MFI was exceeded by 49 units with the replacement of the Hotel Alder. The goal of 25-50 units for the 61-80% MFI range was met with the St. James' 26 new affordable housing units, although these units are unrestricted and therefore do not have long-term affordability agreements. Total unit production achieved for preservation or replacement fell short of the overall goal of 300-400 units, as there were no units achieved in the 31-60% MFI range. Also, the Rose Friend, with 54 units for households in the 31-60% range, went out of service in June 2006.

It is worth noting that during this time period an additional 514 student housing units were constructed (Stephen Epler Hall and Broadway Housing). These units are affordable to households at 31-50% MFI but are not reflected in the "unit production achieved" count below due to their restriction as student housing.

| Low-income Rental Housing Units Preserved or Replaced in the Downtown Target Area FY 2001-2006 | | |
|---|--|---------------------------------|
| <i>(Units produced with or without PDC financial assistance)</i> | | |
| | Production Goal | Unit Production Achieved |
| 0-30% MFI | 25-50 | 99 |
| 31-50% MFI | 175-200 | 0 |
| 51-60% MFI | 75-100 | 0 |
| 61-80% MFI | 25-50 | 26 |
| Total Units | 300-400 | 125 |
| | <i>Did Not Achieve Production Goal</i> | |

Projects in the Pipeline

Several low-income rental projects are in PDC's pipeline, but were not included as "unit production achieved" in this report because they are still in the pre-development phase.

Jefferson West/Jeffery Apartments

PDC purchased the Jefferson West in 2001 to preserve 50 expiring Section-8 units. The Jefferson West contains 50 SRO units for households earning less than 30% MFI and 28 market-rate one-bedroom units. PDC is planning a new replacement building, the Jeffrey

Apartments, on the same block to replace these units. In the new project, there will be 50 studios for households below 30% MFI and 30 one-bedrooms for households between 30-50% MFI.

Clay Towers

The property's Section 8 contract will expire in 2007 allowing the property owner to opt out of retaining the affordable housing units. PDC is working with the Bureau of Housing and Community Development (BHCD) to preserve the 233 units that are currently serving senior households below 30% MFI.

Expenditures

The initial Strategy called for \$15.2 million of tax increment funds from the Downtown Waterfront and South Park Blocks URAs to be spent on multi-family rental housing. Actual expenditures included \$3,759,080 to renovate the Hotel Alder. The Hotel Alder project replaced 116 SRO units in the former Jack London Hotel with 99 SRO units. All units are affordable to households below 30% MFI.

One affordable rental project, the St. Stephens Episcopal Church Redevelopment, will not move forward as the parties could not come to agreement. The St. Stephens project was to include 80 units affordable to households below 60% MFI. PDC had allocated \$4.15 million for this project; however, those funds will be reallocated. Pre-development assistance was expended in the amount of \$160,462.

At the time the Strategy was adopted, PDC had already committed to several low-income rental housing projects (see Specific Projects Table below). The production goals stated in the Strategy were intended to be above and beyond the completion of these projects, although the Strategy does include completion of these projects as part of the larger development goals. Consequently, these projects are not included in the unit production count achieved nor are they included in the actual expenditures table in this report. However, as these projects were highlighted in the Strategy, it is worth noting their successful completion.

| Specific Projects Previously Committed by July 1, 2001 in the Downtown Target Area (Not included in the unit or expenditure counts for this report) | | | | |
|---|---------------|-------------|---|---------------------|
| | Year Complete | Total Units | MFI Breakdown | TIF Contribution |
| St. Francis 1024 SW Main St. | 2002 | 132 | 0-30% MFI- 100 units 51-60% MFI- 6 units 61-80% MFI- 16 units 81%+ MFI- 10 units | \$5,350,000 |
| Museum Place South 1030 SW Jefferson St. | 2003 | 140 | 31-50% MFI- 28 units 81%+ MFI- 112 units | \$3,000,000 |
| Fountain Place 939 SW Salmon | 2003 | 80 | 31-50% MFI- 10 units 51-60% MFI- 54 units 61-80% MFI- 16 units | \$1,350,500 |
| Danmoore Replacement 8 NW 8 th Ave. | 2004 | 180 | 0-30% MFI- 120 units 30-60% MFI- 60 units | \$10,000,000 |
| Fairfield Hotel 1121 SW Stark St. | 2003 | 82 | 0-30% MFI- 82 units | \$1,460,000 |
| Jefferson West 1117 SW Jefferson St. | 2001 | 78 | 0-30% MFI- 50 units 80%+ MFI- 28 units | \$2,600,000 |
| Total Units Created/Preserved/Replaced | | 692 | | \$23,760,500 |

Develop Middle and Mixed Income Rental Housing

No middle or mixed-income rental units were produced between FY 2001-2006 in the Downtown Target Area due to several factors including:

- Historically low-interest rates fueled the homeownership market and resulted in a softened rental apartment market during the latter half of this period. Market conditions drove a dramatic surge of new condominium production and apartment conversions.
- Escalating land and construction costs during this period resulted in declining opportunities for middle and mixed-income housing. New supply has largely been priced for upper-income households pushing out middle-income households and creating a highly challenging environment for financially feasible middle and mixed-income projects.
- In 2005, the City placed a moratorium on tax abatements for multi-family projects. The tax abatement was the primary subsidy available to middle-income/market rate rental projects.

| New Middle and Mixed Income Rental Housing Built in the Downtown Target Area FY 2001-2006 (Units produced with or without PDC financial assistance) | | |
|---|-----------------|--------------------------|
| | Production Goal | Unit Production Achieved |
| 61-80% MFI | 25-50 | |
| 81-150% MFI | 375-450 | |
| Total | 400-500 | 0 |
| <i>Did Not Achieve Production Goal</i> | | |

Projects in the Pipeline

The ZGF office tower at 431 SW 12th Avenue recently obtained design review approval and is the only market-rate apartment building in the pipeline currently. The project will include 274 new market-rate apartments with completion is expected in 2009.

Expenditures

No expenditures were made for new middle and mixed income rental housing during this reporting period. The following projects were previously in the PDC budget but are not moving forward for various reasons. The budgeted funds will be reallocated to other projects during the upcoming annual budget process.

- The Esquire Hotel: PDC had allocated \$890,000 toward this mixed-use project that included the renovation and expansion of the Brasserie Restaurant. The project also was planned to include 15 market-rate units. In November 2006, the developer withdrew from the project. The project did receive \$178,040 for predevelopment assistance. While the Esquire Hotel is located in the Downtown Target Area, it is within the boundaries of the River District URA.
- Fire Station Relocation: This project included the anticipated redevelopment of the property as mixed-use housing. In November 2006, the City Council decided not to

relocate the fire station, which resulted in substantial change to the housing investment plan for the area.

- SW Third and Oak: This project was initially conceived as a mixed-income rental project... The project would have significantly contributed toward the new middle and mixed-income rental housing goal. Due to input from the City Council and PDC Board, the project was redesigned as condominiums. See page 4 for an update on the status of this project.

Develop Middle and Mixed Income Condominiums

There were 823 new condominiums built during the reporting period. This exceeded the production goal by 223 units. However, all units were in the above 150% MFI range. An additional 722 condominium units were developed as a result of condominium conversions.

| New Middle and Mixed Income Condominiums Built in the Downtown Target Area, FY 2001-2006 (Units produced with or without PDC financial assistance) | | |
|--|-----------------|--------------------------|
| | Production Goal | Unit Production Achieved |
| 61-80% MFI | 0-25 | |
| 81-150% MFI | 150-200 | |
| Above 150%MFI | 350-375 | *823 |
| Total | 500-600 | 823 |
| <i>Overall Production Goal Met</i> | | |

*MFI data on condominium units was not collected. All units are unrestricted market-rate units. To be conservative, it is assumed that the units are above 150% MFI.

Projects in the Pipeline

One mixed-use condominium project, the 1700 Building, recently obtained design review approval. The project is located at 1700 SW 4th Avenue and will include 354 market rate condos.

Expenditures

The Strategy called for \$8 million of tax increment to be spent on mixed-use site acquisition. Actual expenditures totaled \$5,435,411 and included the following two mixed-use site acquisitions:

- SW Third and Oak: In 2002, PDC acquired this site for \$1,200,000. Site preparation cost was an additional \$600,000. The proposed project includes a 168 unit mixed-income condominium tower with 15% of the units affordable to households below 120% MFI. The project was put on hold in Spring 2006 due to contracting issues raised by the Oregon Bureau of Labor and Industries. Since then, the market has changed potentially impacting the feasibility of the proposed project. PDC will reassess the project later this year to determine how to proceed with redevelopment.
- SW Montgomery and 4th Avenue: In 2004, PDC acquired this site known as the Montgomery Block/Jasmine Tree property for \$3,635,411. A condominium project with 300 market-rate units is in the planning stages, which is the first phase of the project. This project was initially conceived and budgeted for a mixed-income condominium project that would include affordable homeownership opportunities. Due to City Council and PDC Board input

resources, intended to provide greater affordability, were reallocated to affordable rental housing. Therefore, all of the units will be market rate.

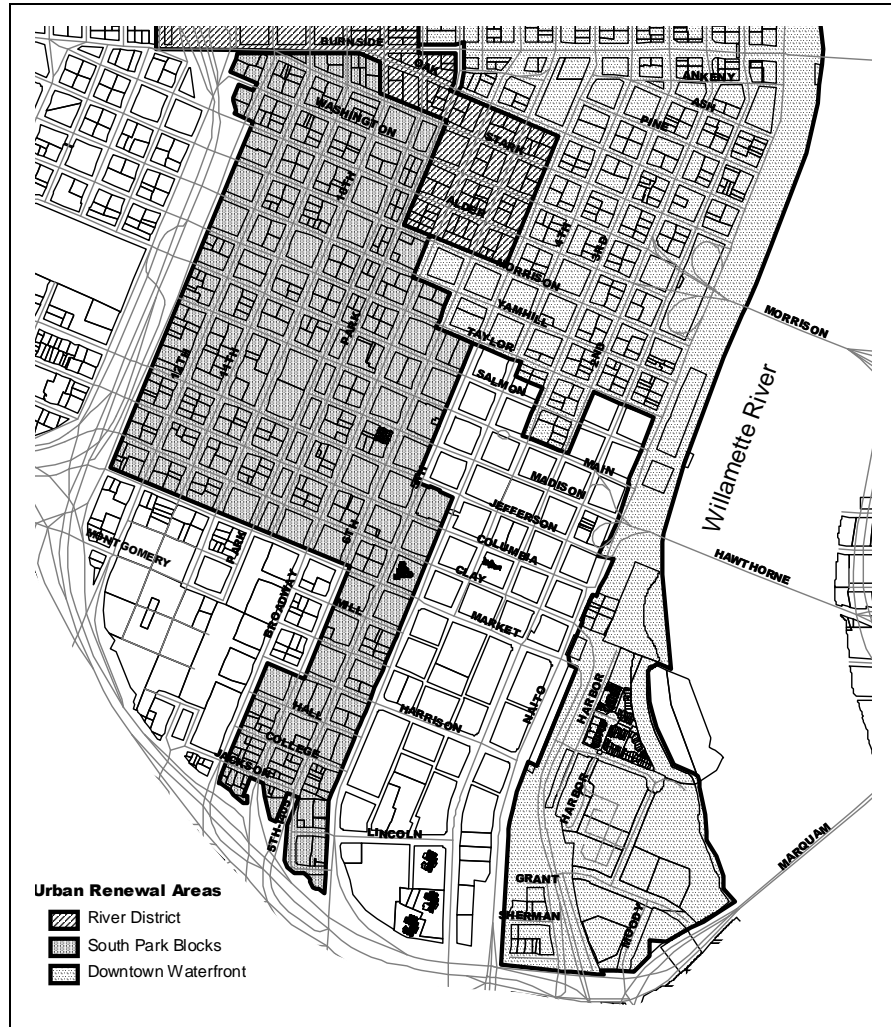
Condominium Conversions

Four apartment buildings with a total of 739 units were converted into 722 residential condominiums during the reporting period. As a result, 85 rental units, previously affordable to households earning below 60% MFI, were lost. (See Appendix A for list of current condominiums.)

| Apartments Converted to Condominiums by Prior MFI breakdown in the Downtown Target Area FY 2001-2006 | | | | | | |
|---|---|-----------------------|-----------------------|-----------------------|---------------------|--------------|
| Property Name | Number of Former Apartment Units | | | | | Total |
| | 0-30% MFI | 31-50% MFI | 51-60% MFI | 61-80% MFI | 81+% MFI | |
| Chandler Apartments (Converted to the Eleventh Avenue Lofts) | | 17 | 12 | 4 | | 33 |
| Portland Center Apartments (Converted to the Harrison Condominiums) | | | | 112 | 413 | 525 |
| Roosevelt Apartments (Converted to the Roosevelt Condominiums) | 56 | | | | | 56 |
| University Park Apartments (Converted to the University Park Condos) | | | | 3 | 122 | 125 |
| Total | 56 | 17 | 12 | 175 | 535 | 739 |

Downtown Target Area Map

The Downtown Target Area is defined as the area south of Burnside and bounded by I-405. The Target Area includes the South Parks Blocks URA, portions of the Downtown Waterfront and River District URAs south of Burnside and the portion of the North Macadam URA north of the Marquam Bridge.



Methodology

To collect this information, data was compiled from the following sources:

- Central City Housing Inventory (2005), Portland Development Commission
- Central City Development Projects Report (2006), Portland Business Alliance
- Permitting data from the Bureau of Planning
- Condominium Filings Report (2006), State of Oregon Real Estate Agency

Private projects were only counted toward “unit production achieved” if they were completed or under construction. Private projects that obtained design review approval but construction had not yet started were noted but not included as “unit production achieved”. PDC funded projects were counted towards unit production achieved if they had a commitment of permanent financing. Projects that received pre-development assistance but are still in the planning phase were not counted, but were noted in the “pipeline” sections.

Appendix A

New Construction, Preservation/Replacement, Converted Condominiums and Student Housing FY 2001-2006

| Property Name | Property Address | Tenure | Date Built | New Middle & Mixed Income/ Market Rate Condos | Condo Conversions | New Low -Income Rental | Low -Income Rental Replacement | Student Housing |
|----------------------------|----------------------|--------|--------------|---|-------------------|------------------------|--------------------------------|-----------------|
| Roosevelt Condominiums | 1005 SW Park Ave | Owner | 2001 | | 50 | | | |
| St. James | 412 SW 4th Ave | Rental | 2001 | | | 26 | | |
| Broadway Housing | 626 SW College St | Rental | 2003 | | | | | 384 |
| Mosaic Condominiums | 1400 SW 11th Ave | Owner | 2003 | 40 | | | | |
| Stephen Epler Hall | 1136 SW Montgomery | Rental | 2003 | | | | | 130 |
| Hotel Alder | 421-33 SW Alder | Rental | 2005 | | | | 99 | |
| Eliot Tower | 1233 SW 10th Ave | Owner | 2006 | 223 | | | | |
| Eleventh Avenue Lofts | 1104 SW Columbia | Owner | 2006 | | 25 | | | |
| Benson Towers | 1500 SW 11th Ave | Owner | 2006 | 143 | | | | |
| University Park Apartments | 1500 SW Park | Owner | Converted | | 125 | | | |
| Harrison | 111- 255 SW Harrison | Owner | Multiphase | | 522 | | | |
| The Strand | 1900 SW River Drive | Owner | Multiphase | 216 | | | | |
| Ladd Tower Condominiums | 1300 SW Park Avenue | Owner | Planned 2008 | 201 | | | | |
| Total | | | | 823 | 722 | 26 | 99 | 514 |

New Construction, Preservation/Replacement, Converted Condominiums and Student Housing by MFI breakdown, FY 2001-2006

(All units produced with or without PDC financial assistance)

| Property Name | Property Address | Tenure | Number of Units | | | | |
|---------------------------------|----------------------|--------|-----------------|------------|------------|------------|------------|
| | | | 0-30% MFI | 31-50% MFI | 51-60% MFI | 61-80% MFI | 81+% MFI |
| Preservation/Replacement | | | | | | | |
| St. James | 412 SW 4th Ave | Rental | | | | 26 | |
| Hotel Alder | 421-33 SW Alder | Rental | 99 | | | | |
| New Construction | | | | | | | |
| Mosaic Condominiums | 1400 SW 11th Ave | Owner | | | | | 40 |
| Eliot Tower | 1233 SW 10th Ave | Owner | | | | | 223 |
| Benson Towers | 1500 SW 11th Ave | Owner | | | | | 143 |
| The Strand | 1900 SW River Drive | Owner | | | | | 216 |
| Ladd Tower Condominiums | 1300 SW Park Avenue | Owner | | | | | 201 |
| Total | | | 99 | 0 | 0 | 26 | 823 |
| Converted Condominiums | | | | | | | |
| Roosevelt Condominiums | 1005 SW Park Ave | Owner | | | | | 50 |
| University Park Apartments | 1500 SW Park | Owner | | | | | 125 |
| Harrison | 111- 255 SW Harrison | Owner | | | | | 522 |
| Eleventh Avenue Lofts | 1104 SW Columbia | Owner | | | | | 25 |
| Total | | | | | | | 722 |
| Student Housing | | | | | | | |
| Broadway Housing | 626 SW College St | Rental | | 384 | | | |
| Stephen Epler Hall | 1136 SW Montgomery | Rental | | 130 | | | |
| Total | | | | 514 | | | |