



## **THE MARTHA WASHINGTON**

### **PERMANENT SUPPORTIVE HOUSING IN A CREATIVE COMMUNITY HOUSING FOR PERSONS WITH SPECIAL NEEDS, CHRONICALLY HOMELESS INDIVIDUALS, and LOW-INCOME ARTISTS**

Acquisition, Renovation, and Enhanced Property Management Program

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Submitted by  
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**Background:** The Martha Washington is a large former hotel well located on public transportation in the Portland city core. The property is owned by Multnomah County and has been declared surplus. The County Department of Community Justice previously operated the property as transitional housing for two corrections programs: the 60-bed River Rock Alcohol and Drug Treatment program and the Sheriff's 60-bed work release program. The property was well suited to this use with the vast majority of its units being adequately sized Single Room Occupancy units with private bathrooms. In addition, there are ample common areas, a commercial kitchen and congregate dining area, and office space. Multnomah County has valued the property at \$4.6 million.

Although initially the property seemed to be operable without a sizable investment in rehabilitation, on closer inspection there are considerable deferred maintenance and repair needs. Major items include seismic upgrade, roof replacement, plumbing, electrical, heat system, and elevator replacement. The County puts these costs at \$5.3 million, including almost \$1.6 million in soft costs. In addition to deferred maintenance, rehabilitation should consider the upgrading of units to kitchen-equipped studio and one-bedroom units to enhance marketability and to reduced turnover motivated by a desire to "upgrade" from a SRO unit.

While Cascadia had submitted comments to the County strongly suggesting that the Martha Washington continue its Community Justice history as housing for offenders, recent conversations have led to a different vision for the property. Cascadia and Winkler Development Corporation (WDC) now propose that the property provide permanent affordable housing to three populations that we believe will be compatible: extremely low income persons having mental illness and/or in recovery from substance use; persons who are chronically homeless; and, low income artists.

## **1. Proceeds to the County from the disposition of property**

This proposal requests that the County provide the property free of charge to Cascadia who will lease it to a Limited Partnership formed to own the improvements. The lease will be a fully subordinated, 99-year lease with the right to extend as long as the property is put to the proposed, or a similar, use. The donation of the property will help the project to reduce its need for competitive resources and achieve operational sustainability.

## **2. Need for affordable housing in the Central City for elderly, special needs, and other low-income residents of the West End sub-market. Describe affordability levels and number of units.**

**Overview:** Cascadia proposes to redevelop the Martha Washington as a place where extremely low income persons with mental health and recovery support needs, persons experiencing chronic homelessness, and low income artists can live together in permanent, supportive, affordable rental housing in the middle of Portland's Cultural District. Research into the needs of persons who are homeless and who struggle with mental illness and substance use is conclusive - permanent supportive housing is the strategy of choice both in terms of restoring persons with these disabilities to healthy community functioning and in terms of reducing the immense public and societal costs of continued disability and homelessness. The Martha

Washington will offer service coordination, intensive case management, recovery support groups, and employment training/work opportunities on-site. In addition, residents with Oregon Health Plan coverage will have access to a host of clinic-based services that include counseling, psychiatric care, medication management, benefit access assistance, A&D treatment and health care access. One important factor in the recovery of persons with mental health and substance issues is participation in a pro-social, diverse community. We will accomplish this at the Martha Washington by drawing our residents from three distinct populations.

**Affordability Levels and Number of Units:** This proposal will create 80 units of studio and 1-bedroom permanent affordable housing, a culinary training program, and common areas suited to support both service delivery and creative activities in a historically significant building. Rent assistance will be sought to enable a minimum of 25 units to be targeted and leased to persons at or below 17% of area median income; 25 additional units will be affordable to 30% AMI and 30 units will be affordable to 50% AMI. Cascadia will self-manage the property and will be the primary service provider. Appropriate services will be provided on-site by Cascadia and other service providers, and through Cascadia clinics (closest at 12<sup>th</sup> and SW Stark). Our proposed project will return 80 units of affordable housing back into Portland's diminishing inventory – contributing to the City's goal of preserving and increasing our affordable housing stock. According to the NW Pilot project's 2004 Downtown Portland Affordable Housing Inventory, approximately 2000 units of affordable housing have been lost in downtown Portland since 1978, which they site as the primary reason for increase homelessness.

**Meeting the needs of the Chronically Homeless:** Of the 80 units planned for the building, 25 residents will be drawn from the ranks of those who have experienced chronic homelessness. The results of Oregon's Office of Mental Health and Addictions Services Housing Survey reports that there are an estimated 675 chronically homeless individuals in Multnomah County. Cascadia currently has 200 individuals on its homelessness waiting list. These individuals have very low incomes, if any, and little recent work experience. They have high service needs as evidenced by multiple contacts with hospital emergency rooms and the public safety system. They respond best to clear expectations, peer pressure, high levels of staff contact, and easily accessed, non-traditionally delivered services.

To accommodate the needs of these residents, on-site program monitors (3 FTE) and the property management staff (2 half time Cascadia employees) will actively promote a positive peer culture. Cascadia service coordinators will work to link these residents to services, provide case management, lead education and recovery groups, and work with property management to promote lease compliance. Cascadia's Wellspring Social Enterprise program will provide training and employment opportunities to these individuals in a culinary training program that will be operated on-site. Intensive case managers from Cascadia's partnering agencies (Central City Concern, Volunteers of America) will have an on-site presence to work directly with the residents of this sub-population that they refer or serve.

**Meeting the needs of low-income individuals with mental health and addictions:** A second 25 residents will be drawn from Cascadia's existing waiting lists and service recipients. We currently have a waiting list of 681 individuals who qualify for our mental health and addictions services and permanent supportive housing. The average waiting time on the lists is about 14

months. This is based on recent information from housing offers and/or placements made. This number includes the fact that over 100 individuals graduate from our Bridgeview and Royal Palm low barrier transitional housing programs, both of which exist in and serve the downtown core. When these individuals graduate, they are prepped and ready to transition into permanent supportive housing. Unfortunately, the demand for such housing exceeds the availability. As a result, these individuals remain in transitional housing programs until their names come to the top of the list. This can take as long as two years, obstructing the turnover intended for transitional housing to make room for those leaving homelessness and the streets. Our community housing partners share similar need. Central City Concern's Community Engagement Program, for example, has an average of 30 individuals at any one time on their waiting list for permanent supportive housing.

Beyond our own housing waiting list and the needs of our community partners, we know from the 2006 Oregon DHS: Mental Health and Addictions Services housing survey that there is a significant unmet need for affordable housing among individuals with mental illness and addictions. The survey estimates that over 7500 individuals with mental health and/or addictions are in need of affordable housing in Oregon. We estimate that over 50% of these individuals reside in Multnomah County; so over 3250 individuals are in immediate need of affordable housing in Multnomah County. In addition, the study found that the highest level of unmet need exists among adults with co-occurring mental health and addictions disorders, and people who are homeless or at-risk of homelessness. It is reasonable to suggest that the bulk of these people live within the city of Portland, as do the bulk of Cascadia clients.

These are very low-income individuals who have mental illnesses and who are currently living in housing that is transitional, expensive, and/or not conducive to recovery. They are often at risk of homelessness. For example, because of checkered rental histories and very low income (typically SSI, 17% of area median), housing access for these persons is often limited to "slum" housing where drug use and criminality challenge efforts to remain safe and sober. These residents are typically covered by the Oregon Health Plan and are well engaged in OHP-funded services, including case management. They are generally stable with respect to their disability but sometimes need encouragement to continue their involvement in services, as well as exposure to a pro-recovery environment.

Cascadia's site-based service coordinators and program monitors will encourage continued involvement with clinic-based services. They will promote employment either competitively or through Wellspring Social Enterprises culinary program (on-site) or janitorial and landscape maintenance businesses. Some services for these residents will be offered at the Martha Washington by out-stationed clinic staff. Should a resident need more intensive services, site-based staff will respond to the need directly and/or notify the resident's case manager, service provider, the Cascadia housing support team, or Cascadia's Project Respond Mobile Outreach Team.

**Meeting the needs of Low-income artists:** The remaining 30 units will be rented to low-income artists. These are individuals whose income is 50% of area median or less. Although not necessarily disabled, this population is often characterized as eccentric or quirky and tends to be tolerant of others who are on the fringes of conventional society. We know that there is a local

need and support for the provision of affordable housing for our community's low-income artists. City Commissioner Sam Adams and the Regional Arts and Culture Council conducted a survey which was sent to 600 artists, advertised to the Portland Backstage, and sent to RACCs general email list of 10,000 people to scope for need and interest in artist live/work space in Portland. Over 300 responded to this survey, overwhelmingly agreeing that there is unmet demand for artist live/work and studio space. Respondents specify that they would prefer to live in a vintage building, with a secure rent/mortgage of \$600-800 monthly for a space that is 400-800 square feet in size. Furthermore, the survey suggests that responding artists would prefer to live in a place that provides onsite programming to promote art: spaces for lectures, readings, media (equipment).

Our proposed artist units in the Martha Washington provide the safe affordable housing, a stimulating artistic community, and space in which to work these artists need. Cascadia's part time property managers will be selected from among this population so as to cultivate an artistic community in the Martha Washington in which creativity and creative expression, rather than disability, is established as the normative culture for all residents, be they "homeless", "disabled", or "artist". In addition, Cascadia's on-site staff will be available to help these residents' access services and benefits as appropriate.

We believe that this mixing of populations will create a vibrant, stable community at the Martha Washington. The "artist" population will be the key to this – the artistic community culture will establish the normative behavior and the artists themselves will be behavioral role models for the other residents. Our initial leasing efforts will focus on establishing a strong core of artist residents. The "homeless" residents will require intensive services, particularly during initial lease up - additional staffing during this period and a relaxed lease up schedule for this sub-population will provide time for the artist culture to become dominant. The "disabled and stable" (not homeless) residents will model recovery management for their "homeless" peers. Interestingly, there are a sizeable number (approximately 100) of persons who are currently served by Cascadia who self-identify as artists – it is to these potential residents that we will initially market the Martha Washington so as build on the community established by the artist population.

### **3. Address how project will meet the need for housing for the chronically homeless and contribute to the goals of the 10 Year Plan to End Homelessness.**

Cascadia's proposed project for the Martha Washington site will meet the need for housing the chronically homeless and contribute to the goals of the 10 Year Plan for Ending Homelessness first and foremost by creating units for persons at or below 17% of area median income for which Cascadia will seek rental assistance. Overall 50 units of housing individuals at or below 30% MFI (including those reserved for persons at or below 17% AMI), 25 of which will be set aside for chronically homeless individuals, 25 of which will be set aside for individuals with mental health and addictions disorders who are very likely to have struggled with homelessness as well.

Secondly, our proposed project directly addresses the nine goals of the 10 Year Plan for Ending Homelessness in the following ways:

1. *Move people into housing first:* At Cascadia's Martha Washington this property, housing is the first line of service with support services built around an individual's presenting needs. Typical barriers to housing – poor rental history, criminal involvement, and inadequate income – will be assessed from a “reasonable” accommodation framework. We understand that our job is to help people who may seem like poor risk tenants get on their feet with a combination of housing and linked resources.
2. *Stop discharging people into homelessness:* Cascadia works and will continue to work with jails, hospitals, and our community partners in discharge planning to triage appropriate individuals into housing at the Martha Washington. Cascadia has clinical staff stationed in hospital emergency rooms. Our occupancy specialists will work with these staff, with our own Bridgeview and Royal Palm housing specialists, with Volunteers of America and Central City Concern to house persons who are exiting area emergency rooms, residential treatment, Hooper detox, and transitional housing to facilitate applications to the Martha Washington.
3. *Improve outreach to homeless:* Cascadia has been and will continue to provide outreach to homeless individuals through our Project Respond Mobile Outreach Team. Outreach takes place primarily in the downtown core with goal of linking individuals with housing and appropriate services. We engage will over 400 individuals per year, and will focus direct appropriate referrals to the Martha Washington. We will also work in close collaboration with Central City Concern's Community Engagement program and with Transition Projects (where Cascadia outstations staff) to provide outreach-oriented services to homeless individuals.
4. *Emphasize permanent solutions:* all homes at the Martha Washington will be permanent supportive housing with flexible supports.
5. *Increase the supply of permanent supportive housing:* Our plan for the Martha Washington will add 50 units of permanent supportive housing to the current supply, of which 25 reserved for chronically homeless, the other 25 for those with special needs who are often homeless or at risk of homelessness.
6. *Create innovative partnerships to end homelessness:* the proposed project represents a very creative partnership between Cascadia Behavioral Healthcare (Oregon's largest community based mental health and addictions services provider, and one of Oregon's largest operators of special needs housing), Winkler Development Corporation (a regional developer with strong connections to our local housing and arts communities). Cascadia and WDC will bring their relationships with Central City Concern, Volunteers of America, Transition Projects Inc., and Portland Institute for Contemporary Arts the project. In addition, Jim Winkler is well positioned to influence for-profit developers to be positively disposed toward “social” housing.
7. *Make rent assistance system more effective-* Cascadia manages several rent assistance contracts and accepts Section 8. Cascadia will help residents with incomes below 30% AMI and 17%AMI to secure rent assistance (Shelter Plus Care, Project based, tenant

based Section 8). In addition, we will accept rent from our partners agencies (Volunteers of America and Central City Concern) on behalf of tenants that can access program specific rental assistance through various housing initiatives. Finally, we will apply through the McKinney process for shelter plus care and through PDC and HAP for project based specifically to support Martha Washington residents.

8. *Increase economic opportunity for homeless people:* Cascadia emphasizes supported employment as a critical service to our consumers. Individuals living in the Martha Washington will have access to Wellspring Social Enterprises, Cascadia's supported employment program. Wellspring's Culinary Training program will be conducted in the existing commercial kitchen of the Martha Washington. Wellspring includes three enterprises to date: Culinary Training, Landscaping, and Janitorial.
9. *HMIS* – Cascadia participates in the HMIS data system.

**4. Address the services to be provided to the proposed residents of the project (both on- and off-site). Services should enhance the living experiences and opportunities for vulnerable, low-income residents.**

For Cascadia to be successful in operating permanent supported housing in the Martha Washington Building, on-site services will be essential to support the efforts of tenants to successfully integrate into this community. Given that we would be bringing together a group of 80 very diverse individuals into this building, we recognize the importance of providing a more robust program during the first year of operation in order to establish and promote a safe, healthy community within the building. As the community becomes established by the end of year one, we anticipate decreasing the on-site supports by around 25%. All efforts with regard to this transition will be coordinated with our community partners.

With this in mind, for the start-up of the program at the Martha Washington, Cascadia plans to bring together a program with the capacity to provide flexible, individualized services that ensures safety, increases life skills, builds on tenant strengths, increases lease compliance, reduces symptomatic behavior, manages medical regimens and enhances quality of life. At the same time, the service program will be sensitive to privacy and consumer choice issues, be tolerant and accommodating with respect to behavior, be clear about limits and lease compliance, and will develop balance between the individual and the overall milieu.

As such, we plan to provide several tiers of services for the tenants of the building. Please refer to the attached "Proposed Program Services Budget" in reference to this section. The tiers of service include the following:

Tier 1: All tenants will have access to and benefit from services that are fully supported by rental income. Services will include:

- Community Building ~ Cascadia have "Program Monitors" (3 FTE) on site 16 hours per day/7 days per week to establish a pro-social, creative community and to promote a safe

and healthy environment within the building. The hours to be covered typically will from mid-afternoon to the following morning.

- Service coordination ~ A full time Service Coordinator would focus on linkages and referrals to community resources for the building tenants;

Tier 2: Given the impending closure of Cascadia's Bridgeview Program at the Golden West Hotel by June 30, 2008, Cascadia has consulted with both the City of Portland and Multnomah County regarding the transfer of financial support from the Bridgeview to the proposed program at the Martha Washington Building. We have been encouraged by each entity to include a proposed budget for the potential use of CDBG funds from the City and General Funds from the County for this project. Presuming that we are indeed able to transfer these existing funds, Cascadia would offer an enhanced service package for the 50 tenants who are "chronically homeless" and/or at risk of homelessness. These services would include:

➤ CDBG Funds from the City of Portland

- Program Supervisor ~ A full time administrator whose costs are split between City CDBG funds and County General Funds would be responsible for the administrative and clinical supervision for the program staff at the facility,
- Intensive case management ~ 2 full time intensive case managers will work from the Martha Washington Building as their office and have a caseload of 17 clients. These ICM's will provide services 7 days per week and have after hours availability to intervene early in the event of a crisis. The primary work for the ICM's will be on recovery oriented treatment planning, assistance in obtaining and/or maintaining available benefits, assistance with developing or retaining familial ties, and supportive counseling. A major focus of case management will be to support tenants in obtaining the skills and tools to live more independently. The principles of harm reduction will be emphasized within the program in order to meet residents at their individual step in the recovery process.
- Psychiatric services ~ This would include MD and RN time whose costs are split between City CDGB funds and County General Funds. The focus would be on psychiatric assessment, medication prescription and medication management,
- Flex Funds ~ These funds would be used for essential items such as security and utility deposits, bus tickets and other items that support each tenant's recovery efforts.

➤ General Funds from Multnomah County

- Program Supervisor ~ A full time administrator whose costs are split between City CDBG funds and County General Funds would be responsible for the administrative and clinical supervision for the program staff at the facility,
- Skills training ~ 3.5 full time skills trainers would be on duty 7 days per week. Their focus would be on providing direct assistance and support to residents in relation to

regular activities of daily living such as cleaning, shopping, cooking, community building, & conflict resolution,

- Coordination of Personal Care Services ~ A half time staff would be available to work with tenants who are Medicaid-eligible and qualify for the Medicaid Personal Care Services Program that provides up to 20 hours per month of service related to in areas such as housekeeping, nutrition and grooming/hygiene. Cascadia's PCS Coordinator will be involved in brokering these services for eligible residents.
- Psychiatric services ~ This would include MD and RN time whose costs are split between City CDGB funds and County General Funds. The focus would be on psychiatric assessment, medication prescription and medication management,

➤ OHP Funds from Verity

Based on our experience at Prescott Terrace. A program serving 18 chronically homeless persons, where approximately one-third of the tenants have been Verity (Medicaid) eligible with a LOCUS score of 3 or 4 (indicating higher service need), we would anticipate that 15 to 20 prospective tenants at the Martha Washington would be of similar profile. Given this projection, we presume that Cascadia will be able to allocate enough Verity funding to cover the cost of 1 additional full time Intensive Case Manager. This Verity funded ICM would work in tandem with the 2 CDBG funded Intensive Case Managers as part of the on-site case management team.

Tier 3: In addition, sponsoring agencies such as Central City Concern and Volunteers of America who have an interest in obtaining permanent supported housing for their clients at the Martha Washington, have expressed a commitment to offer both site-based and office-based services to their clients. This commitment would ultimately be put into a "Memorandum of Understanding" with such sponsoring agencies. A number of tenants may be eligible to access a variety of treatment services at Cascadia clinic sites as well. These services will be funded by program initiatives that are separately funded and awarded, such as Central City Concern's CEP and Volunteers of America CPR programs; which serve homeless and returning ex-offenders respectively.

Tier 4: Finally, tenants will have access to Project Respond, which is Cascadia's mobile crisis response team and to the Urgent Walk-in Clinic, which is located at a Cascadia clinic site in SE Portland.

Permanent housing with rent assistance and linkage to services is critical for this population. We anticipate that initially the need will exist for a higher proportion of on-site services, and that as the tenants of the building acclimate to their new environment and their situations stabilize, more of their service needs will likely transfer to community or clinic based services. The overarching philosophy is that the supports and services that will ultimately work best for these tenants are those that happen in the most natural of settings in the community.

**5. Address how the project will maximize the use of funds other than competitive public funds.**

The redevelopment of the Martha Washington will be funded by several sources with an emphasis on those sources that are non-competitive public funds. The total cost of the project is estimated at \$8,703,488. We believe the project will qualify for the highest level of both federal housing and historic tax credits. Historic Tax Credits (HTC) will result in significant equity – we believe the HTC will generate approximate \$1,494,600 in equity. In addition, the project is located in a hard-to-develop census tract and will qualify for non-competitive 4% Low-Income Housing Tax Credits (LIHTC). The anticipated equity contribution by the LIHTC investor is estimated at \$2,718,424. A significant portion of developer fees, which qualify for both HTC and LIHTC, will be deferred, to be paid from future cash flow generated by operations. A deferred developer's fee in the amount of \$300,000 payable to CBH will help fund the project. Both Multnomah County and the Oregon Housing and Community Services Department (OHCS) have weatherization funds. These funds are non-competitive.

We anticipate at least \$200,000 of weatherization funds will be provided to the project. We expect to receive grants from foundations to partially fund furniture, fixtures and equipment (FF&E), wireless Internet and workforce training programs. Because the project will be designed to incorporate sustainable features, we anticipate the project may qualify for Business Energy Tax Credits and potentially for a Green Investment Fund award. While it is too preliminary at this point to forecast specific amounts to be realized from those efforts, we have estimated \$75,000 from these sources.

Although a competitive source, we will request from a \$100,000 equity contribution to the project the OHCS Trust Fund. The final anticipated funding source is tax increment funding from the Portland Development Commission (PDC). We anticipate funding in the approximate amount of \$3,815,464 from PDC.

As the above demonstrates, \$4,788,024 of the funding is anticipated from non-competitive sources and \$3,915,464 in anticipated from competitive sources, for an estimated 55% of total project costs from non-competitive resources.

- 6. Describe a rehabilitation program that addresses the following: compliance with building code regulations including seismic and fire/life safety; accessibility throughout the common area appropriate to populations served; sustainable plan to provide on-going maintenance and operating expenses to achieve long term affordability; respectfulness of the building's historic and architectural characteristics; and kitchen facilities (both in-unit and common) appropriate to the proposed residents. Address how the proposed renovation is appropriate to the residents served and promote resident and building stability.**

The project team and consultants have reviewed the building several times in the past two months to develop a realistic and costs effective renovation plan. LRS Architects' prior experience with the building's infrastructure assisted the assessment of the remaining useful life of building systems and components and extent of the required renovation. Catena Consulting Engineers were engaged because of their particular expertise in seismic renovations. The development team members met with City of Portland Bureau of Development Services (BDS)

representatives to discuss the extent of fire and life safety improvements needed to satisfy the new code (IBC).

The building in its current condition and configuration presents significant challenges for both Fire and Life Safety and Seismic upgrading. The team assembled, however, is experienced with the issues and has a positive relationship with the BDS. Recent renovations of existing buildings include the DeSoto and adidas Village. Both of these projects were examples of the cooperative effort between the Development Team and the BDS to find solutions that met code and were cost effective. The City is supportive of adaptive reuse of historic structures and recognizes that old buildings, in their current condition, fall far below any acceptable threshold, and is therefore supportive of redevelopment to bring buildings to current code. Our cooperative relationship with the City is based on a shared goal of developing solutions that will be the best possible given the resources available. An outline of some potential FLS related code improvements are noted in our floor plan Exhibit A. The FLS concepts noted will need to be assessed with City input to reach a common understanding of the new IBC Chapter 34 provisions for alterations to existing buildings.

The design team also met with BDS to review building accessibility. Additional meetings will be required and administrated by LRS Architects, Inc. Accessibility enhancements are needed to comply with Section 1113 of the OSSC/IBC. Public areas of the building do not meet accessibility standards nor do the connections to the north and south wing. Those deficiencies will be remedied during the building rehabilitation.

Accessibility alterations currently under review and planned within the building include an accessible route to every floor in the building, egress routes, living units and common areas. Individual unit interiors will be designed to meet accessibility standards as required as well. In addition, new compliant elevator(s) will be provided.

Winkler Development Corporation is committed to advanced energy conservation and sustainability principles. WDC's Troutdale Terrace Apartments was the first and largest installation in the United States of GFX technology. GFX (gravity film exchangers) are designed to recapture drain water heat. Currently WDC is completing the Headwaters at Tryon Creek, one of the most environmentally advanced affordable projects in this region. The sustainability plan proposed for the Martha Washington addresses energy conservation, water conservation, stormwater management, indoor air quality and use of environmental materials, trash recycling, low maintenance durable finishes and an occupancy program designed to minimize the use of toxic cleaning agents. An operations manual will be provided to educate and assist tenants and staff in the appropriate cleaning techniques and the use of green cleaning products. Specific measures planned for the Martha Washington include:

#### Energy Consumption:

- EnergyStar lighting, roofing and appliances.
- Maximum exterior insulation.
- Hydronic heating
- Storm windows.
- Pre-heating of domestic hot water supply through solar application.

- Individual metering of all utilities including electricity, domestic and hot water.

#### Water Consumption

- Dual-flush water closets
- 2 gpm shower heads

#### Stormwater Management

- Re-directing stormwater to water quality landscape features in the courtyard.

#### Indoor Air Quality

- Centralized Heat-Recovery ventilation system for continual whole-house exhaust and tempered fresh air supply

#### Environmental Materials

- Formaldehyde free sheathing material
- Zero VOC paints
- Low VOC cabinetry
- Zero VOC flooring.

#### Durability

- Marmoleum flooring throughout living units.
- Built-in bed, desk and closet storage systems.
- Solid core doors with welded metal door frames
- Abuse resistance fixtures
- Carpet Tactiles (glue-less application)

WDC has a long-term relationship with Heritage Investment Corporation, experienced historic consultants. Heritage has been engaged to provide advisory services related to assuring the renovation plan complies with all Federal and tax regulations and qualifies for Historic Tax Credits. The renovation plan includes nominating the building for placement on the National Register of Historic Places. The building renovation remodel will meet all Federal requirements related to the preservation of its historic architectural character.

Finally, each unit will be supplied with a full service kitchen (see Architectural Unit Plans), including a range, microwave, refrigerator, sink and storage. The program for the commercial kitchen is designed to facilitate use as a training kitchen to prepare building residents, including formerly homeless and special needs residents, for work in the culinary arts. To achieve serviceability at reasonable costs, kitchen will be evaluated for reuse potential and modified as needed. New grease exhaust ductwork will be installed for fire protection reasons. The budget for kitchen renovations is currently forecast for \$47,500 based on a preliminary assessment of the condition of the commercial kitchen.

- 7. Demonstrate financial feasibility including: financial projections (development budget, operating budget including support services, rent subsidies, and mix of sources); evidence of proposer's equity in project; evidence of financial commitments or letters of interest; developer fees; information about the financial strength and resources of the proposer.**

Copies of the development and operating budgets are attached. As described elsewhere, the development budget anticipates extensive work on the structure to be funded primarily by

historic and low income tax credits and by local (PDC) funds. We have attached correspondence from Heritage Consulting indicating their view that the property will qualify for the 20% historic preservation investment tax credit, and from Enterprise Community Investments (formerly ESIC) expressing their interest in participating as equity investor for both the historic and the housing tax credits. We have also attached a letter of interest from Bank of America Commercial Real Estate and a copy of the Co-Developer Letter of Intent between Cascadia and Winkler Development Corporation in which WDC indicates its willingness to provide up to \$75,000 in pre-development funds to the project and Cascadia indicates its willingness to defer a portion of its developer fee. With respect to developer fees, the fee proposed for the Martha Washington project is approximately 8% of the total development cost; 4.6% will be paid through the development budget and 3.4% will be deferred.

The operating budget assumes 25 studio units at a 30% rent of \$356 per month; 25 studios for 17% AMI with project based section 8 and/or shelter plus care rent assistance at a rent reasonableness rent of \$495; and 30 1-bedroom units at a 50% rent of \$636. We believe that rent support for 25 units is likely – shelter plus care assistance is already provided for the chronically homeless individuals that Central City Concern will refer, program-based rent assistance is available for those referred by Volunteers of America, and the Housing Authority of Portland has regularly made Section 8 rent assistance available to projects seeking capital resources from PDC to target chronic homelessness. In addition, the federal McKinney Continuum of Care process has regularly included “bonus” shelter plus care funding to jurisdictions using those funds to address permanent housing for those who are chronically homeless. Finally, responses to a survey of low-income artists sponsored by City Commissioner Sam Adam’s office indicate that a rent in the vicinity of \$600 would be attractive to this population.

Assuming the above rent structure, operating revenue will be adequate to meet the expenses of the project including support service staffing by 3 program monitors and a service coordinator/case manager and annual contributions to a replacement reserve of \$24,000. The cost of operations and reserves per unit per year is \$4,812, reflecting the cost of enhanced property management and support service staffing. The reserve is initially funded at \$200,000, thus assuring the project’s viability.

In addition to services funded through rents, residents will have access to services provided by Cascadia, Central City Concern, and Volunteers of America consistent with their eligibility for those programs. Although the funding for these services is not linked specifically to this housing, the three organizations have agreed to prioritize access to services for residents they have referred, and intend to offer services on-site in order to increase resident access and provider efficiency. Both the city of Portland and Multnomah County have agreed in concept to allowing Cascadia to redirect some of their funds from Cascadia’s Bridgeview Community program to the Martha Washington in order to provide additional services. Letters from CCC, VOA, Portland BHCD, and Multnomah County Behavioral Health are attached.

With respect to the financial strength of the co-developers, Winkler Development Corporation is wholly owned by the family of James H Winkler. The company maintains 7-figure liquidity and has an 8-figure net worth. If selected, WDC will provide detailed financial information in a confidential format as required. Cascadia Behavioral Healthcare is an Oregon not-for-profit

corporation whose annual revenues exceed \$50 million. Cascadia also sponsors more than a dozen single asset housing entities, and a related organization, the not-for-profit Cascadia Housing, Inc. is the general partner in three LIHTC limited partnerships. Cascadia's most recent audited financial statements are attached.

**8. Provide evidence of readiness to proceed. Describe how the project is in compliance with zoning codes. State proposed closing date and specify all contingencies to closing.**

The subject site is zoned RXd, central residential. The RXd zone is the most dense urban residential zone. Prior to bonuses, the RX zone provides an outright FAR of 8:1. The anticipated project fits within allowed zoning and will require no adjustments and will qualify, subject to design review and Historic / Landmark Commission hearing, for a building permit. As no modifications to the exterior (other than removal of fire escapes) are contemplated, no issues regarding historic approvals are anticipated. The project, subject to funding, should be deemed ready to proceed. We propose to take possession of the property in the summer of 2007 concurrent with the closing of construction financing, the admission of the tax credit limited partner, and the issuance of the building permit.

**9. Describe how the project is compatible with the neighborhood. Describe discussions with the neighborhood and provide evidence of support from the neighborhood, if any. (Good Neighbor Agreement).**

The proposed project involves the reuse of a historically significant building to house persons who have experienced chronic homelessness, people with mental illness, and low income artists at a lower density than the property's most recent previous use by Multnomah County to house offenders remanded to the Department of Community Justice River 60-bed Rock Alcohol and Drug Treatment program and the Sheriff's 60-bed work release program. The mix of populations and lower density, coupled with Cascadia's active management and support services will result in a property that will be an asset to the community in general and the West End neighborhood in particular. The Martha Washington will take advantage of the property's location in the cultural district to attract low-income artists who cannot afford to reside in the Pearl district.

We believe that the mixing of populations will create a vibrant, stable community at the Martha Washington. The "artist" population will be the key to this – the artistic community culture will establish the normative behavior and the artists themselves will be behavioral role models for the other residents. Our initial leasing efforts will focus on establishing a strong core of artist residents. This is entirely in keeping with the location of the project near the Portland Art Museum. The "homeless" residents will require intensive services, particularly during initial lease up - additional staffing during this period and a relaxed lease up schedule for this sub-population will provide time for the artist culture to become dominant. The "disabled and stable" (not homeless) residents will model recovery management for their "homeless" peers. Both the homeless and the disabled/stable population currently frequent this neighborhood. The proposed project will house people who are currently part of the neighborhood fabric.

Cascadia and/or WDC have contacted several nearby stakeholders from the development community to elicit their reaction to the proposed program. Mark Fraser, developer of the proposed Jefferson West replacement housing, has indicated that he does not support our proposed project. He voices concern about the concentration of low income and homeless persons in the West End. John Carroll, developer of Eliot Tower, seems more accepting of the project, voicing concern about neighborhood safety but not about concentration of poverty, recognizing that the proposed use is less intensive than the previous use by the County.

Jim Winkler, as General Partner in the neighboring 1200 Building, is supportive of the proposed project based on its innovative housing solution to a social issue that includes on-site services as well as workforce training. Jordan Schnitzer, representing Harsch Investment Properties, is also supportive of the proposed project.

The mixed response elicited by our program is neither unusual nor surprising. Stakeholders do not typically meet the prospect of housing for persons with mental illnesses, addictions, or homelessness with enthusiastic support. We are concerned about potential negative reactions from nearby property owners and residents based on the population we intend to house, particularly given the attention to which siting has been subjected over the past several years. Cascadia will be sensitive to the concerns of the neighbors while at the same time, attentive to the privacy rights of the residents and the Federal Fair Housing Act, which protects their right to live in the neighborhood of their choosing.

Cascadia understands that community education, engagement, and responsive management are keys to community acceptance. With this in mind, Cascadia will reach out to neighbors through the “good neighbor” process promoted by the city of Portland Office of Neighborhood Involvement (ONI). We expect to receive ONI’s assistance in mediating a public involvement process. We also plan to notify the Neighborhood Association and seek their guidance in terms of identifying the stakeholders and neighborhood leaders with whom to consult. We will propose a meeting with the chair of the Neighborhood Association and other community activists. Cascadia’s outreach activities will attempt to educate the neighbors as to the nature of the disabilities that residents may exhibit, the services and supports available to residents, and how Cascadia manages its properties. Cascadia will develop a “Fact Sheet” and a “Frequently Asked Questions” handout regarding the project for presentation to neighbors, activists, bureau staff, and elected officials. If indicated, Cascadia staff will go door-to-door to talk with our immediate neighbors, to respond to their concerns, and to provide contact information.

Cascadia will offer to complete a “Good Neighbor Agreement” with representatives of the neighborhood association. Cascadia has completed Good Neighbor Agreements with other neighborhoods, and has found them to be an excellent way to establish shared expectations, review processes, and communication channels. At the least, we will supply the names and telephone numbers of Cascadia Behavioral Healthcare contact persons to neighborhood association leaders, to the immediate neighbors, to the County Commissioners’ Offices, to ONI, to the Coalition office, and to any other household or entity that desires that information. Finally, Cascadia will work closely with the community policing officers assigned to the West End neighborhood and with city crime prevention specialists in order to enhance the safety of residents and neighbors in and around the Martha Washington.

**10. Demonstrate proposer's capacity to develop, own, and manage the project. Identify development team, the experience and the role of each team member. Provide information to show that the team will have capacity to complete the project, factoring in time requirements for the project and contemporaneous commitments of team members.**

Co- Developer - Cascadia Behavioral Healthcare, Inc. (Cascadia) is a non-profit 501(c)(3) organization that provides a vast array of individual, group, and wrap-around services to persons with special needs in Multnomah, Washington and Marion Counties. Cascadia has a significant housing program, operating over 50 properties, representing over 775 units. Cascadia has developed much of this portfolio. Vice President of Housing, **Neal Beroz**, will lead the Martha Washington effort for Cascadia. Beroz has substantial experience with the various housing programs of the Cities of Gresham and Portland, the Portland Development Commission, State Housing and Community Services, State Office of Mental Health and Addictions Services, Multnomah County, and HUD. He has developed projects ranging in size from 5 units to 46 units.

Co- Developer – Winkler Development Corporation (WDC) is a leader in the application of public-private partnerships to affordable and market rate housing projects, with a resume of over 25 completed projects to its credit. **Jim Winkler**, President of WDC, will lead the Martha Washington effort, assembling the development team and directing the project. Winkler has extensive experience as developer of conventional and bond financed apartments, government assisted and elderly housing, historic rehabilitations and mixed use properties, and subdivisions. Noteworthy projects include the Headwaters at Tryon Creek, Troutdale Terrace Apartments, and Dolph Creek Townhomes.

Project Manager – Sullivan Architecture LLC (Sullivan) has worked with WDC on a number of projects. **Shawn Sullivan** has been a practicing architect in Oregon since 1980. He has both historic rehabilitation and new construction experience, and will be project manager for the Martha Washington rehabilitation.

Architects – LRS Architects, Inc. are regular members of the Winkler Development team. LRS is committed to sustainability. A widely diversified firm, LRS has provided the full spectrum of architectural design, construction documents, permitting, and contract administration services to a large number of affordable and special needs projects including the Fenwick Apartments, Arbor Ridge, Chestnut Lane, 82<sup>nd</sup>/Broadway, and Laurelhurst Village. They have extensive experience with remodeling and seismic upgrading of buildings similar to the Martha Washington. **Michael Roberts** will lead for LRS.

Contractor – R&H Construction Co. has provided construction services to the Northwest since 1979. R&H's credits include major historic rehabilitations of the Brewery Block One, and Wieden and Kennedy, rehabilitation and new construction at adidas Village, and a host of new construction. R&H is the contractor for Headwaters at Tryon Creek. R&H has earned a regional reputation for providing valuable pre-construction services and delivering quality projects on

time and within the owner's budget requirements. **Norm Dowty** has provided valuable insight into the needs of the Martha Washington and associated costs.

Engineering – The principals of Catina Consulting Engineers have provided structural design and seismic services for dozens of Portland historic buildings including the Daisy Kingdom – DeSoto Building, the Pacific Telecom Exchange, the Telegram Building, the Reed College Old Dorm Block, and the Multnomah Hotel. **Chris Thompson** has already proved invaluable in understanding the structural challenges presented by the Martha Washington.

Historic Consultants – **Rob Mawson** of Heritage Consulting Group will manage the process of getting the Martha Washington listed as a significant building with the State Historic Preservation Office and with the Department of Interior National Park Service. Mawson is uniquely knowledgeable of the workings of the National Trust for Historic Preservation, having worked there in the 80's. In addition, Mawson is familiar with the West End Plan, having spearheaded that effort for the Association for Portland Progress.

General Partner – Cascadia Housing, Inc. is the GP in three LIHTC limited partnerships. Cascadia Housing currently consists of members appointed by Cascadia Behavioral Healthcare and 7 outside members. Neal Beroz and Debra Humphrey-Keever are appointed members: Beroz and Humphrey-Keever are the VP - Housing and CFO, respectively, of Cascadia Behavioral Healthcare, and serve as President and Treasurer of Cascadia Housing. Other members of Cascadia Housing, Inc. include Harris Matarazzo (Chair), Steve Jagers (Secretary), Greg Close, Bradley Heath, Jeffrey Wood, Steve Daniels, and Charles Duit. Matarazzo is an attorney who specializes in representing persons with special needs. Jagers is a retired Dean of the Allied Health Program at Mt. Hood Community College. Close is a principal with Wyse Investment Services. Heath is a former special needs housing developer. Wood, Daniels, and Duit are community housing advocates. Between them, these individuals have extensive experience in housing, special needs, or both. They have all been involved in the development of multiple Cascadia housing projects.

Equity Investor – Enterprise Community Investments (formerly ESIC) is a national, mission-driven investor. Enterprise is the limited partner in two Cascadia LIHTC properties, and is the investor in WDC's Headwaters project.

Construction, Conventional, and Bond Financing – WDC and Bank of America have a longstanding relationship. Bank of America has provided construction financing to Cascadia as well, and is a major investor in an Enterprise Community Investments equity fund. The relationships between B of A, WDC and Enterprise may result in pricing and pay-in schedules that could be beneficial to the project.

Tax Attorney – **Ron Shellan** leads Miller Nash's affordable housing group and is a recognized authority on LIHTC law. Shellan has provided legal counsel on dozens of affordable housing developments during the last ten years. Shellan is also a certified public accountant, and before his career in law worked as a tax accountant for Coopers & Lybrand.

Tax Accountant – **Anthony Almer** of Deloitte is an expert in the intricacies of the LIHTC program. Almer has worked with tax credit equity funds, investors and developers across the country, providing a wide range of services including yield analysis, structuring the investment entity, review of offering documents, due diligence and assistance with closing activities.

Property and Asset Management – Cascadia Behavioral Healthcare self manages over 775 units, successfully complying with landlord-tenant law, ADA, Fair Housing, etc., and with the compliance requirements of HUD, OHCS, PDC, FHLB, and tax credit limited partners. Cascadia property and asset management activities are guided by the values of privacy, tolerance, support and permanence. We strive to manage our properties as if we lived in them ourselves, while providing supports and accommodations that enhance a resident's ability to be successful and promote recovery. Cascadia has managed special needs housing for 20 years. **Juli Garvey**, Director of Asset Management, will oversee the management of the Martha Washington, including tenant selection, compliance with Landlord/Tenant Law, ADA, and Fair Housing regulations, budget preparation and monitoring, occupancy compliance and property maintenance.

Service Program - Cascadia Behavioral Healthcare provides mental health and addictions services to 17,000 people a year from offices in Multnomah, Washington, and Marion counties. Under the leadership of **Jim Hlava**, Vice President for Clinical Services, Cascadia has developed programming for persons that were formerly homeless and/or difficult to house. This programming meets resident needs, manages resident behavior, and honors Residential Landlord-Tenant law. Hlava will oversee the development and operation of services for this project, coordinating with Garvey of the Asset Management department to create safe, affordable, low barrier housing for some very difficult to house people.

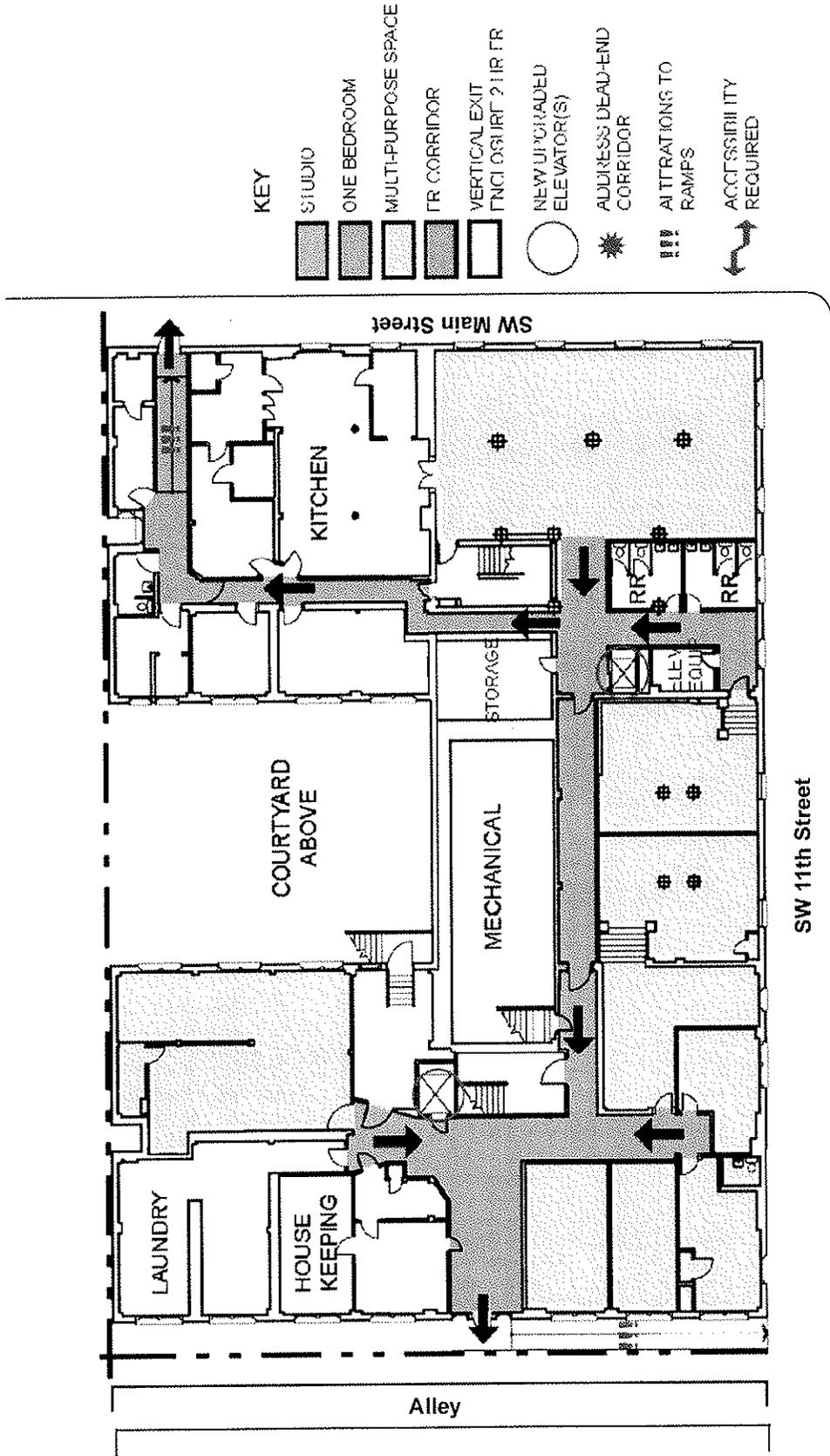
Resumes of development team members are available upon request.

## **Proposal Attachments:**

- Development Plans
- Development Budget
- Operating Budget
- Staffing Plan
- Co-developer Letter of Intent between Cascadia and WDC
- Letters of equity commitment:
  - Heritage Consulting
  - Enterprise Community Investment
  - Bank of America
  - Multnomah County
- Letters of Support
  - Central City Concern
  - Harsch Investment Properties
  - Volunteers of America
  - Winkler Development Corporation
  - Portland NW College of Art
- Zoning Code
- Copy of Oregonian article
- Cascadia Audit

## ■ Development Plans

**EXHIBIT A**

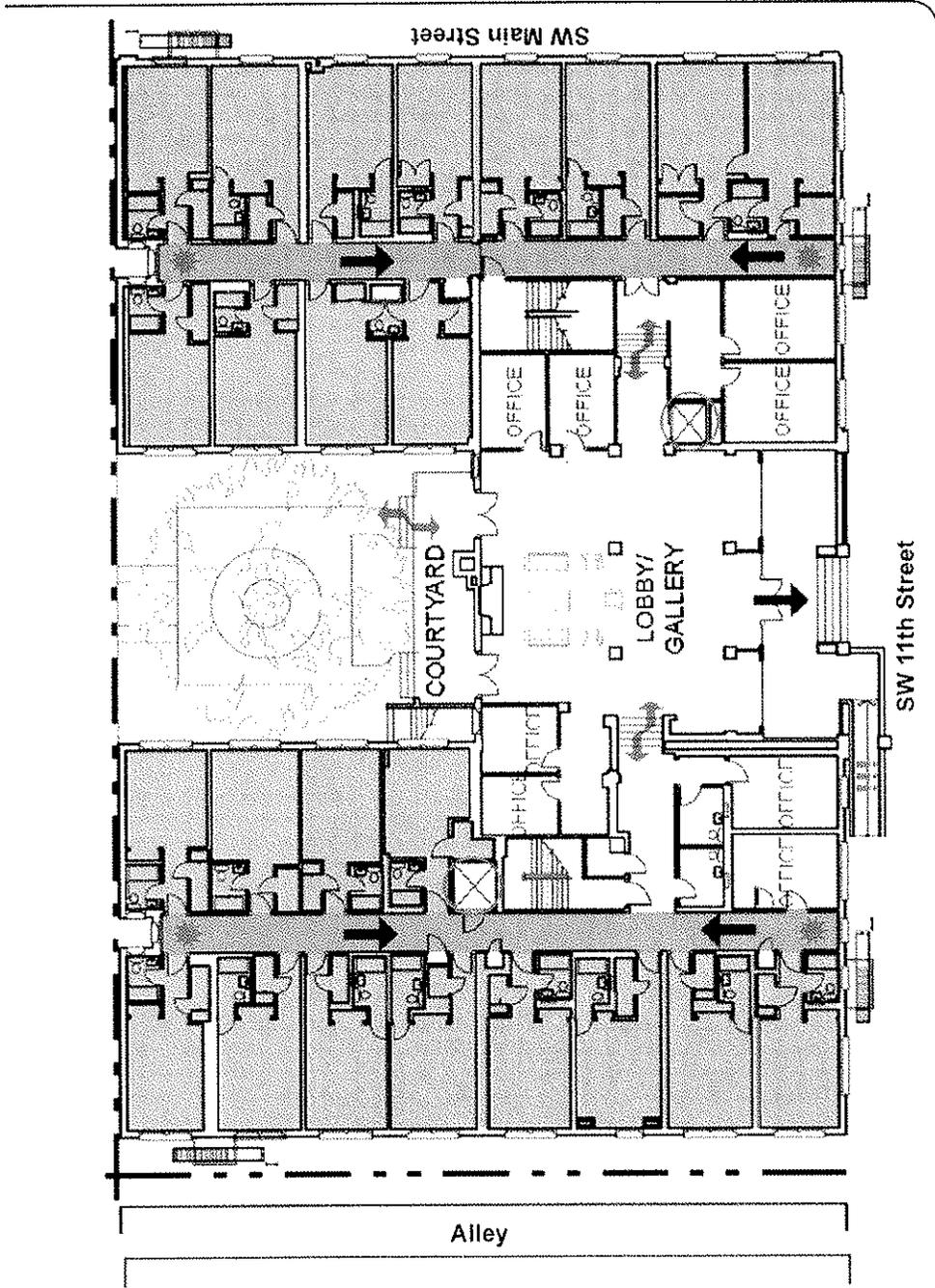


**KEY**

- STUDIO
- ONE BEDROOM
- MULTI-PURPOSE SPACE
- FR CORRIDOR
- VERTICAL EXIT
- NEW UPGRADED ELEVATOR(S)
- ADDRESS DEAD-END CORRIDOR
- ATTRIBUTIONS TO RAMPS
- ACCESSIBILITY REQUIRED

**BASEMENT FLOOR PLAN**

**EXHIBIT A**

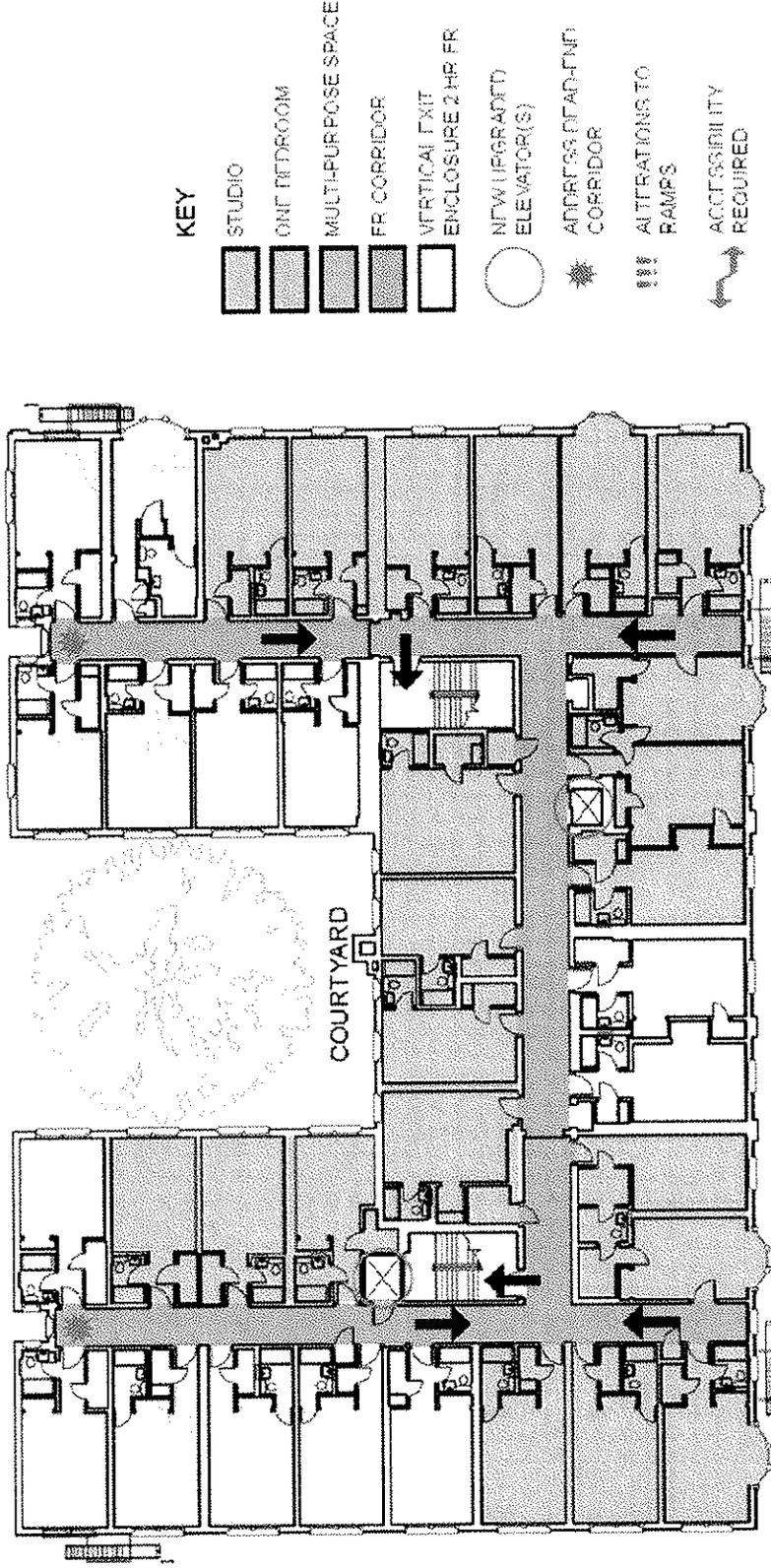


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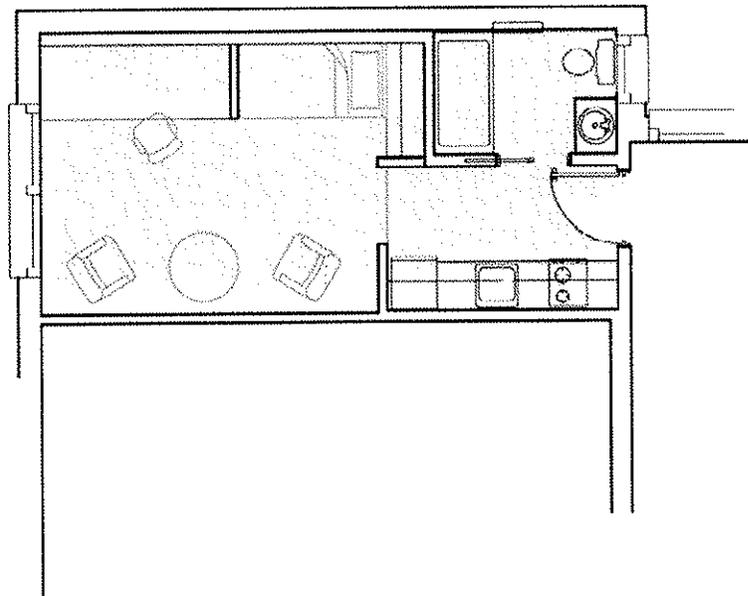
- STUDIO
- ONE BEDROOM
- MULTI-PURPOSE SPACE
- FIN CORRIDOR
- VERTICAL EXIT ENCLOSURE 2 HR FIRE
- NEW UPGRADED ELEVATOR(S)
- ADDRESS DEAD END CORRIDOR
- ALTERATIONS TO RAMP
- ACCESSIBILITY REQUIRED

**FIRST FLOOR PLAN**

**EXHIBIT A**

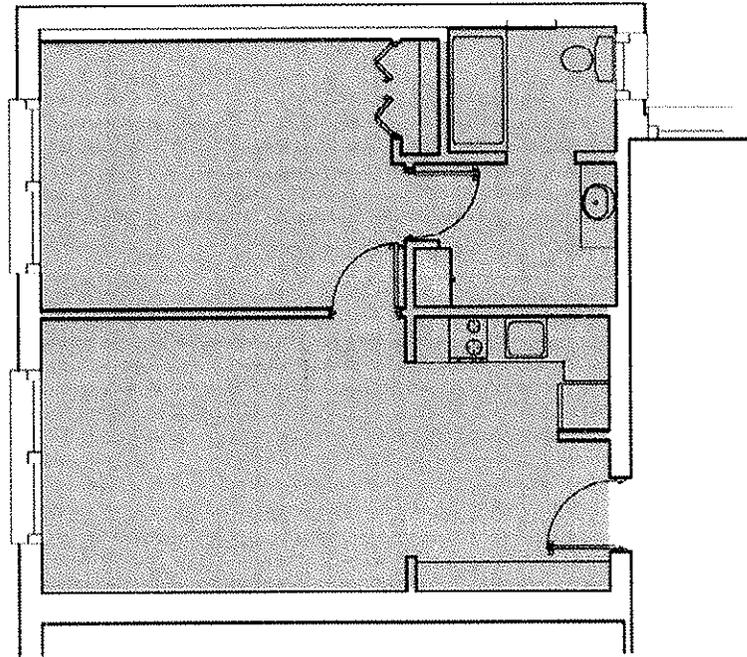


**TYPICAL UPPER STORY FLOOR PLAN 2ND, 3RD & 4TH FLOOR**



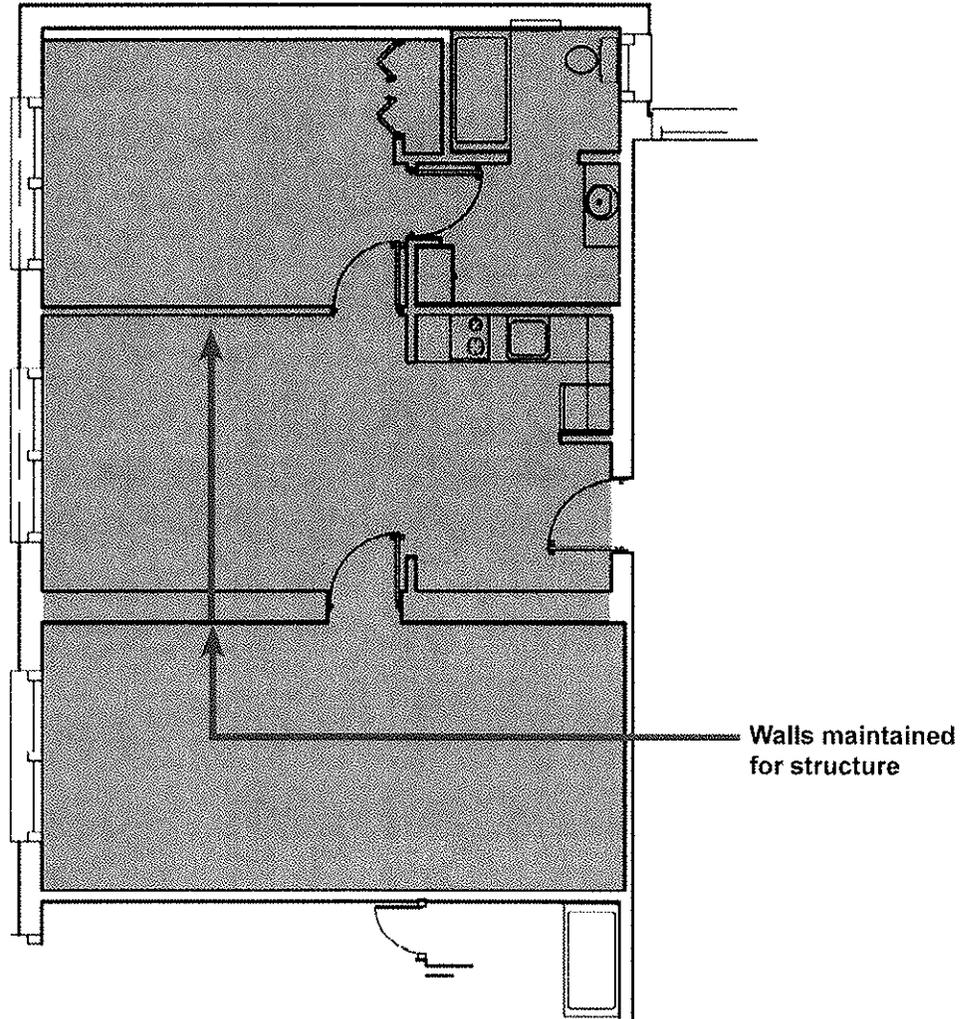
TYPICAL STUDIO-A

296 SF



**TYPICAL ONE BEDROOM-B**

593 SF



**LARGE ONE BEDROOM-C**

894 SF

■ Development Budget

# MARTHA WASHINGTON

## Sources & Uses 80 Unit Development August 2006

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### Sources

HTC	\$1,494,600
LIHTC Equity	\$2,718,424
Deferred Developer's Fees	\$300,000
Weatherization Grant	\$200,000
Trust Fund	\$100,000
TIF/PDC *	\$3,815,464
GIF/ BETC / Etc	\$75,000.00
	<hr/>
	\$8,703,488
	<hr/> <hr/>

### Uses

Shell Acquisition	0
Rehab & Soft Costs	7,515,488
FF&E	115,000
Development Fees (current and deferred)	700,000
Reserves	373,000
	<hr/>
	\$8,703,488
	<hr/> <hr/>

# MARTHA WASHINGTON

## Preliminary Development Cost Estimate

80 Unit Development

August 2006

**Land / Building Shell** 0

**Construction / Rehabilitation**

Construction Contract *	5,877,819
HC Contingency (6%)	352,669
<b>Cosntruction / Rehab sub-total</b>	<b><u>\$6,230,488</u></b>

**Soft Costs**

A&E/Project Mgt.	525,000
Historic Consultant	40,000
Lender Construction Consult.	6,000
Environmental Reports	2,500
Market Study / Appraisal	11,000
Plans, Permits & Fees	75,000
Legal & Accounting	90,000
Cost Certification	8,000
Closing Costs / Title Insurance	20,000
Insurance	82,500
Real Estate Taxes	0
Other Taxes/Fees	2,500
Pre-Development Interest	9,000
Interest During Construction	150,000
Soft Cost Contingency	60,000
Bond Fees and Points and Post Closing Reserve	195,000
Miscellaneous	8,500
<b>Soft Costs sub-total</b>	<b><u>\$1,285,000</u></b>

**Furniture, Fixtures & Equipment**

Wireless Internet Equipment	15,000
Office / Dining / Kitchen Equipment / Common Area	100,000
<b>FF&amp;E sub-total</b>	<b><u>\$115,000</u></b>

**Developer's Fees**

WDC - Overhead & Profit	250,000
CBH	150,000
CBH (deferred)	300,000
<b>Developer's Fees sub-total</b>	<b><u>\$700,000</u></b>

**Project Reserves**

Lease Up Reserve	48,000
Operating Deficit Reserve	125,000
Funded Replacement Reserve	200,000
<b>Reserves sub-total</b>	<b><u>\$373,000</u></b>
<b>Grand Total</b>	<b><u>\$8,703,488</u></b>

**Footnotes:**

* Includes seismic, green program and hi-speed internet	
Bond Fees (Private Placement on LIHTC Provider Or Risk Share)	
Tax Credit Basis	\$8,035,488
HTC Net Equity	\$1,494,600
LIHTC (less HTC plus 30%)	\$8,304,913
LIHTC Equity	\$2,718,434

■ Operating Budget

<b>Budget Worksheet</b>			
Income and Expense Projections		<b>Martha Washington</b>	
Name of Project			
		<b>8/24/06</b>	
		<b>Proposed Martha Washington</b>	
DESCRIPTION OF ACCOUNT	Acct. No.	80 units	per unit/mo
Rental Income -- 5100			
Unit Type/Number/Rent x 12			
Studio x 25 x \$329 x 12		98700	329
Studio x 25 x \$462 x 12 (rent assisted)		140400	468
1 BR x 28 x \$603 x 12		202608	603
1 BR x 2 x \$0 x 12 (Mgr Unit)		0	0
Total Apartments (N=78 revenue)	5120	441708	
Tenant Assistance Payments	5121		
<b>Total Rent Revenue Potential</b>		<b>441708</b>	
Vacancies -- 5200			
Apartments (95% occupancy)	5220	22085	
<b>Total Vacancies</b>			
<b>Net Rental Revenue</b>		<b>419623</b>	<b>0</b>
Financial Revenue -- 5400			
Interest-Project Operations	5410		
Interest-Residual Receipts	5430		
Interest-Reserve for Replacement	5440		
Income from Investments-Misc.	5490		
<b>Total Financial Revenue</b>		<b>0</b>	<b>0</b>
Other Revenue -- 5900			
Laundry	5910	9006	9
Tenant Charges (app fees, record check)	5920		
Forfeited Tenant Security Deposits	5940		
Misc Revenue (late fees, NSF checks)	5990		
<b>Total Other Revenue</b>			
<b>TOTAL REVENUE</b>		<b>428629</b>	
Administrative Expenses - 6200/6300			
Office Supplies	6311	1462	2
Partnership admin fee	6315	2000	2
Management Fees	6320	29374	31
Salaries- Service Coordinantor	6330	43680	46
Salaries- On Site Manager	6330	10296	11
Salaries- Program Monitor	6330	90418	94
Salaries- Occupancy Specialist	6330	13957	15
Manager Rent Free Unit	6331	0	0
Legal	6340	1224	1
Audit	6350	5700	6
Bookkeeping/Accounting	6351	3000	3
Telephone	6360	3600	4
Bad Debts- uncollected rents	6370	8392	9
Misc. Admin. (OHCS, LP asset mgmt fees)	6390	10700	11
<b>Total Admin. Expense</b>		<b>223802</b>	<b>233</b>

<b>Budget Worksheet</b>			
Income and Expense Projections		Martha Washington	
Name of Project			
		8/24/06	
		Proposed Martha Washington	
DESCRIPTION OF ACCOUNT	Acct. No.	80 units	per unit/mo
Utilities -- 6400			
Fuel Oil	6420	0	0
Electricity	6450	18342	19
Water and Sewer	6451	19442	20
Gas	6452	18725	20
<b>Total Utility Expense</b>		<b>56509</b>	<b>59</b>
Operations and Maintenance -- 6500			
Janitor & Cleaning Supplies	6515	1200	1
Janitorial & Cleaning Contracts	6517	13436	14
Exterminating Contract	6519	3321	3
Garbage & Trash Removal	6525	5496	6
Security Contracts	6530	6330	7
Groundskeeping Supplies	6536	900	1
Groundskeeping Contracts	6537	2400	3
Repairs Material	6541	6129	6
Repairs Contracts	6542	16436	17
Elevator Maintenance Contract	6545	4000	4
Heating Repair & Maintenance	6546	1329	1
Decorating Supplies	6561	2204	2
Other Repairs	6570	0	0
Misc. Operating & Maintenance	6590	2000	2
<b>Total Op. and Maint. Exp.</b>		<b>65181</b>	<b>68</b>
Taxes and Insurance -- 6700			
Payroll Taxes (FICA)	6711	0	0
Misc. Taxes, licenses, permits, etc.	6719	1500	2
Hazard Insurance	6721	13938	15
Worker's Compensation	6722	0	0
Health Ins/Other Benefits	6723	0	0
<b>Total Taxes and Insurance</b>		<b>15438</b>	<b>16</b>
Financial Expenses			
Interest on Mortgage	6830	0	0
Interest on Notes	6840		
<b>Total Financial Expenses</b>		<b>0</b>	<b>0</b>
Replacement Reserves		24000	25
Additions to Insurance Escrow			0
Withdrawal from Replacement Reserve Account			0
Withdrawal from Residual Receipt Account			0
Principal Payments, Mortgage		0	0
Principal Payments, PDC Equity Gap (depdnt on CF)			0
Operating Reserves			0
<b>TOTAL COST OF OPERATIONS</b>		<b>384930</b>	<b>401</b>
<b>LESS TOTAL REVENUE</b>		<b>428629</b>	
<b>Excess (Deficiency) Income Over Expenses</b>		<b>43699</b>	

**OPERATING BUDGET NARRATIVE**  
**Cascadia Behavioral Healthcare, Inc.**  
**The Martha Washington**

Account # / Description	Narrative
5120 - Rental Income	Gross rents based on 50-studio units and 28 revenue producing 1-BR units. 25 studios are targeted toward individuals at 17% of AMI or less, and are subsidized with Shelter plus Care or Project Based Section 8 to a Rent Reasonableness rent of \$495. 25 are rented at a 30% affordability rent of \$356. 28 1-BR units marketed at 50% affordability rent of \$636. 2 1-bedroom units will be designated for on-site management.
5220 - Vacancy	Anticipated at 5%.
5910- Laundry	Based on per unit per month average of similar projects managed by CBHC, reduced for vacancy.
6311 – Office Supplies	Estimate includes the cost to reorder bank checks, general office supplies, and courier expenses.
6315 - Partnership Admin Fee	Fee of \$25 per unit to the GP.
6320 – Management Fees	Computed at 7% of Net Rental Revenue.
6330 - Salaries Service Coordinator	Figure represents 1 FTE on-site service coordinator. Includes salary plus fringe (at 26%) and indirect costs. Service Coordinators will engage with tenants to determine their needs and serve as a source of ideas for meeting those needs. Will work closely with onsite management to ensure lease compliance and assist in conflict resolution. May also facilitate community groups, building activities, and education presentations on various topics of interest or benefit to the building tenants. Generally works on-site.
On-site Manger	Figure represents 1.0 FTE designated to the site. Staffing breakdown consists of 2 part time onsite managers at a .5 FTE (20 hours) per employee. Compensation includes 1 bedroom apartment and monthly stipend of \$380. Stipend is based on a wage of \$11.00 per hour paid out for 8 hours per week. (additional 12 hours are in exchange for unit) On site managers responsibilities include rent collection, marketing vacancies, touring potential tenants, generating work orders, and facilitating community meetings.
Program Monitor	Figure represents 3.0 FTE designated to the site. Staffing includes hourly wage of \$11.50 plus fringe benefits at 26%.

Program Monitors will interact informally with the residents to promote positive peer culture, and will assist in controlling access to the property, generally working on-site in the evenings and on weekends.

Occupancy Specialist	Figure represents .4 FTE designated to the building. Duties of the occupancy specialist include initial verification of eligibility, move ins, annual and interim recertification, waiting list management, and tenant compliance monitoring. Works from Cascadia's central offices. Includes hourly rate plus fringe at 26%.
6331- Rent Free Unit	2 1-bedroom units. Not included in revenue.
6340 - Legal	Estimated at 1 potential FED process per month.
6350 - Auditing Expenses	Quoted fee of \$5700. Includes cost of annual audit and tax return prepared by 3 <sup>rd</sup> party accounting firm.
6351 - Bookkeeping/Accounting	Fee based on charge of \$250 per month. Includes production of monthly financials and annual audit papers, bank account reconciliation, etc.
6360 - Telephone	Based on 5 lines at \$60.00 per month per line for office, internet, elevator, and security/fire monitoring.
6370 - Bad Debts-uncollected	Based on 2% of net rental income per experience.
6390 - Misc. Admin	Quoted includes potential oversight fee of \$50 per unit to OHCS and \$50 per unit for Limited Partner, the annual license fee for property management software (\$30 per unit), and \$300 for occupancy training.
6450 - Electricity 6451 - Water and Sewer 6452 - Gas	Figures based on per unit cost of similar project managed by CBHC. Includes heat and hot water. (Unit power for lights and cooking paid by tenant)
6515 - Cleaning Supplies	\$100 per month for supplies needed to maintain the common areas of the building
6517 - Cleaning Contracts	Based on \$700.00 per month for common areas and 18 unit turn/over cleans @ \$150.00. \$2000 reserved for exterior window cleaning.
6519 - Exterminating	Figure based on per unit cost of similar project managed by CBHC.

6525 - Garbage and Trash	Figure based on per unit cost of similar project managed by CBHC.
6530 - Security Contracts	Figure based on per unit cost of similar project managed by CBHC. Includes annual testing of fire sprinkler system, fire extinguisher servicing, monthly monitoring, and potential repairs or replacements to system.
6536/6537 – Grounds Contracts Grounds Supplies	Estimated at \$275 per month collectively.
6541 - Repair Material	Figure based on per unit cost of similar project managed by CBHC.
6542 - Repair Contracts	Figure based on per unit cost of similar project managed by CBHC. Estimate includes apartment maintenance turnover and handyman repairs (apartments and common area). Additional consideration has been given to common area carpet and upholstery cleaning as well as routing drain lines. Current hourly maintenance cost is \$32.00 per hour + mileage.
6545 - Elevator Maintenance	Figure based on similar project with 5 stop elevator service.
6546 - Heating Repair	Figure based on per unit cost of similar project managed by CBHC.
6561 - Decorating Supplies	Figure based on per unit cost of similar project managed by CBHC.
6590 - Misc. Operating Maintenance	Based on \$25 per unit for potential misc. maintenance expenses.
6719 - Taxes/Permits/Licenses	Assumes no property taxes. Figure represents business license fees and elevator permits.
6720 - Hazard Insurance	Includes Property and General Liability coverage. Figure based on per unit cost of similar project managed by CBHC.
Replacement Reserves	Based on \$300 per unit per year.

■ **Staffing Plan**

Staffing for Martha Washington Building ~ Draft 2 ~ 8/28/2006

<u>Source of Funding</u>	<u>Position</u>	<u>Pay Range</u>	<u>FTE</u>	<u>Hourly Rate</u>	<u>Salary</u>	<u>Salary, Fully Loaded</u>
County GF	Res. Admin. III	10	0.50	19.25	20,020	32,340
CDBG	Psychiatrist		0.075	80.00	12,480	20,160
CDBG	RN		0.125	28.00	7,280	11,760
CDBG	ICM III	9	1.00	17.50	36,400	58,800
CDBG	ICM III	9	1.00	17.50	36,400	58,800
<b>CDBG Funded Staff Totals</b>			<b>2.13</b>			<b>129,360</b>
<u>Source of Funding</u>	<u>Position</u>	<u>Pay Range</u>	<u>FTE</u>	<u>Hourly Rate</u>	<u>Salary</u>	<u>Salary, Fully Loaded</u>
County GF	Res. Admin. III	10	0.50	19.25	20,020	32,340
CDBG	Psychiatrist		0.075	80.00	12,480	20,160
CDBG	RN		0.125	28.00	7,280	11,760
County GF	PCS Specialist	6	0.50	13.00	13,520	21,840
County GF	Skills Trainer	6	3.50	13.00	94,640	152,880
County GF	S.T. Vacation Coverage	6	0.40	13.00	10,920	17,640
<b>County GF Funded Staff Totals</b>			<b>5.10</b>			<b>256,620</b>
<u>Source of Funding</u>	<u>Position</u>	<u>Pay Range</u>	<u>FTE</u>	<u>Hourly Rate</u>	<u>Salary</u>	<u>Salary, Fully Loaded</u>
Verity	ICM III	9	1.00	17.50	36,400	58,800
<b>Verity Funded Staff Totals</b>			<b>1.00</b>			<b>58,800</b>

■ Co-developer Letter of Intent between Cascadia and WDC

# WINKLER DEVELOPMENT CORPORATION

CENTENNIAL BLOCK  
210 S.W. MORRISON STREET, SUITE 600  
PORTLAND, OREGON 97204-3150

PHONE: (503) 225-0701

FAX: (503) 273-8591

## LETTER OF INTENT THE MARTHA WASHINGTON

This is a letter of intent between Cascadia Behavioral Healthcare, Inc. (Cascadia) and Winkler Development Corporation or an affiliate as (Winkler) to re-develop the Martha Washington building. The project will be developed as follows:

- 1 Multifamily Housing Project. The property will be acquired by Cascadia and will be re-developed as approximately 80 units of low income housing and associated common areas, including a commercial kitchen (The Project).
- 2 Owner of the Project. The owner of the Project will be an Oregon Limited Partnership in which Cascadia or an organization formed by Cascadia will be the general partner and a tax credit investor will be the limited partner. Winkler will not have any ownership interest in the Project.
- 3 Developer of the Project. Winkler and Cascadia will co-develop the Project under the terms of a formal agreement which has yet to be drafted.
- 4 Duties of Each Co-Developer. Cascadia will be responsible for the following: obtaining the property including the completion of an application to Multnomah County; obtaining tax credits including the completion of an application for low income housing tax credits and the completion of an application for historic tax credits; obtaining funding from other governmental sources; negotiating with and obtaining an equity investor; providing operating budget projections; reviewing financial proformas; reviewing and approving plans and specifications; dealing with neighborhood groups, local organizations, and adjacent property owners; obtaining insurance during construction.  
  
Winkler will be responsible for the following: developing and refining the development budget; completing financial proformas in support of the applications for property ownership, tax credits, limited partner requirements and other forms of financing; selecting and overseeing the architect and other design professionals for the Project; developing and overseeing the Project plans and specifications; coordinating the development team and consultants to provide the information necessary to complete and submit necessary applications and due diligence materials; obtaining all required permits to complete the Project; obtaining the construction loan; overseeing construction; providing accounting services during construction and through cost certification.
- 5 Co-Developer Compensation. The Developer Fee for the Project will be no higher than 15% of all costs before Developer Fee and required reserves. Cascadia and Winkler will share in the Developer Fee and any cost savings equally (50%/50%). Any deferred Developer Fee will

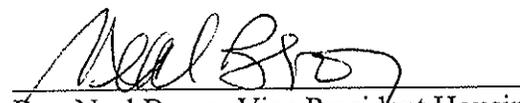
be applied solely to the portion of the Developer Fee due Cascadia. In addition to 50% of the Developer Fee, Winkler will receive any transferable FAR resulting from the Project. Winkler's cash compensation is expected to equal or exceed \$250,000.

6 Pre-Construction Development Costs. Winkler will loan the Project up to \$750,000 in pre-development expenses for such costs as architecture, engineering, historic preservation, appraisal, etc. Winkler will receive 6% interest for this loan. The monetary value of the efforts of Winkler and Cascadia related to applying to Multnomah County to be awarded the Martha Washington property are excluded from consideration as a pre-development cost. It is expected that the loan will be repaid from the first draw of the construction loan.

This letter reflects an agreement in principle only, and unless and until this transaction is evidenced by a formal agreement executed by the parties, no party shall have any legal obligation hereunder. This letter supersedes all prior correspondence relating to the Project. If the principles outlined herein are agreeable to Cascadia and Winkler the parties will proceed to complete a formal agreement.

AGREED AND ACCEPTED:

Cascadia Behavioral Healthcare

  
By: Neal Beroz, Vice President Housing Development

Date: 8/25/06

Winkler Development Corporation

  
By: James H. Winkler, President

Date: 8/24/06

■ Letters of equity commitment:

- Heritage Consulting
- Enterprise Community Investment
- Bank of America
- Multnomah County



August 21, 2006

James Winkler  
Winkler Development  
210 SW Morrison Street, Suite 600  
Portland, OR 97204

PROPERTY: Martha Washington Hotel (Campbell Hotel)  
1115 SW 11<sup>th</sup> Avenue, Portland, OR

Dear Jim:

The Martha Washington Hotel is located at 1115 SW 11<sup>th</sup> Avenue, west of downtown Portland. Currently used as the Multnomah County Restitution Center, the 4-story unreinforced masonry building was constructed in 1921 as a residential hotel, designed by Portland architect Herbert Gordon for E. Jean Campbell. The building is largely intact without major exterior modification and is listed in the Historic Resource Inventory for the City of Portland.

From our perspective, the building is eligible for listing in the National Register of Historic Places. The building meets the basic criteria of being at least 50 years old and maintaining essential integrity. We believe that the building would be eligible under Criteria A for Community Development under the Multiple Property Theme of Historic Resources in Downtown Portland, 1920-1940.

From our understanding of the proposed work, we also believe that the project would qualify for the 20% investment tax credit for historic preservation. This tax credit is available to projects that involve a certified historic rehabilitation of a certified historic structure. Typically, this means that the building is listed on the National Register of Historic Places and has been rehabilitated according to the Secretary of Interior's Standards for Rehabilitation.

Our opinion is based on 25 years of experience in the field of historic preservation and redevelopment. Heritage Consulting Group, which I started in 1982, is a national leader in securing historic preservation tax credits for the redevelopment of older and historic buildings. With projects from New York City to Los Angeles, Seattle to Miami, we have represented historic projects totaling more than \$1 billion.

Should you have questions or wish to discuss the project further, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Mawson", written over a horizontal line.

Robert L. Mawson  
Vice President

*Historic Rehabilitation Development Planning*

1115 SW Morrison Street

Portland, Oregon 97204

Phone: 503.228.4212

Fax: 503.228.4212

E-mail: [rlm@heritageconsulting.com](mailto:rlm@heritageconsulting.com)



August 29, 2006

Neal Beroz  
Vice President Housing Services  
Cascadia Behavioral Healthcare  
2130 SW Fifth Avenue, Ste 210  
Portland, Oregon 97201

Dear Neal,

The purpose of this letter is to confirm Enterprise Community Investment, Inc. (Enterprise) interest in providing equity for the Martha Washington housing project in Portland, Oregon. We are very pleased to have an opportunity to partner with both Cascadia and Winkler Companies on this very uniquely structured housing project. A project of this type is a very important part of the Enterprise mission, as 53% of the units in our 2005 projects served populations at or below 30% AMI and typically at least 20% of our projects have 1/3 or more of the units serving special needs populations. So Enterprise is no stranger to this type of a project.

The project would also enjoy the benefit of working again with two very experienced and highly skilled developers, Cascadia and Winkler Companies. This would be our third project with Cascadia having worked with them on Midland Commons, which won a national award for special needs housing and West Gresham also 100% special needs. Enterprise is very impressed by Cascadia's ability to develop special needs housing, manage it well, and provide a full array of supportive services to keep the special tenant population stable and improving in their self sufficiency. This is a benefit to the tenants, the community, and the state because it is a more efficient use of service dollars to keep the tenants housed with services rather than having them on the streets or in hospital emergency rooms.

Enterprise also takes comfort in working with Winkler Companies who are very skilled in developing all types of affordable housing and other market rate housing. This would be our second project with Winkler, as we are currently in construction with Village at the Headwaters, a senior affordable housing project in southwest Portland. I think what makes Jim unique as a developer is that he takes the time to thoroughly research his target population and understand aspects of their housing needs that most developers overlook that level of detail. I know Jim is a strong supporter of the arts community in Portland and would make every effort to develop this project in a manner that would be very attractive and beneficial to the art community and therefore the Portland community.

Working with both these developers brings us full circle to showing how the mission of the developers closely parallels that of Enterprise. Successful community development relies on strong healthy projects developed and operated by strong and healthy developers which results in strong and healthy communities. That benefits us all.

## **Equity Contribution Schedule**

Based on the information you have provided us, and assuming a total eligible basis of \$8,035,488 to determine amounts of both LIHTC and Historic Tax Credits the project would support a staged equity investment of \$1,494,600 in historic tax credits and \$2,718,424 in LIHTC, depending on investor approval, the final financing structure and tax benefits generated by the project. The tax credit factor is approximately 93 cents on the dollar and is subject to available equity and approval of Enterprise's Investment Committee.

## **Enterprise's Mission & Value**

Enterprise's mission is not simply to syndicate equity investment in affordable housing, we are a full-fledged partner and advocate for affordable housing at the federal, state, local, and project level. Our goal is to provide decent, safe, and affordable housing to everyone. Though we partner with a wide variety of organizations, we are particularly well-suited to working with non-profit and mission driven developers and owners of housing who serve those with lowest incomes, those in need of the most supportive services, and those that are otherwise the most difficult to house.

Enterprise's value to non-profit developers can begin before project conception and should remain through the life of both the project and the organization. We finance early pre-development at no cost and land acquisitions at low cost. We provide training and education (at no cost) to owners of affordable housing, from one-on-one technical assistance to on-line presentations to year-15 LIHTC disposition/acquisition planning. We fund non-profit capacity whether these partners are growing their portfolio or struggling to maintain what they have. As the financial markets change and other syndicators are purchased, leave the market, or sell their portfolio, Enterprise will continue its mission of supporting affordable housing. Enterprise's true value is realized over both the life of our projects and that of our non-profit sponsors.

## **Year-15 Planning Consulting**

Enterprise works with all non-profit owners of affordable housing in their year-15 planning, regardless of whether the projects are Enterprise investments or not. The intention of this assistance is to help further our shared mission of affordable housing. Though we offer our help to all non-profits without discrimination, we are particularly well positioned to assist those with whom we share an investment. We help our partner control their losses, monitoring from the 1<sup>st</sup> year and actively managing beginning in the 7<sup>th</sup> year, so that the project arrives at year-15 with the greatest opportunity for a smooth and mutually beneficial transfer of ownership. This allows us to meet our fiduciary responsibility to the investors while serving our partner by way of inexpensively maintaining affordable housing and supporting our shared mission. Our current non-profit partners whose projects are reaching year-15 report great satisfaction, and sometimes relief, having chosen an investor with a common mission of affordable housing.

Enterprise is uniquely suited to serve the long-term needs of the projects and the long-term needs of the organizations that operate them. Our value is not limited to providing tax credit investor equity alone, rather it is a deeper relationship which can withstand unexpected changes in both the investment markets and the rental markets. The relationship can involve funds for predevelopment financing and/or organizational capacity building. The relationship is a lasting one that benefits from the shared mission of supporting the non-profit community's development capacity and the units they build. We are available in the event that you have any questions and we appreciate your consideration.

Enterprise is prepared to move forward to offer a firm commitment of equity within 90 days of notification of the tax credit award and approval of other funding sources. We look forward to working with you on this project as you move forward with your tax credit and financing commitment. Please let me know if you need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Margaret Jonsson". The signature is written in a cursive, flowing style.

Margaret Jonsson  
Development Officer