

# Multnomah County Health Department Headquarters

## Preliminary Planning Proposal

**Project:** A Headquarters for the Multnomah County Health Department, on NW 6<sup>th</sup> Avenue between NW Hoyt & Irving Streets (Block U2), developed in partnership with Home Forward (formerly the Housing Authority of Portland), to replace the McCoy Building.

**Date:** December 15, 2011

### Sponsors and Stakeholders

**Sponsors:**

- Multnomah County Chair Jeff Cogen
- Multnomah County Commissioner Deborah Kafoury, District 1
- Multnomah County Health Department

**Stakeholders:**

- Multnomah County Board of Commissioners
- Home Forward
- City of Portland Housing Bureau
- Portland Development Commission
- Multnomah County Facilities & Property Management

## Background

For over a decade, Multnomah County has been looking for opportunities to vacate the McCoy Building. The building is in poor shape, was not designed to accommodate its current functions, and requires significant investment in upcoming years. In August of 2010, Multnomah County convened with Home Forward to discuss the feasibility of relocating the McCoy Building functions to the east half of Block U. This property is adjacent to the Bud Clark Commons and is owned by the City of Portland's Portland Housing Bureau (PHB).

This property was compelling to the county for three important reasons. First, Home Forward has an exclusive option to submit a proposal to the PHB to develop this property. The option expires January 28, 2011 and with a land cost of zero dollars. Second, the land is within the River District Urban Renewal Area in which \$26.9 million has been set aside for County facility needs. Finally, the site is close to the current McCoy Building and will continue to well serve the clients and staff who would occupy the space.

Home Forward and Multnomah County conducted a feasibility study (Appendix A) on the site which included current MCHD configurations, desired department efficiencies, site capacity, and financial feasibility. The preliminary Block U2 Feasibility Report includes background information on the current programs and conditions at the McCoy Building, an overview of the proposed site, three development options, and a preliminary outline of the financial structure and budget for the development project.

The zoning for block U2 allows for a maximum building height of 75 feet which can accommodate a 6-story, 96,000-square-foot, concrete building. Three development programs were considered in the feasibility study. Option III/Scheme 6-Concrete with 6 floors split between office and clinic use with total development costs of \$40.6 million is the recommendation. This option maximizes the capacity of the site, is large enough to hold the public health functions from the McCoy Building that need to remain downtown and will allow the County to vacate the McCoy building. Environmental reports and information relative to the site are included in Appendix B of the Feasibility Study. The proposed site is well served by public transportation, both bus and light rail. For existing clients of MCHD, the shift to Block U is only 0.5 miles from the McCoy Building.

The financial structure for the development of this building combines the County's commitment of \$26.9 million in Tax Increment Financing (TIF) from the City of Portland's River District Urban Renewal Area along with the use of New Market Tax Credits (NMTC). (A summary of the NMTC program is provided in Appendix D2 of the Feasibility Study.) This structure would allow \$5.8 million of private funding to be leveraged towards the development of a building. The report includes a chart that provides a general comparison of the possible financial structures. The building would also require a financial contribution from the County of \$7.9 million.

## **FAC- 1 Process**

The following is an outline of the FAC-1 process proposed for this project.

- A. Approval Preliminary Project Proposal
  - a. Submittal of Proposal to City of Portland – Portland Housing Bureau
  - b. Portland City Commission Approval
- B. Development of IGA between Multnomah County and Home Forward
  - a. Define Roles and Responsibilities
  - b. Identify Funding Sources
  - c. Project Development and Schedule
- C. Project Proposal
- D. Project Plan
- E. Project Design and Construction

## **Project Goals**

- 1. To provide the Multnomah County Health Department a permanent sustainable location from which they deliver critical services to Multnomah County residents.
- 2. Vacate and dispose of the McCoy Building.
- 3. Use TIF resources set aside for Multnomah County to advance the County's Mission.

## **Existing Conditions**

### **McCoy Building**

The McCoy Building, 426 SW Stark, was built in 1923 and acquired by the county in 1988. Built as a retail and administrative space, it was not intended for its current use. With the exception of some retail and storage space, this 98,000 square foot building is used by MCHD for a variety of clinical and administrative functions. Nearly 250 employees report to work daily at the McCoy building. The McCoy Building has a seismic need estimated at \$13,000,000, and an additional \$15.3 million in deferred maintenance. The next five year plan alone includes \$1.9 million of needed improvements. In addition to the valuable Health Department functions, this building also holds the public health emergency operations center. The entire community relies on this function being a structurally sound facility in event of a public health emergency.

Further, while the McCoy Building is conveniently located near the transit mall, the building is neither situated in a manner that is particularly welcoming to the public nor efficient for client centered services. The building is functionally obsolete, especially for client serving functions.

## **Program Functions**

### **Health Department**

The Multnomah County Health Department (MCHD) works in partnership with its diverse communities to assure, promote, and protect the health of the people of Multnomah County. MCHD provides essential public health services including communicable disease prevention, investigation and reporting, maternal-child health home visiting, public health emergency preparedness, environmental

health services, health assessment and evaluation, and community-based chronic disease prevention. MCHD also provides high quality care to vulnerable populations through its primary care clinics, school-based health centers, dental clinics, and specialty clinics throughout Multnomah County.

## Programming Objectives

- A. Site on west side to maintain accessibility for community members
- B. Easily accessible by public transit
- C. Facility to accommodate 90,000 contiguous square feet of program
- D. Economically Viable – maintain the same, preferably reduce, overall annual operating costs

## Project Scope

Construct a 6 story concrete building to house Health Department operations currently located at the McCoy Building. The programming consists of approximately 96,000sf, of Health Department Administration and clinics. The lower floors will serve as the clinic space with the administration on the upper floors.

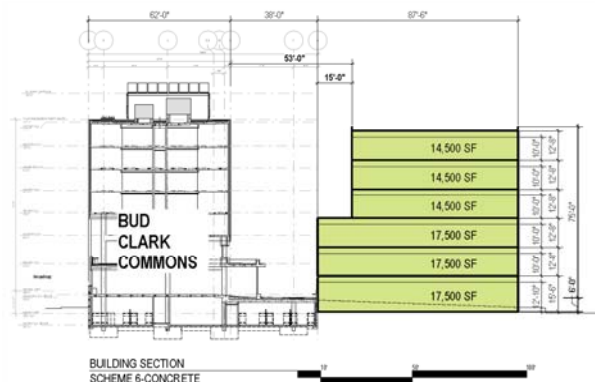
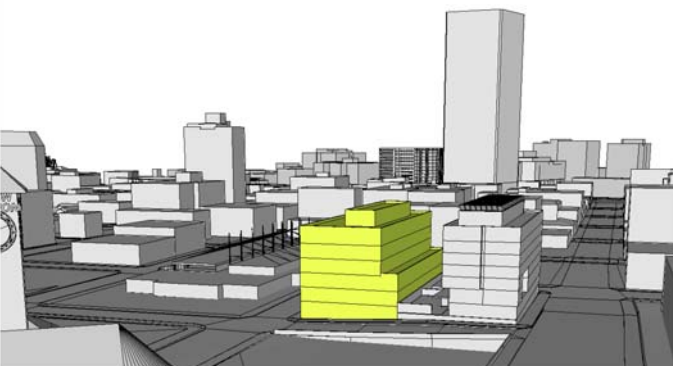
The following is preliminary distribution of the spaces based on square footages from the McCoy building and a diagrammatic massing scheme outlined in the feasibility report:

PROGRAM ELEMENT	MCCOY (sf)	SCHEME 6-CONCRETE (sf)
TB CLINIC	5,329	5,329
COMMUNICABLE DISEASE	3,527	3,527
IMMUNIZATIONS	1,492	1,492
ICS ADMINISTRATION	5,737	5,737
LAB	5,689	5,689
STD CLINIC	9,722	9,722
PHARMACY	1,257	1,257
PHARMACY ADMINISTRATION	1,289	1,289
WESTSIDE HEALTH CENTER / HIV CLINIC	18,184	13,000
MULTI-CARE DENTAL	1,142	1,142
MEETING AND STORAGE SPACE	3,169	3,169
<b>SUB TOTAL (COUNTY CLINIC ONLY)</b>	<b>56,537</b>	<b>51,353</b>
MCHD ADMINISTRATION	36,478 *	34,000 *
<b>SUB TOTAL (COUNTY TOTAL PROGRAM)</b>	<b>93,015 *</b>	<b>85,353 *</b>
COMMON AREAS	16,109	10,647
<b>TOTAL AREA</b>	<b>109,124 *</b>	<b>96,000 *</b>

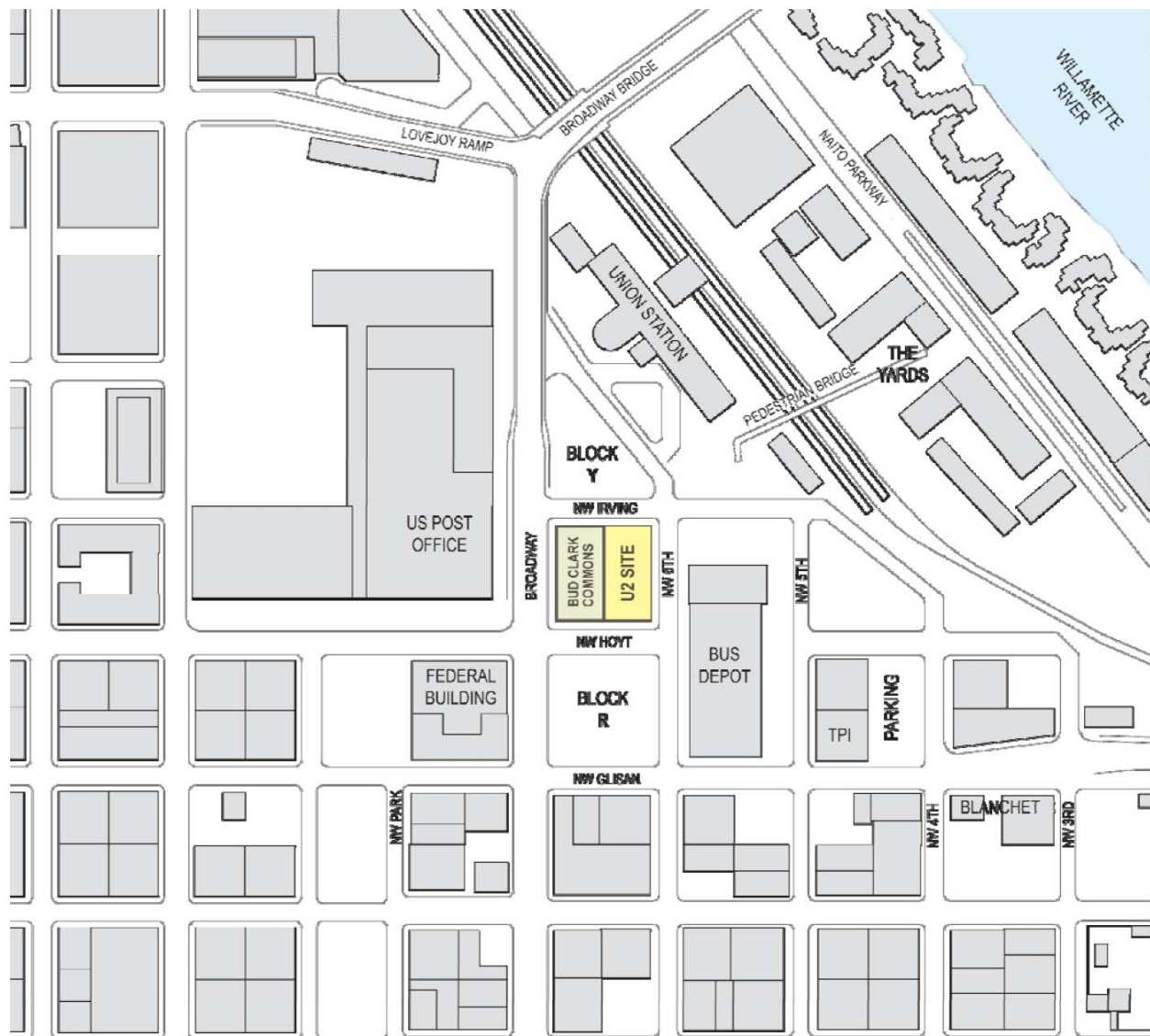
*blue = approximate (estimated from existing McCoy Building size)*

*red = area is less than existing McCoy square footage*

*\* includes 9,124 square feet of MCHD Administration from Lincoln Building*



## Proposed Project Site



## Project Delivery Model

Home Forward and Multnomah County have a strong working relationship that includes real estate development and programs that serve low income people. The recently completed James Hawthorne and Martha Washington are two real estate projects that illustrate our successful working relationship. In addition, Multnomah County and Home Forward have shared goals for community participation, MWESB participation, and efficient sustainable construction techniques. As a public sector real estate developer, Home Forward has experience meeting these goals and managing the regulatory requirements of public works projects.

Home Forward will serve as the County's developer for this project. This role will include:

- Managing the design process
- Managing the construction
- Assembling financing

All work to be done in concert with County to ensure the development process and the building meets the County's needs.

## **Multnomah County Policies and Initiatives**

With any major Capital Project, Multnomah County is dedicated to ensuring the following policy initiatives are included in the project development.

- A. LEED Gold Certification
- B. Minority, Women, and Emerging Small Businesses Program
- C. Solar Initiative
- D. Architecture 2030
- E. Regional Arts & Culture Council
- F. Climate Action Plan
- G. BOLI Wages
- H. Mixed-Use Development in new construction, when possible

## **Preliminary Budget Estimate**

This preliminary budget estimate is \$40,600,000. This is based on the preliminary programming and diagrammatic massing from the feasibility study. These costs are for the development and construction of the building and do not include financing or operating cost estimates at this time.

The following are components of the project cost estimate.

*\$35,000,000 - Development and Construction of the facility per feasibility study*

*\$5,600,000 – Relocation, FFE, Telecom, Security, Medical Equipment, and County Initiatives*

## **Funding Sources**

The following are potential funding sources for this project. As this project is further defined, the balance of these sources will be leveraged and measured per the availability of the funding. This is preliminary funding model based on the preliminary budget estimate.

- \$26.9 Million – Tax Increment Financing (TIF) – City of Portland
- \$5.8 Million – New Market Tax Credits (NMTC)
- \$7.9 Million – County Internal Funding\*

*\*It is anticipated that Multnomah County will need to finance a portion of this work. Potential sources are One-Time Only, Full Faith and Credit borrowing, Disposition of the McCoy Building, etc. The McCoy building is not currently listed as County Surplus Property.*

## Project Milestones

### December 13, 2011

Board Briefing to Board of County Commissioners

### December 15, 2011

Resolution to Board of County Commissioners for Approval of Preliminary Planning Proposal

### December 20, 2011

Home Forward & County Submittal of Project Plan to Portland Housing Bureau

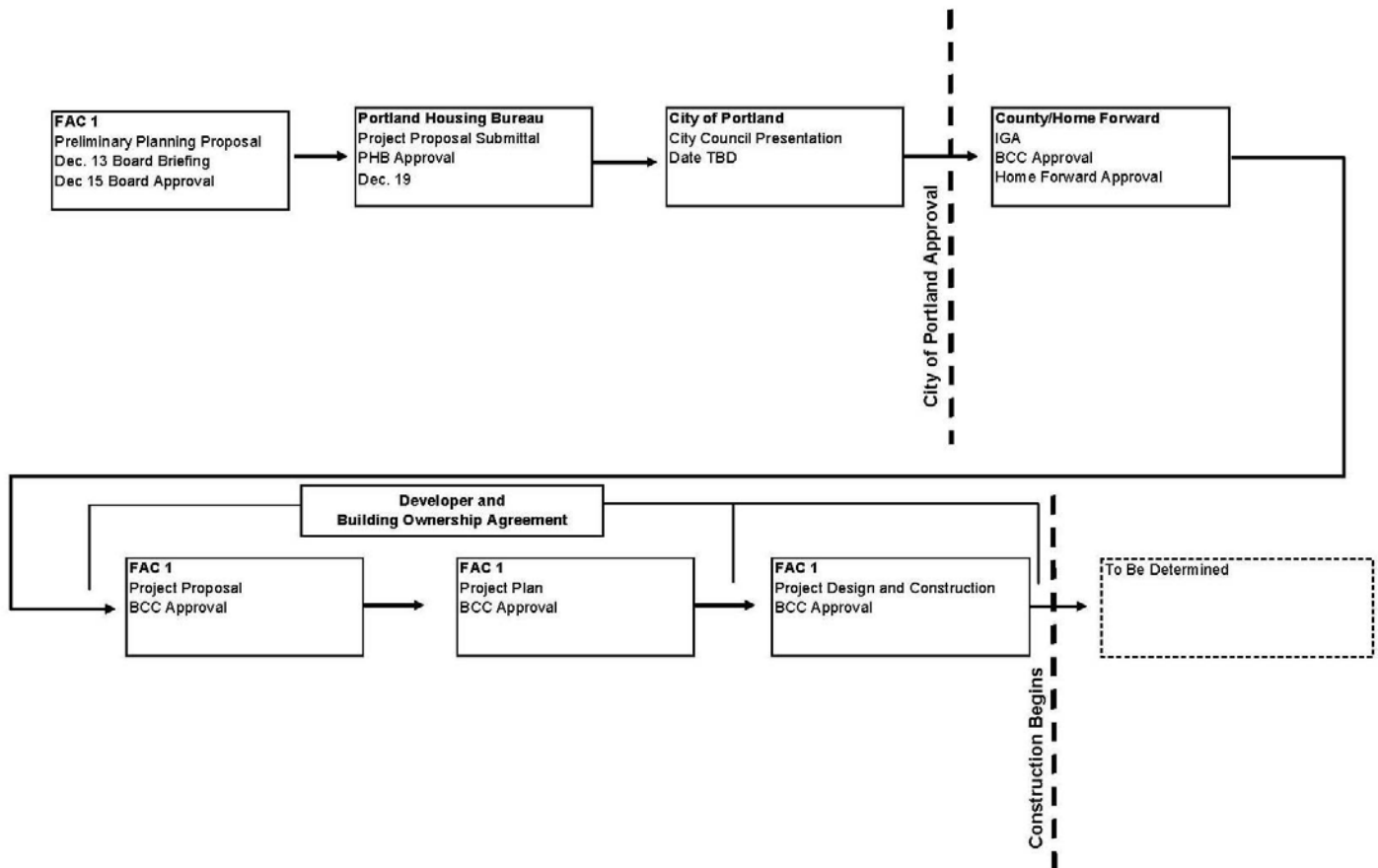
### To Be Determined

Approval of Home Forward Project Plan by Portland City Council

### To Be Determined

IGA between Multnomah County and Home Forward defining the roles and responsibilities of Project Delivery

The following is general diagram on upcoming project phases:





## **Project Team**

There will be a cross disciplinary project team assembled for the development of this project. Members of the immediately affected departments and agency partners will form this team. It is expected that a project steering committee will be utilized throughout this project providing regular updates on project status to project sponsors and stakeholders. The following is an initial list of project team members; a complete list of team members will be included in later stages of the planning.

Project Team:

- Multnomah County Health Department
- Facilities & Property Management Division
- Home Forward
- Multnomah County Attorney
- Multnomah County Finance Office
- Multnomah County Board of Commissioners

## **Public Outreach**

This public involvement plan describes how the County will reach out to stakeholders including neighbors of the proposed site, patients and user groups of the Multnomah County Health Department and Clinics, employees, and other governmental organizations to share information and solicit feedback on decision-making throughout the siting and construction process.

### **Goals of the Public Involvement Plan**

The goals of this public involvement effort are to:

1. Provide clear communication about the proposed development, functions of the building, decision-making, and project schedule.
2. Build trust and support for the project through regular and timely communication to key audiences.
3. Provide opportunities for informed community involvement on decision-making items.
4. Provide a point of contact for the project.

### **Point of Contact**

The point of contact for this project is the Multnomah County Communications Office.  
Julie Sullivan-Springhetti – (503) 988-5766.

### **Key Staff**

- Multnomah County Communications Office: Julie Sullivan-Springhetti; (503) 988-5766; julie.sullivan-springhetti@multco.us
- Multnomah County Health Department: KaRin Johnson, Deputy Director; (503) 988-3674 x29122; karin.r.johnson@multco.us
- Home Forward: Pamela Kambur, Community Relations Manager; (503) 802-8508; pamela.kambur@homeforard.org

## **Major Decision Points**



1. **Location** – Multnomah County understands that the community has been very interested in what becomes of this site. We will share information about why this site matches the criteria outlined by the County for the Health Department Headquarters, what functions are critical for this site, and what opportunities the County’s presence will have to improve current challenges in the neighborhood. Ultimately the two decision-making entities for this site are the Portland Housing Bureau, who currently owns the land, and the Multnomah County Board of Commissioners. Multnomah County is not evaluating alternative sites for this purpose at this time. The criteria outlined by the Health Department for this facility are as follows:
  - a) The site must be within the River District Urban Renewal Area to allow Tax Increment Financing (TIF) funds, set aside for the County, to be used for construction.
  - b) The site must be downtown to maintain accessibility for our clients and maintain the only health department clinics on the west side.
  - c) The site must be easily accessible by transit. The current facility is served by both multiple bus lines and light rail.
  - d) The facility will house the County Health Department’s Emergency Operating Center and must meet current seismic standards that ensure the continuity of this operation.
  - e) The parcel must be a big enough parcel to accommodate 90,000 contiguous square feet of program. This will allow the County to vacate the McCoy building completely and co-locate health department services and programs that need to stay downtown in one facility.
  - f) The site must be zoned to accommodate health clinics and office functions.
  - g) The site must be economically viable – the County needs a space that allows us to maintain our same overall operating costs.

In addition to the items above, the County would prefer the site:

1. Allow for ground-floor clinic space to increase accessibility for clients.
2. Be in proximity to other social services.

2. **Design** – The County will seek to involve neighbors and interested stakeholders in the design of the facility. We anticipate presenting design options to community members through a short series of design workshops to seek input. This could also include input regarding potential retail involvement in the facility.
3. **Good Neighbor Agreement** – it is customary for the County to enter into Good Neighbor Agreements (GNA) with the surrounding community when siting a facility. We intend to have a GNA process that will involve community participation.
4. **Public Art** – the County is required by statute to participate in the “Per Cent for Art Program” (a percent of the construction budget for new facilities is dedicated to public art that enriches the facility and the community.) A committee involving neighbors and stakeholders will be developed in conjunction with the Regional Arts & Culture Council to select an artist and ensure art is incorporated into the project.
5. **Contracting** – every effort will be made to include local contractors and contractors from minority, women or emerging small businesses. Community engagement in developing the constructing and subcontracting plan will be facilitated.

## **Key Stakeholders**

The following stakeholders have been identified as central to our outreach efforts:

- Multnomah County Health Department Patients
- Community Health Council
- Old Town China Town Neighborhood Association (including the Crime Prevention/Livability and Land Use Committees)
- Pearl District Neighborhood Association
- Old Town China Town Business Association
- Pearl District Business Association
- Portland City Council
- Portland Business Alliance
- Downtown Clean & Safe
- River District Urban Renewal Advisory Committee
- Chinese Consolidated Benevolent Association
- Health Department Partners & Contracted Organizations (Including: Cascade Aids Project, Native American Rehabilitation Assoc. (NARA), Outside In, Portland Rescue Mission, Project Access NOW, Street Roots, Transition Projects, Inc., CareOregon, Oregon Primary Care Association, DHS Medical Assistance Programs & OHP (DMAP), Coalition of Community Health Clinics, BPHC Project Officer, Central City Concern)
- Adjacent Neighbors & Neighboring Businesses (AMTRAK, Greyhound, Pacific Northwest College of Art, US Post Office, Tri-Met, Park Blocks/Yards Condo residents, Small Businesses in the Train Station)
- Other Governmental Partners (including Portland Police Bureau)
- Service Providers (Including Sisters of the Road, Cascadia Behavioral Health, De Paul Treatment Centers, Harbor Light, Innovative Housing, Inc., JOIN, Life Works, Luke-Dorf, Inc., National Alliance of Mentally Ill (NAMI))
- Multnomah County Health Department Employees
- AFSCME Local 88
- Oregon Nurses Association

## **Outreach Tools**

The main tools Multnomah County will use to communicate and seek input are:

1. One on One meetings with key stakeholders early on in the process to determine where there are issues that need to be resolved.
2. Community meetings with neighborhood association and business groups to share information about the proposal, answer questions, and share opportunities for public involvement
3. Throughout the development Multnomah County will host community meetings with project representatives with adequate time for one-on-one discussions before and after meetings.
4. Provide regular updates to standing organizations, like neighborhood associations, that have an ongoing interest in the project through the development timeline.
5. Project Website (similar to [www.sellwoodbridge.org](http://www.sellwoodbridge.org))
6. Project Fact Sheet with contact information for questions
7. Frequently Asked Questions Sheet
8. Media Releases on major milestones
9. Information sessions for employees with County and Home Forward Leadership
10. Email list serve of interested parties

## Media Relations

1. Hold press briefings and tours
2. Regular press releases
3. Create and distribute media kit
4. Invite press to community meetings
5. Place feature stories
6. Foster relationships with key media contacts

## Talking points

***The Multnomah County Health Department has the opportunity to build a new headquarters in Portland – which is important, because the current building isn't sufficient.***

- The County has sought to leave its 426 S.W. Stark St. headquarters for more than a decade.
- The 1923 McCoy Building was built for shops and offices. It was never designed to house five medical clinics, a laboratory and a pharmacy.
- As the county's role as public health authority and health care leader grows, the need for a modern, efficient building continues to grow. Yet attempts to leave the McCoy have failed because the move is too expensive, or would require raising the county's debt limit.
- The McCoy building is expensive to maintain (millions in the coming years), and carries a \$13 million seismic liability.
- We realize that most people in Multnomah County live with the threat of an earthquake. But what most people don't realize is that the critical response team that will take over in the event of a public health emergency such as an earthquake is housed on the 10th floor of the McCoy.

***Multnomah County and Home Forward, formerly the Housing Authority of Portland, have an opportunity to build on vacant land next to Bud Clark Commons.***

- Home Forward has the first option on this Portland Housing Bureau land.
- And because it's in the River Urban Renewal District, the county can tap up to \$27 million in financing through the city of Portland.
- We can tap another \$5.8 million in private funding under a federal investment program designed to help create jobs.

***We've studied the site on Northwest Sixth between Hoyt and Irving streets, and it works.***

- The location, across from the Greyhound Bus station, is accessible for clients and community members, easy to reach by transit and close to other social services.
- It is large enough for the 90,000 square feet of space our employees need to run a modern public health department that adequately serves our clients and community members throughout the county.

***Here's what would be there, and what functions the building would serve:***

- There will be administrative/support staff along with clinical staff – about half and half.
  - **Clinical:** including specialty clinics, a lab and a pharmacy.
  - **Administrative:** The remaining space would house our administrators and support staff who oversee 25 primary-care, dental and school-based health clinics, services for children and families, public health emergency preparedness, emergency medical services, and the office of the Health Officer.
- The building would see roughly 200 clients and 250 employees on a daily basis.
  - These are good jobs – nurses, physicians, administrators and their staff – all well paid.
  - These people are good neighbors. They will add to the Old Town neighborhood.

***The jobs that come with this project will also add up.***

- The \$47 million Bud Clark construction poured more than \$5.5 million in contracts to women and minority-owned businesses and employed 125 construction workers.

***This is an opportunity we must consider.***

- We want to engage your members, the neighborhood, the 69,000 clients we serve throughout Multnomah County and our employees in the design and planning of what comes next.
- We think it's that rare chance to do what's best for the people we serve, for that Portland neighborhood that needs revitalizing and for taxpayers.

## **Frequently Asked Questions**

### **What's happening?**

The Multnomah County Health Department has an opportunity to build a new headquarters on Northwest Sixth next to the Bud Clark Commons.

### **Why?**

The County has sought to leave its headquarters in the 88-year-old McCoy Building, 426 S.W. Stark St., for more than a decade. The McCoy needs millions in upgrades and more than \$13 million to meet earthquake standards. Earlier attempts were too expensive or required raising the county's debt limit.

### **Why now?**

Home Forward has an option on vacant land owned by the Portland Housing Bureau. Because the land is part of the River Urban Renewal District, the county can tap up to \$27 million in financing through the city of Portland and another \$5.8 million in private money under a federal program designed to create jobs. Home Forward is serving as the developer on the project and has a strong interest in a facility that complements the Bud Clark Commons by providing health services.

### **What will it mean for the neighborhood?**

About 250 public health professionals including doctors, nurses and pharmacists, will work, eat and shop in the neighborhood. About 200 clients will visit our health services daily, with most of them coming to the pharmacy. Construction will also generate activity. The \$47 million Bud Clark construction poured \$5.5 million in contracts to women and minority-owned businesses and created 125 construction jobs.

### **What will it look like?**

Multnomah County will meet with neighbors, clients and employees for the best possible design and plans. Approximately half the 90,000 square feet will be for health care, including specialty clinics, a pharmacy and lab. The rest will house our administrators and staff who oversee Multnomah County's 25 health clinics, services for children and families, public health emergency preparedness, emergency medical services, and the office of the Health Officer.

### **Will there be an opportunity for retail?**

Multnomah County has procedures when any new building to consider economic opportunities for the community such as mixed-use development. In this case, we have to find out what is compatible with the health department's needs and discern what are the community's wants. The initial feasibility

study for this project did not include retail but we've already heard it's important to the community and we're committed to considering the option.

**What are the next steps?**

The county has collaborated on a feasibility study with Home Forward . On Dec. 15, the Board of County Commissioners will vote to on a preliminary planning proposal which will be submitted to the Portland Housing Bureau for its consideration.

**Project & Outreach Schedule**

*(on following page)*

11/1 – 12/1/11	One on One meetings with Community stakeholders (summary of those meetings follows)
Week of 11/7	MCHD internal communication-email from KaRin Johnson to Managers and Supervisors affected by potential move informing them of project outreach process, basic talking points and main contact at County Communications.
11/14/11	Community Health Council Presentation
11/30/11	Old Town Chinatown Neighborhood Association: Livability & Public Safety Committee Presentation
12/6/11	Old Town China Town Board Meeting Presentation
Week of 12/5	MCHD internal communication-email from KaRin Johnson to Managers and Supervisors affected by potential move informing them of pending Board action on 12/13, re-sending talking points for questions from staff and directing staff to Multco Commons group for further communications.
12/13/11	10:00 am - Board of County Commissioners Briefing on FAC-1 Resolution “Preliminary Planning Proposal” to begin the siting and development process
12/15/11	9:30 am - Board of County Commissioners Vote on FAC-1 Resolution “Preliminary Planning Proposal” to begin the siting and development process
12/20/11	Proposal Submittal - Home Forward and Multnomah County submit proposal to PHB
1/28/12	Home Forward Option expires
Dates TBD	Portland Housing Bureau makes land decision
	Portland City Council Votes on land decision
	Portland City Council Votes on land decision
	Multnomah County Board of Commissioners approves Intergovernmental Agreement with Home Forward to develop the property
	Home Forward Board approves Intergovernmental Agreement with Multnomah County to develop the property
	Board of County Commissioners FAC-1 – “Project Proposal”
	Board of County Commissioners FAC-1 – “Project Plan”
	Board of County Commissioners FAC-1 – “Project Design & Construction”
	Construction Begins
	Estimated Completion

## Public Outreach – Results to Date

### Meetings held with:

- Dorian Yee – President, Old Town China Town Business Association (also on board for Transition Projects, Inc.)
- Howard Wiener, Livability Community Chair, Old Town China Town Neighborhood Association
- Doreen Binder – Executive Director, Transition Projects, Inc.
- Dave Davis – Chair, Pearl District Neighborhood Association
- Patty Gardner – Transportation & Design Review Committee Chair, PDNA Planning
- Nancy Stovall – Chair, Old Town China Town Neighborhood Association
- Patrick Gortmaker - Chair, Old Town China Town Land Use Committee (also from Kalberer Co. and River District URAC)
- Paul Verhoeven - Vice Chair, Old Town China Town Land Use Committee (also Executive Director of Portland Saturday & Sunday Market)
- David Gold – Goldsmith Blocks, LLC
- Ed Blackburn - Executive Director, Central City Concern
- Thomas Manley, President of Pacific Northwest College of Art
- Al Solheim, Board Chair of Pacific Northwest College of Art
- Stephen McGeary, Board Vice-Chair, Pacific Northwest College of Art
- Adele Nofield, President of the Pearl District Business Association (also General Manager of Wilfs)
- Stephen S. Ying, President, Chinese Consolidated Benevolent Association
- Multnomah County Community Health Council
- Old Town China Town Neighborhood Association
- Old Town China Town Neighborhood Association Livability & Public Safety Committee

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***At each meeting, Multnomah County and Home Forward clearly explained the project, heard concerns and answered questions. Below is a summary of common questions and feedback.***

### Common questions: (see FAQs and Talking Points for answers)

- Who will work there?
- Who are your clients?
- What services will be provided? Will there be retail?
- What will it look like?
- When will it happen?
- What is the process?

### Feedback:

All those we met with were happy to be included in the conversation early and the overall reaction can be best characterized as “cautiously supportive.” That is, this can be a good development, but we have to move forward in a way that acknowledges the challenges facing the neighborhood.

The challenges can best be described as the desire for the neighborhood to strike a successful balance between essential social services, businesses and residential needs. There is notable enthusiasm around having more people with disposable income to shop and eat in the neighborhood. There is also concern about additional concentration of social services in the neighborhood. The overall sense is that this project would serve as a compatible neighbor to the Bud Clark Commons.



Those we met with expressed a strong desire for the block to not continue to sit empty and that it not include more low-income housing. Participants in prior development projects in the neighborhood spoke highly of Good Neighbor Agreements, but identified working relationships as essential to making those documents functional. It's clear that neighbors have worked hard to create understanding and compassion among all interests in the area. Through that effort, much has been learned about what works and what doesn't when it comes to safety and livability. Suggestions and questions included lighting, parking and public restrooms.

This group is well versed in process when it comes to development in the neighborhood. Many had questions about what the process looks like between Multnomah County, the City of Portland, the Portland Development Commission and Home Forward. Process for public involvement is clearly very important. Participants noted their desire for more public engagement on the following topics:

- Design – exterior and interior. Neighbors want say in what it looks like, and providers, clients and employees want a say in the layout.
- Ground floor retail - there is a desire for Multnomah County to consider this.

Commitments were made to keep all involved and informed as the process moves forward and to continue talking to larger groups about the project.

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## **Appendix A**

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See Attachment  
Block U2 Development - Feasibility Report



# BLOCK U2 DEVELOPMENT Feasibility Report

**DRAFT**



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# Executive Summary

DRAFT

In August of 2010, Multnomah County convened with Home Forward to discuss their interest in a feasibility study for their clinic to be relocated to the east half of Block U. Since February 2011, the Multnomah County Health Department (MCHD) and Home Forward have taken initial steps for a feasibility study to determine whether the project could have merit. To that end, Home Forward, MCHD, and Multnomah County representatives have worked together to gather the initial information regarding the current MCHD configurations, desired department efficiencies, site capacity, and financial feasibility.

The preliminary Block U2 Feasibility Report includes background information on the current programs and conditions at the McCoy Building, an overview of the proposed site, three development options, and a preliminary outline of the financial structure and budget for the development project.

The enclosed background information shares the current programming within the McCoy Building and highlights the clinical and administration spaces and functions for Multnomah County Health Clinic. The clinical space of 56,537 square feet includes a tuberculosis clinic, a sexually-transmitted disease clinic, the Westside Clinic, a communicable disease clinic, and an immunizations clinic, along with lab areas, multi-care dental areas, and a pharmacy. Administration space of 36,478 square feet is associated with the various clinics and includes meeting rooms, storage space, and the Multnomah County Emergency Operations Center. The McCoy Building is in poor shape, and Multnomah County has been actively looking for divestment options over the last several years.

An overview of the proposed development site indicates that the land is valued at \$2,485,000, assuming \$150 per square foot for 17,500 square feet on the eastern portion of Block U. The zoning allows for a maximum building height of 75 feet which equates to a 6-story, 105,000-square-foot, concrete building. Environmental reports and information relative to the site are included in Appendix B. In addition, the proposed site is well served by public transportation, both bus and light rail. For existing clients of MCHC, the shift to Block U is only 0.5 miles from the McCoy Building.

Three development programs are considered: Option I/Scheme 3-Steel consisting of 3 floors of clinic space with total development costs of \$21.3 million; Option II/Scheme 4-Steel consisting of 4 floors of clinical space with total development costs of \$23.6 million; and Option III/Scheme 6-Concrete with 3.5 floors clinical space and 2.5 floors office space with total development costs of \$35 million.

Two financial structures for the development of a building are considered in the report. Each of them relies upon the county's commitment of \$26.9 million in Tax Increment Financing (TIF) from the City of Portland. The first financial structure involves only the use of TIF resources. The second financial



## Executive Summary

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structure involves the use of New Market Tax Credits (NMTC) along with TIF resources. (A summary of the NMTC program is provided in Appendix D2.) This structure would allow between \$3.8 and \$5.7 million of private funding to be leveraged towards the development of a building. The report includes a chart that provides a general comparison of the possible financial structures.

It is the hope that this preliminary Feasibility Report will provide the necessary information to determine whether the project has merit and to work as a platform to determine next steps and schedule for a final decision.

Feasibility Participants:     Multnomah County  
                                     Multnomah County Health Department  
                                     Home Forward  
                                     Holst Architecture



## Purpose of the Report

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The purpose of the feasibility report is to determine whether the eastern half the Block U site is a potential development site for MCHD in meeting their goal to relocate the clinics and services housed in the McCoy Building to a new building. To that end, this report includes an overview of the existing programs in the McCoy Building and an overview of the various options available on the eastern half of Block U, as well as a preliminary view of those associated development costs.





## Background

### Multnomah County's Interest in Divesting the McCoy Building

The McCoy Building, 426 SW Stark, was built in 1923 and acquired by the county in 1988. Built as a retail and administrative space, it was not intended for its current use. With the exception of some retail and storage space, this 98,000 square foot building is used by MCHD for a variety of clinical and administrative functions. Nearly 250 employees report to work at the McCoy building.

The McCoy Building is in poor shape and is a liability to the county and its occupants. With a seismic need estimated at \$13,000,000, the McCoy has the fifth largest seismic requirement of any county-owned building. Also, Multnomah County's Emergency Operating Center is located in the building, thus the entire community would rely on this building to be structurally sound in the event of a public health emergency.

Further, while the McCoy Building is conveniently located near the transit mall, the building is neither situated in a manner that is particularly welcoming to the public nor efficient for client centered services. The building is functionally obsolete.

Multnomah County has continued to make investments in the McCoy. And, the building requires a significant amount of work in the coming decade.

Recent investments	Work planned and needed
<ul style="list-style-type: none"> <li>FY11-12 Deferred Maintenance Bond - Lighting project about \$45k.</li> <li>FY11 - Building Automation System (BAS) about \$100k includes American Recovery and Reinvestment Act (ARRA) and Energy Trust of Oregon (ETO) dollars.</li> <li>\$810,000 ARRA dollars have been used to update the 4<sup>th</sup>, 5<sup>th</sup> and 9<sup>th</sup> floors</li> </ul> <p>Note: Because the McCoy flooring contains asbestos, the above costs include abatement.</p>	<ul style="list-style-type: none"> <li>The DRAFT FY12-16 5-yr Capital Improvement Program (CIP) plan has just under \$2,000,000 identified for projects in the McCoy Bldg. (HVAC, branch panels, and wiring upgrades).</li> <li>The plumbing in the building is in poor condition and should also be upgraded. Also, the windows and a number of other items all need to be upgraded. Estimates for these items have not been developed, but they would be another substantial investment in the building.</li> <li>Emergency repairs as needed.</li> </ul>





## Background

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The McCoy is currently considered a Tier 2 building. In recent years, it has been in the Tier 3 category. It is Tier 2 now only because there is no active disposition plan or options. The County has been actively looking for these options over the last several years. Health clinics are complex and expensive to relocate.

Simply put, the building has and will continue to require a lot of resources and is not efficient space for the services provided within it. This, combined with the fact that Multnomah County is slated to receive approximately \$26.9 million, as part of the River District Urban Renewal Area Plan presents a compelling opportunity to build a new health clinic with these funds.

### Nexus between the Bud Clark Commons and Multnomah County Health Department

Connections to health care are essential to the successful support of people who are vulnerable and homeless. The services and housing at Bud Clark Commons are modeled on a framework that includes connecting clients to physical and behavioral health care available at local clinics. Home Forward will be reliant on health care connections to be able to provide permanent housing for this very vulnerable population at Bud Clark Commons. Transition Projects, Inc. is already working with partners to establish health care connections at the Bud Clark Commons day center and shelter.

## PortlandTribune

### Life and death lottery

*Portland's most vulnerable have a shot at a free home*

BY PETER KORN

*The Portland Tribune, May 5, 2011*

*But the client scored high in the mortality risk category because he suffers from a number of chronic diseases, and because he visits local hospital emergency departments about once a month. He reports chronic unexplained seizures and that he sometimes passes out after taking his medications. A brain injury and learning disability increased his score.*

*[Jeanine] Carr and others say the highest scorers are almost all what physicians call tri-morbid — suffering chronic physical diseases, mental illness and substance abuse.*



## Background

### County's Request to Home Forward to Explore New Clinic Building

In August of 2010, Multnomah County convened with Home Forward to discuss their interest in a feasibility study for their clinic to be relocated to the east half of Block U.

Since February 2011, MCHD and Home Forward have taken initial steps for a feasibility study to determine whether the project could have merit. To that end, Home Forward, MCHD, and Multnomah County representatives have worked together to gather the initial information regarding the current MCHD configurations, desired department efficiencies, financial feasibility, and site capacity.



### Home Forward's Relationship to the Site

Home Forward executed an agreement (Option to Present Development Proposal) with PDC dated January 28, 2009, which provides Home Forward with the exclusive opportunity to develop a proposal for the eastern portion of Block U. This agreement was assumed by the City of Portland with the creation of the Portland Housing Bureau (PHB). The agreement requires Home Forward to submit a proposal by January 29, 2012, to PHB for consideration.



## McCoy Building – Existing Functions

Currently, the McCoy Building is used by MCHD for a variety of clinical and administrative functions. It houses 250 employees. The clinical space of 56,537 square feet includes a tuberculosis clinic, a sexually-transmitted disease clinic, the Westside Clinic, a communicable disease clinic, and an immunizations clinic, along with lab areas, multi-care dental areas, and a pharmacy. Administration space of 36,478 square feet is associated with the various clinics and includes meeting rooms, storage space, and the Multnomah County Emergency Operations Center. The enclosed table summarizes the details of the programs within the McCoy Building that were provided by staff from the MCHD, as found in Appendix A.

PROGRAM ELEMENT	MCCOY (sf)
TB CLINIC	5,329
COMMUNICABLE DISEASE	3,527
IMMUNIZATIONS	1,492
ICS ADMINISTRATION	5,737
LAB	5,689
STD CLINIC	9,722
PHARMACY	1,257
PHARMACY ADMINISTRATION	1,289
WESTSIDE HEALTH CENTER / HIV CLINIC	18,184
MULTI-CARE DENTAL	1,142
MEETING AND STORAGE SPACE	3,169
<b>SUB TOTAL (COUNTY CLINIC ONLY)</b>	<b>56,537</b>
MCHD ADMINISTRATION	36,478 *
<b>SUB TOTAL (COUNTY TOTAL PROGRAM)</b>	<b>93,015 *</b>
COMMON AREAS	16,109
<b>TOTAL AREA</b>	<b>109,124 *</b>

Blue = approximate (estimated from existing McCoy Building size)

\* includes 9,124 square feet of MCHD Administration from Lincoln Building



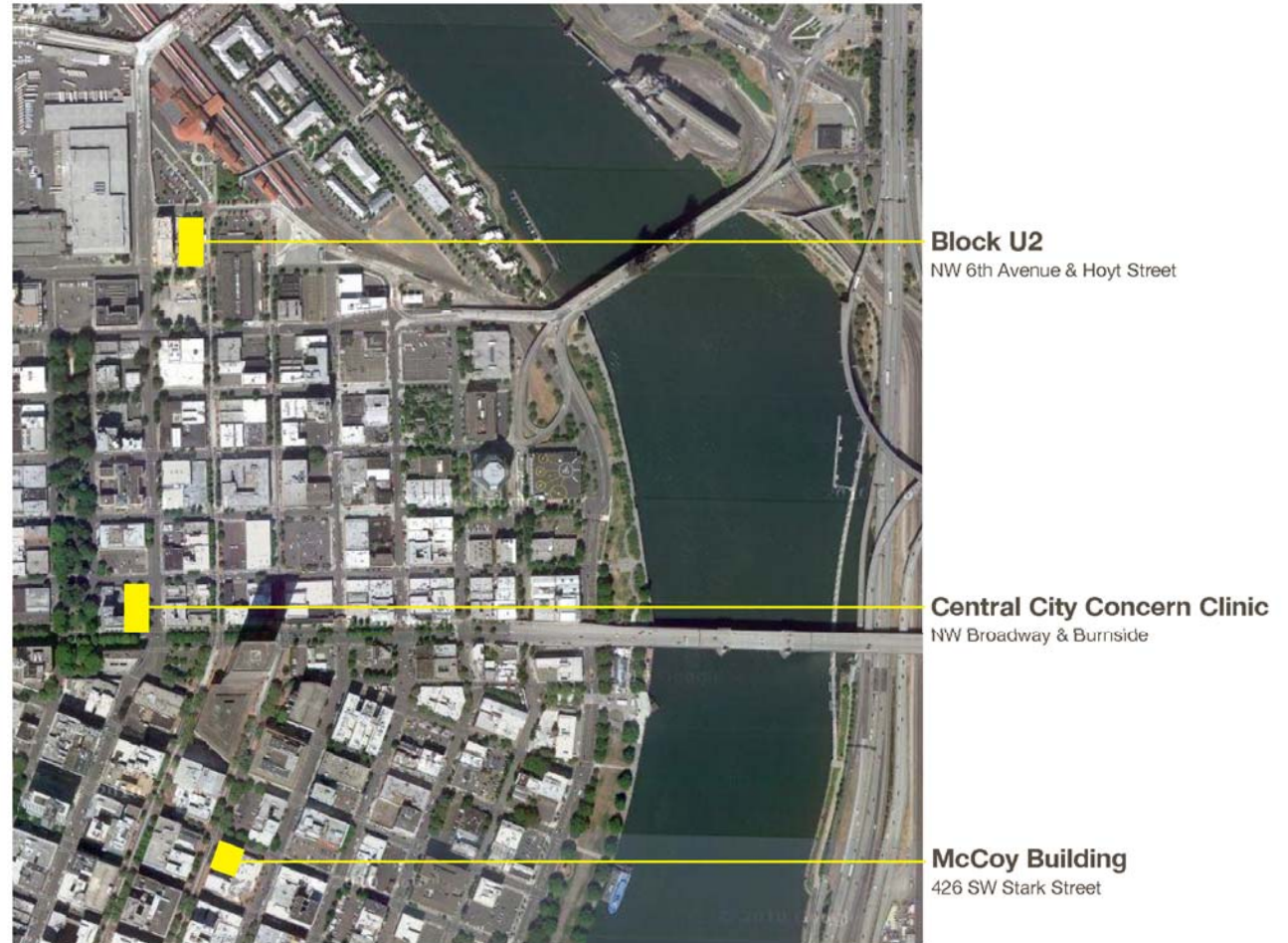
## Overview of the Site

### Location

Block U is well situated for development for county health clinic uses. The site is well served by public transportation, both bus and light rail. For existing clients of uses that would shift to Block U, the site is only 0.5 miles from the McCoy Building.

As discussed above, the site is immediately adjacent to the Bud Clark Commons, providing an opportunity for programmatic linkages between the two facilities.

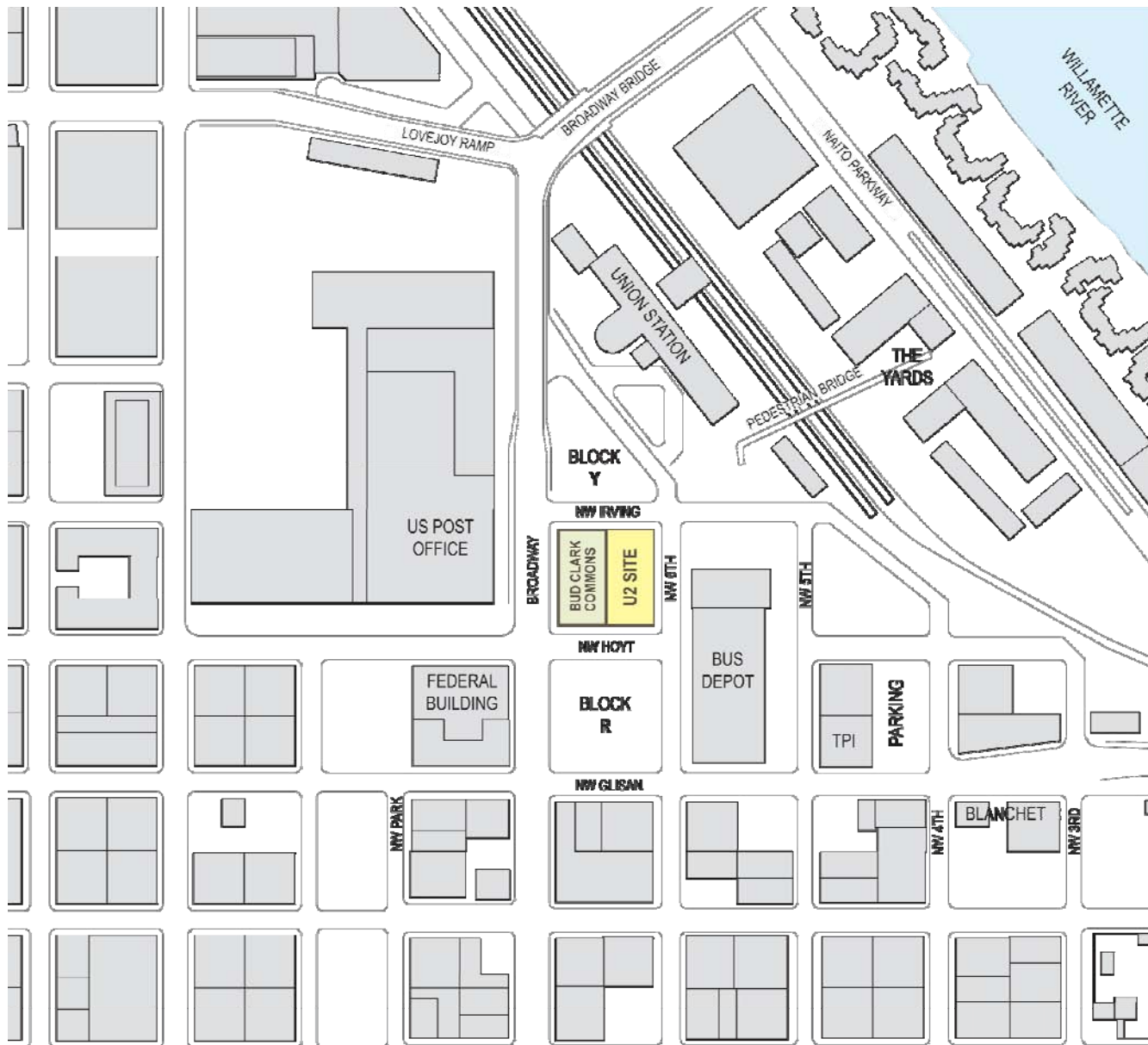
It is also important to note the site is 0.3 miles from the new Broadway Medical Clinic being developed by Central City Concern. For reference, the McCoy Building is 0.2 miles from the site of the Broadway Medical Clinic.



# Overview of the Site

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## Vicinity Map





Overview of the Site

Zoning



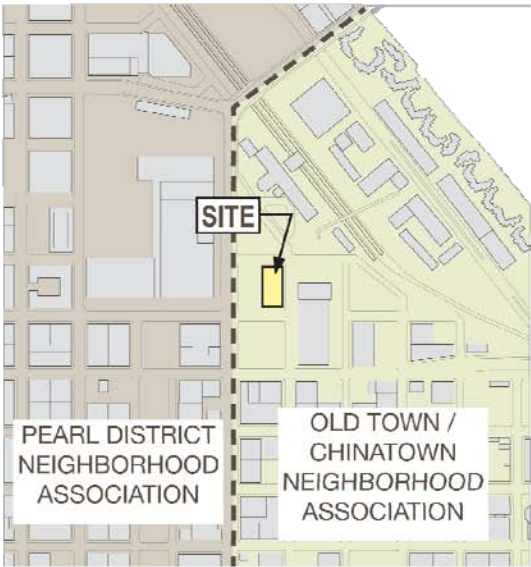
FLOOR AREA RATIOS MAP



ZONING MAP



MAXIMUM BUILDING HEIGHTS MAP



NEIGHBORHOOD ASSOCIATIONS



Overview of the Site

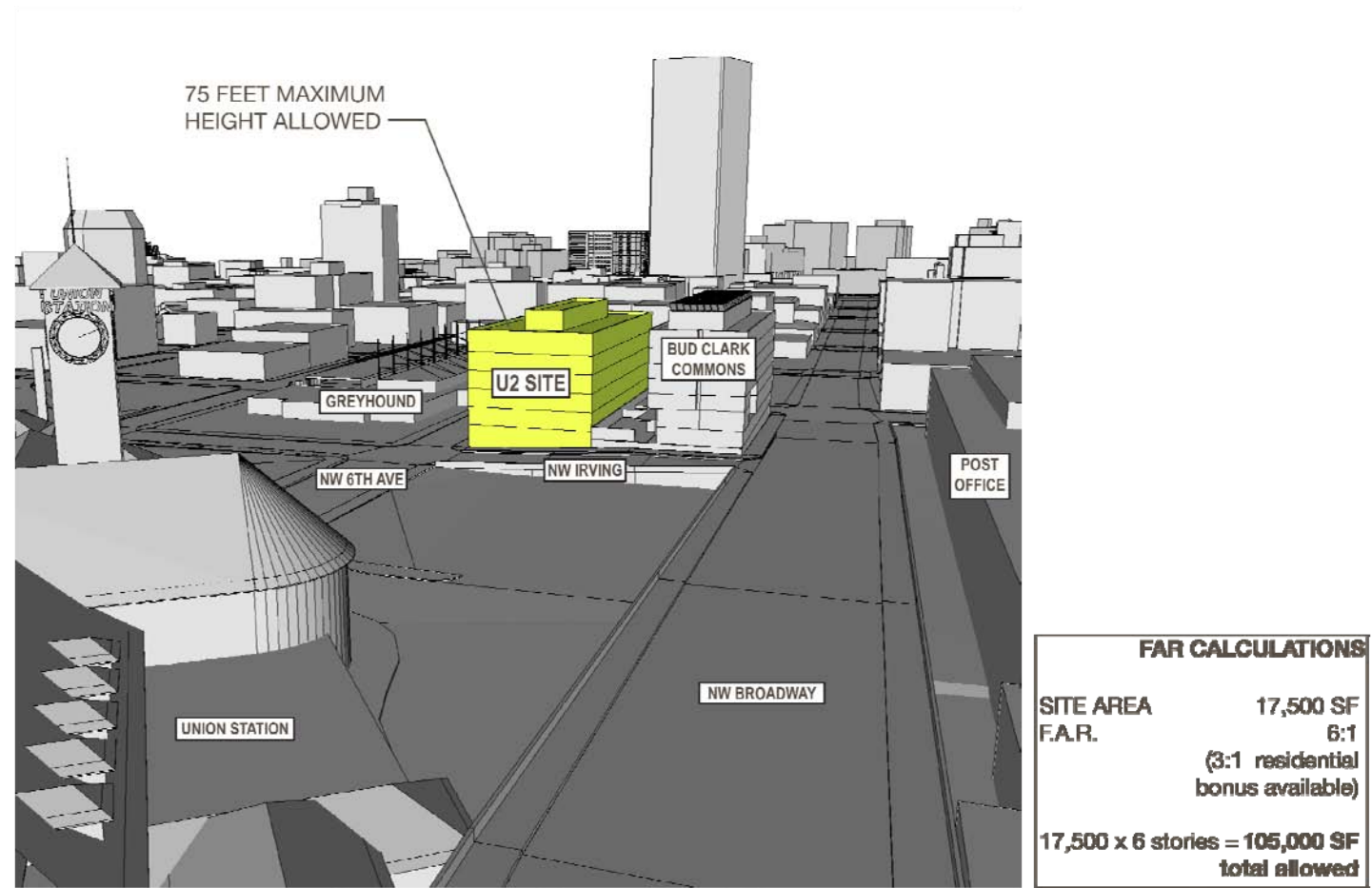


DIAGRAM OF MAXIMUM ALLOWABLE BUILDING SIZE BY ZONING CODE

Value

Land Value is estimated at \$2,485,000 and is based upon \$150 per square foot for 17,500 square feet on the eastern portion of Block U. The price per square foot is based upon an appraisal completed in March 2009, which represented a value of \$150 per square foot for the western portion of Block U. The market for land sales is currently slow. The market for land sales was similarly slow at the time of the 2009 appraisal. The appraiser made no adjustment for timing differences between the land sale comparisons and the appraised value.





## Overview of the Site

### Environmental Issues

The environmental assessment process and reports for the site recognize environmental conditions and the protocols for future development of the site. The listing of these reports can be found in Appendix B. Prior to the development of the western half of Block U, remedial activities were completed by PHB to address the petroleum and lead contamination at the site. In addition, a Conditional No Further Action Determination (CNFAD) letter from the Oregon Department of Environmental Quality (ODEQ) was issued for the site that references and outlines the soil management protocols for future development of the site for disturbances of the soil greater than four feet (Appendix C). The specifics can be found in the Contaminated Management Media Plan (CMMP).

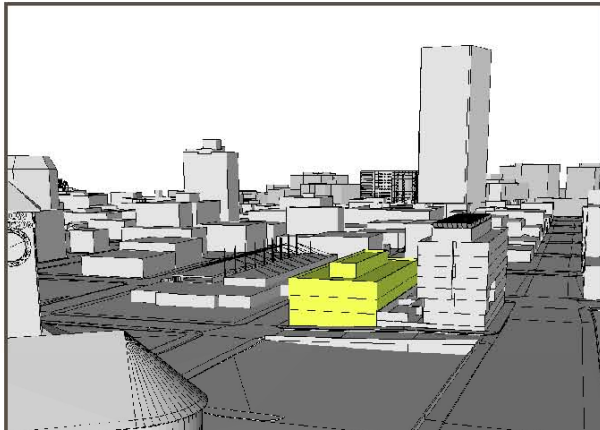
The assumptions in the feasibility budget assume that the soil conditions on the eastern half of Block U will be the same as the soil conditions found on the western half of Block U and thereby require the same remediation process for disturbances of the soil greater than four feet and their associated costs.



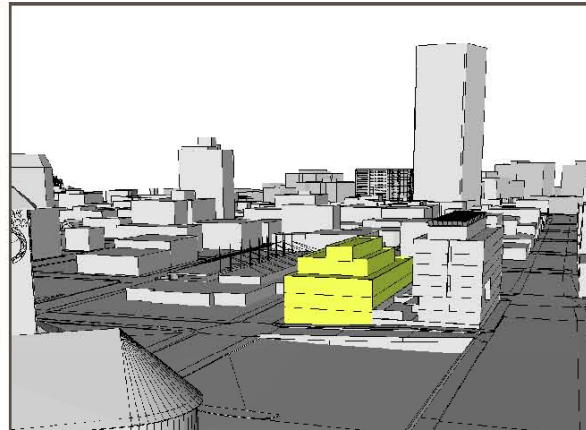
# Development Options

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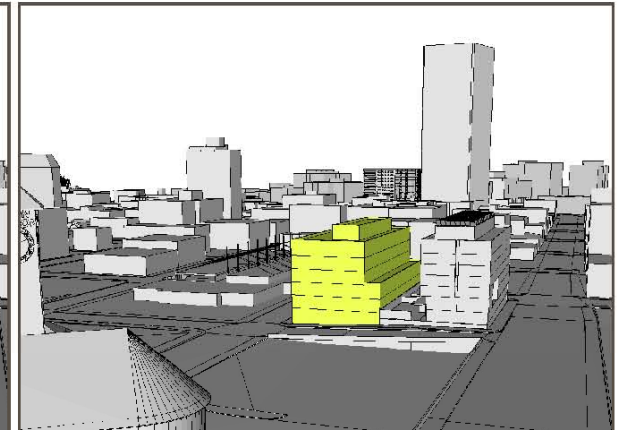
## Overview of Options



**Scheme 3-Steel:**  
3 floors clinic



**Scheme 4-Steel:**  
4 floors clinic



**Scheme 6-Concrete:**  
3.5 floors clinic, 2.5 floors office

PROGRAM ELEMENT	MCCOY (sf)	SCHEME 3-STEEL (sf)	SCHEME 4-STEEL (sf)	SCHEME 6-CONCRETE (sf)
TB CLINIC	5,329	5,329	5,329	5,329
COMMUNICABLE DISEASE	3,527	3,527	3,527	3,527
IMMUNIZATIONS	1,492	1,492	1,492	1,492
ICS ADMINISTRATION	5,737	5,737	5,737	5,737
LAB	5,689	2,505	5,689	5,689
STD CLINIC	9,722	9,722	9,722	9,722
PHARMACY	1,257	1,257	1,257	1,257
PHARMACY ADMINISTRATION	1,289	1,289	1,289	1,289
WESTSIDE HEALTH CENTER / HIV CLINIC	18,184	13,000	13,000	13,000
MULTI-CARE DENTAL	1,142	1,142	1,142	1,142
MEETING AND STORAGE SPACE	3,169	0	3,169	3,169
<b>SUB TOTAL (COUNTY CLINIC ONLY)</b>	<b>56,537</b>	<b>45,000</b>	<b>51,353</b>	<b>51,353</b>
MCHD ADMINISTRATION	36,478 *	0	0	32,000 *
<b>SUB TOTAL (COUNTY TOTAL PROGRAM)</b>	<b>93,015 *</b>	<b>45,000</b>	<b>51,353</b>	<b>83,353 *</b>
COMMON AREAS	16,109	7,500	9,000	12,647
<b>TOTAL AREA</b>	<b>109,124 *</b>	<b>52,500</b>	<b>60,353</b>	<b>96,000 *</b>

blue = approximate (estimated from existing McCoy Building size)  
red = area is less than existing McCoy square footage

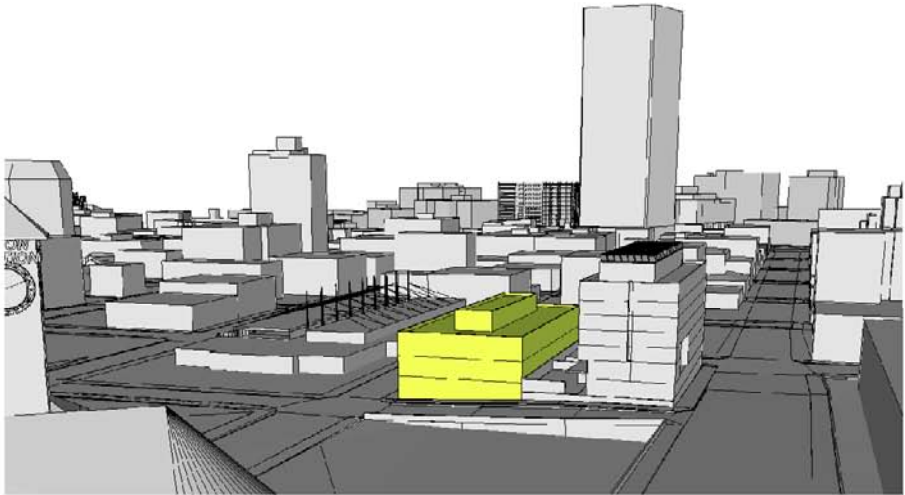
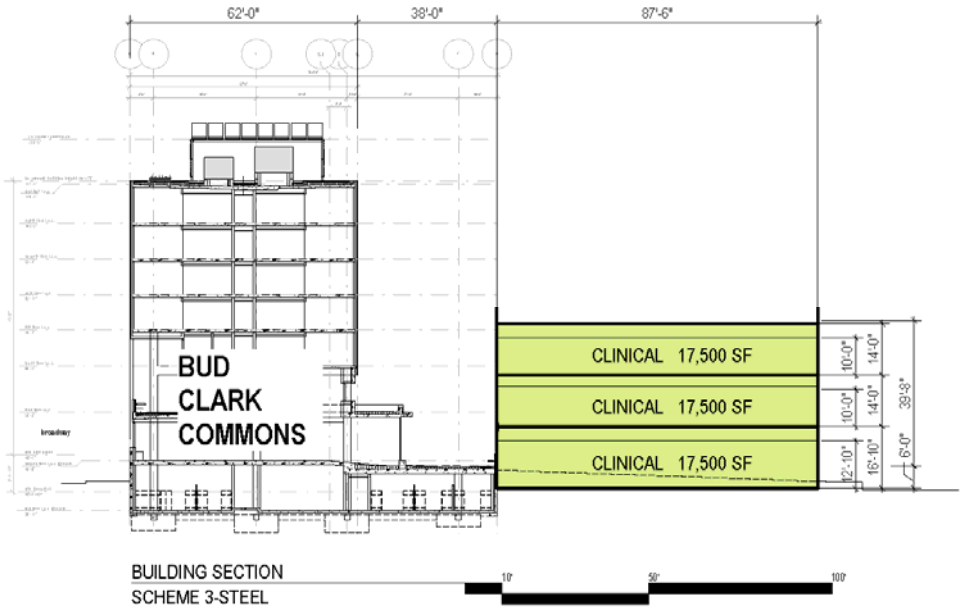
\* includes 9,124 square feet of MCHD Administration from Lincoln Building



homeforward

# Development Options

## Option I: 3-Steel Design/Program



- Pros:**
- > least cost option
  - > most light in courtyard
  - > flexible steel construction easy to change
  - > could be structured for two future floors to be added

- Cons:**
- > no MCHD Administration program
  - > least amount of square footage
  - > requires more compact lab
  - > storage and meeting spaces would need to be absorbed by other spaces

PROGRAM ELEMENT	MCCOY (sf)	SCHEME 3-STEEL (sf)
TB CLINIC	5,329	5,329
COMMUNICABLE DISEASE	3,527	3,527
IMMUNIZATIONS	1,492	1,492
ICS ADMINISTRATION	5,737	5,737
LAB	5,689	2,505
STD CLINIC	9,722	9,722
PHARMACY	1,257	1,257
PHARMACY ADMINISTRATION	1,289	1,289
WESTSIDE HEALTH CENTER / HIV CLINIC	18,184	13,000
MULTI-CARE DENTAL	1,142	1,142
MEETING AND STORAGE SPACE	3,169	0
<b>SUB TOTAL (COUNTY CLINIC ONLY)</b>	<b>56,537</b>	<b>45,000</b>
MCHD ADMINISTRATION	36,478 *	0
<b>SUB TOTAL (COUNTY TOTAL PROGRAM)</b>	<b>93,015 *</b>	<b>45,000</b>
COMMON AREAS	16,109	7,500
<b>TOTAL AREA</b>	<b>109,124 *</b>	<b>52,500</b>

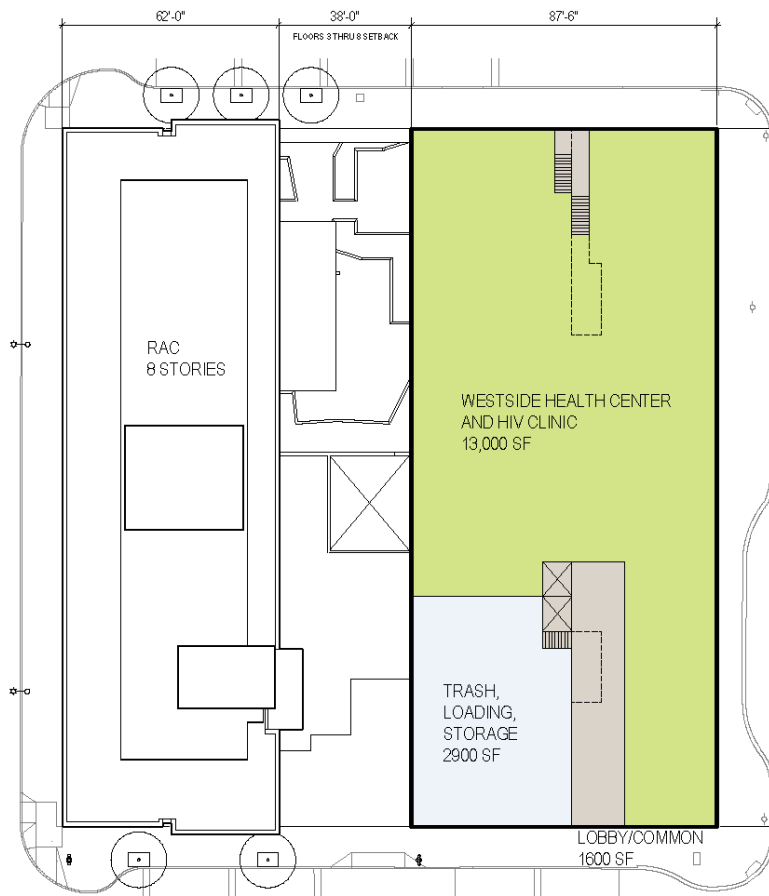
blue = approximate (estimated from existing McCoy Building size)  
red = area is less than existing McCoy square footage

\* includes 9,124 square feet of MCHD Administration from Lincoln Building



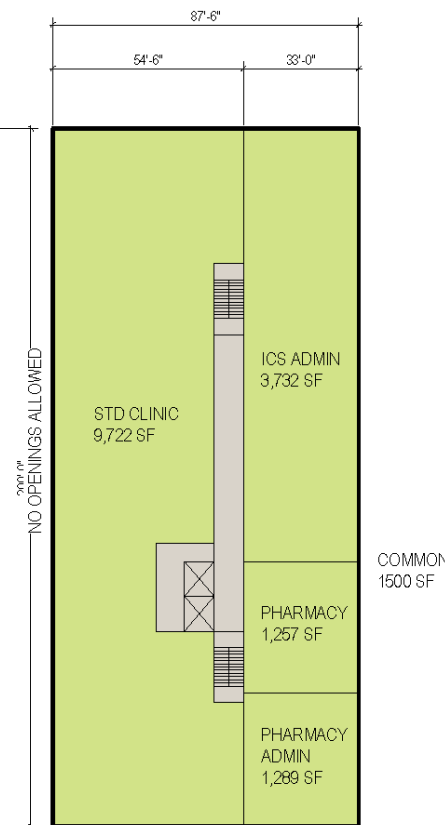
# Development Options

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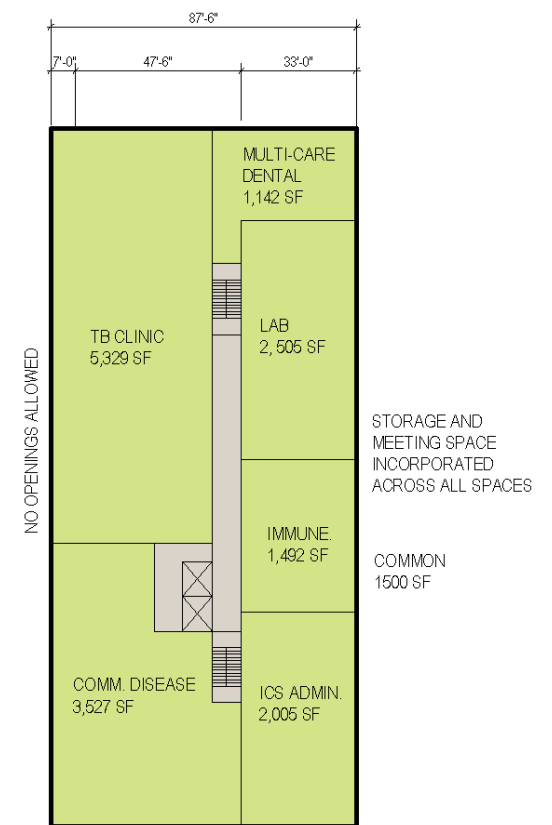
GROUND FLOOR PLAN  
SCHEME 3-STEEL

GROSS FLR 1 17,500 sf  
Gross Clinic 1 13,000 sf  
Common 1 4,500 sf



SECOND FLOOR PLAN  
SCHEME 3-STEEL

GROSS FLR 2 17,500 sf  
Gross Clinic 2 16,000 sf  
Common 2 1500 sf



THIRD FLOOR PLAN  
SCHEME 3-STEEL

GROSS FLR 3 17,500 sf  
Gross Clinic 3 16,000 sf  
Common 3 1500 sf



# Development Options

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## Option I: 3-Steel Costs

### Sources

Multnomah County TIF	17,641,452
NMTC Investment (Net of NMTC Costs)	3,572,026
Earnings on Invested Equity	0

<b>Total Sources</b>	<b>21,213,479</b>
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### Uses

Acquisition Costs	5,000
Construction Costs	14,463,911
Development Costs	938,981
General Fees	3,400,136
Construction Loan Costs/Fees	1,156,609
New Market Tax Credit Fees (Net)	0
Bond Issuance Fees	225,067
Interest	827,326
Reserves/Contingency	196,444

<b>Total Uses</b>	<b>21,213,474</b>
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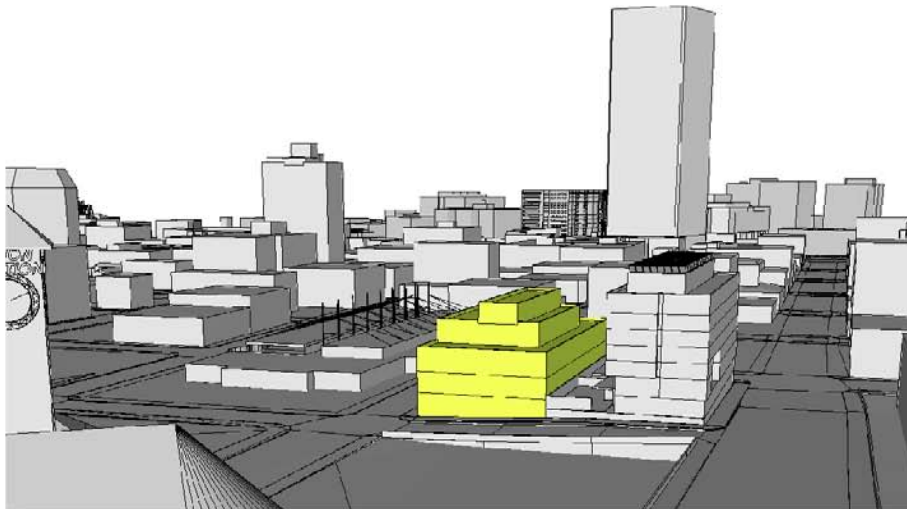
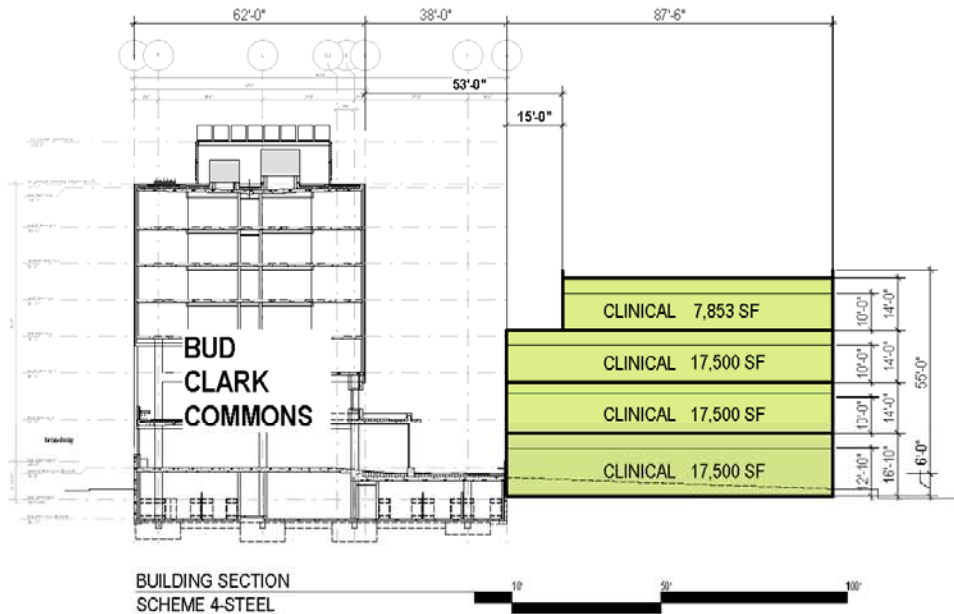
<b>Surplus or (Gap)</b>	<b>5</b>
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# Development Options

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## Option II: 4-Steel Design/Program



### Pros:

- > cost estimate within available sources and uses
- > more light in courtyard than Option III (6-Concrete)
- > flexible steel construction easy to change
- > could be structured for one future floor to be added
- > full-size lab
- > dedicated storage and meeting spaces

### Cons:

- > no MCHD Administration program
- > less light in courtyard than Option I (3-Steel)

PROGRAM ELEMENT	MCCOY (sf)	SCHEME 4-STEEL (sf)
TB CLINIC	5,329	5,329
COMMUNICABLE DISEASE	3,527	3,527
IMMUNIZATIONS	1,492	1,492
ICS ADMINISTRATION	5,737	5,737
LAB	5,689	5,689
STD CLINIC	9,722	9,722
PHARMACY	1,257	1,257
PHARMACY ADMINISTRATION	1,289	1,289
WESTSIDE HEALTH CENTER / HIV CLINIC	18,184	13,000
MULTI-CARE DENTAL	1,142	1,142
MEETING AND STORAGE SPACE	3,169	3,169
<b>SUB TOTAL (COUNTY CLINIC ONLY)</b>	<b>56,537</b>	<b>51,353</b>
MCHD ADMINISTRATION	36,478 *	0
<b>SUB TOTAL (COUNTY TOTAL PROGRAM)</b>	<b>93,015 *</b>	<b>51,353</b>
COMMON AREAS	16,109	9,000
<b>TOTAL AREA</b>	<b>109,124 *</b>	<b>60,353</b>

blue = approximate (estimated from existing McCoy Building size)

red = area is less than existing McCoy square footage

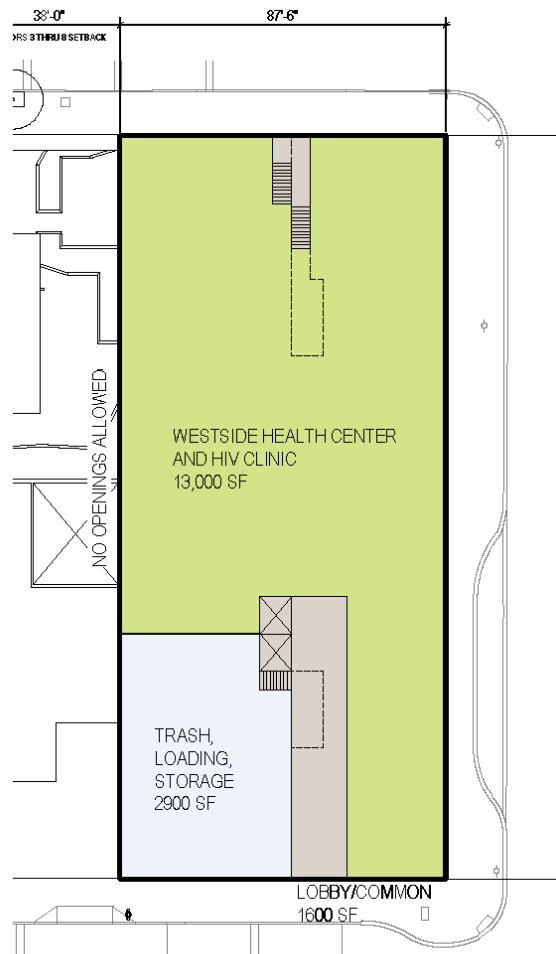
\* includes 9,124 square feet of MCHD Administration from Lincoln Building



homeforward

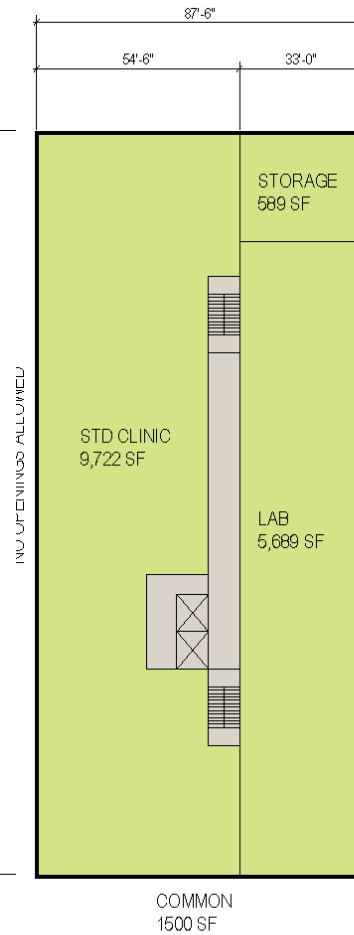
# Development Options

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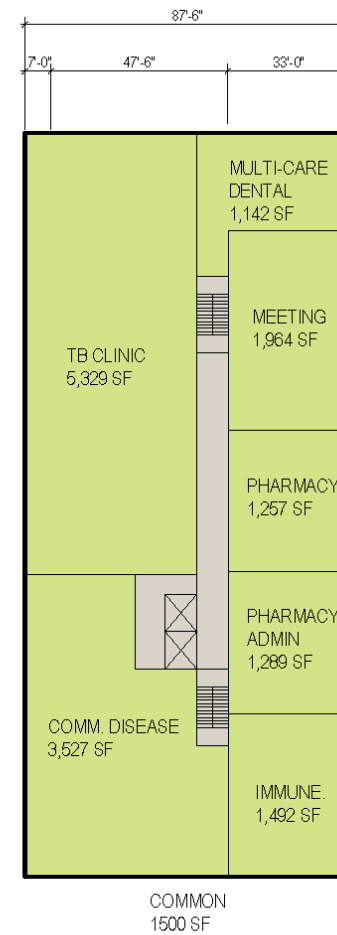
GROUND FLOOR PLAN  
SCHEME 4-STEEL

GROSS FLR 1 17,500 sf  
Gross Clinic 1 13,000 sf  
Common 1 4,500 sf



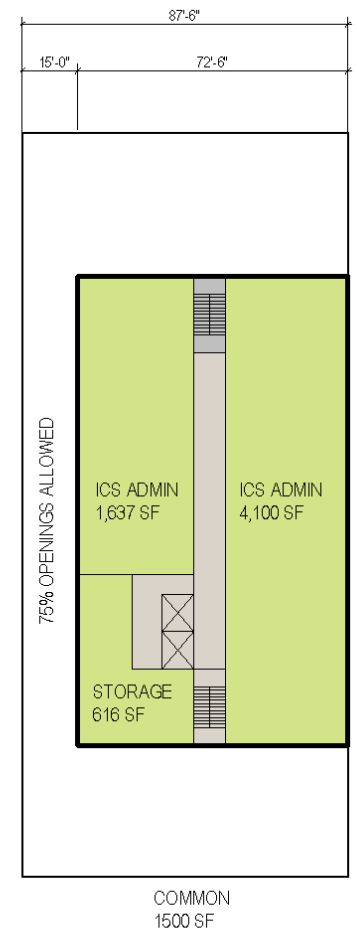
SECOND FLOOR PLAN  
SCHEME 4-STEEL

GROSS FLR 2 17,500 sf  
Gross Clinic 2 16,000 sf  
Common 2 1500 sf



THIRD FLOOR PLAN  
SCHEME 4-STEEL

GROSS FLR 3 17,500 sf  
Gross Clinic 3 16,000 sf  
Common 3 1500 sf



FOURTH FLOOR PLAN  
SCHEME 4-STEEL

GROSS FLR 4 7,853 sf  
Gross Clinic 4 6,353 sf  
Common 4 1500 sf





# Development Options

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## Option II: 4-Steel Costs

### Sources

Multnomah County TIF	19,666,865
NMTC Investment (Net of NMTC Costs)	3,915,792
Earnings on Invested Equity	0

<b>Total Sources</b>	<b>23,582,657</b>
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### Uses

Acquisition Costs	5,000
Construction Costs	16,157,677
Development Costs	997,589
General Fees	3,779,492
Construction Loan Costs/Fees	1,270,140
New Market Tax Credit Fees (Net)	0
Bond Issuance Fees	236,913
Interest	919,724
Reserves/Contingency	216,116

<b>Total Uses</b>	<b>23,582,651</b>
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<b>Surplus or (Gap)</b>	<b>5</b>
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**BUD CLARK COMMONS**

ADMIN 14,500 SF

ADMIN 14,500 SF

CLINICAL 17,500 SF

CLINICAL 17,500 SF

CLINICAL 17,500 SF

CLINIC ADMIN

loading

1" = 10'

5/8" = 100'

- > cost estimate more than available sources and uses
- > least amount of light in courtyard
- > concrete structure not as flexible to change

PROGRAM ELEMENT	MCCOY (sf)	SCHEME 6-CONCRETE (sf)
TB CLINIC	5,329	5,329
COMMUNICABLE DISEASE	3,527	3,527
IMMUNIZATIONS	1,492	1,492
ICS ADMINISTRATION	5,737	5,737
LAB	5,689	5,689
STD CLINIC	9,722	9,722
PHARMACY	1,257	1,257
PHARMACY ADMINISTRATION	1,289	1,289
WESTSIDE HEALTH CENTER / HIV CLINIC	18,184	13,000
MULTI-CARE DENTAL	1,142	1,142
MEETING AND STORAGE SPACE	3,169	3,169
<b>SUB TOTAL (COUNTY CLINIC ONLY)</b>	<b>56,537</b>	<b>51,353</b>
MCHD ADMINISTRATION	36,478 *	34,000 *
<b>SUB TOTAL (COUNTY TOTAL PROGRAM)</b>	<b>93,015 *</b>	<b>85,353 *</b>
COMMON AREAS	16,109	10,647
<b>TOTAL AREA</b>	<b>109,124 *</b>	<b>96,000 *</b>

\* includes 9,124 square feet of MCHD Administration from Lincoln Building



# Development Options

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# Development Options

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## Option III: 6-Concrete Costs Sources

Multnomah County TIF	26,900,000
NMTC Investment (Net of NMTC Costs)	5,786,259

<b>Total Sources</b>	<b>32,686,259</b>
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## Uses

Acquisition Costs	0
Construction Costs	24,513,542
Development Costs	1,286,719
General Fees	5,631,968
Construction Loan Costs/Fees	1,706,385
New Market Tax Credit Fees (Net)	0
Bond Issuance Fees	282,431
Interest	1,274,764
Reserves/Contingency	305,468

<b>Total Uses</b>	<b>35,001,277</b>
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<b>Surplus or (Gap)</b>	<b>(2,315,019)</b>
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## Financial Structure and Budget

### Timing of TIF Money

There are two likely financial structures for the development of a building. Each of them relies upon the county's commitment of \$26.9 million in Tax Increment Financing (TIF) from the City of Portland. As it is understood, these funds will become available in FY 2014 and incrementally fund through FY 2021.

The first financial structure involves only the use of TIF resources. Given the timing of these funds being available, interim financing would be needed for construction to commence in advance the availability of all TIF resources needed for the project.

The second financial structure involves the use of New Market Tax Credits (NMTC) along with TIF resources. This structure would allow between \$3.8 and \$5.7 million of private funding to be leveraged towards the development of a building. (An analysis of potential NMTC financing for this project is provided in Appendix D1; a summary of the NMTC program is provided in Appendix D2.) As with a structure using only TIF funds, interim financing would also be needed.

Below is a chart that provides a general comparison of the possible financial structures.

	TIF	NMTC
Ownership	County can own the building from day one under this structure.	A new entity would need to be created to own the building during the 7-year compliance period. During this time, the county would be a lessee in the building. Building ownership could shift to the county at the end of the compliance period.
Resources	Limited to the \$26.9 million in TIF funds	Could leverage between \$3.8 and \$5.7 million in new funding.
Compliance	Limited compliance related to TIF funding during development and operations	NMTC require annual reporting and audits.
Transaction Costs	Limited to the interim financing and TIF eligibility.	Includes those for the TIF-only transaction, plus the NMTC will bring additional legal, accounting, and financing costs.



# Financial Structure and Budget

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	TIF	NMTC
Lender Requirements	If the interim financing is not project-based, rather structured by the city and county so that funds are made available to the project, it would be unlikely for loan or construction guarantees to be required.	NMTC financing will result in project-level loan and construction guarantees to be provided.

## Feasibility of NMTC

Scenario	A		B		B+		Notes
<u>Gross NMTC Equity Calculation</u>							
Qualified Equity Investment	\$	25,818,432	\$	28,885,832	\$	37,138,927	
NMTC Pricing	\$	0.70	\$	0.70	\$	0.70	
Leverage	\$	18,770,000	\$	21,000,000	\$	27,000,000	Assumes that this number is fixed
A. Gross NMTC Equity	\$	7,048,432	\$	7,885,832	\$	10,138,927	
<u>CDE Fees and Expenses</u>							
CDE Upfront Fee	\$	1,032,737	4.00%	\$ 1,155,433	4.00%	\$ 1,485,557	4.00%
CDE Asset Management Fee Reserve	\$	903,645	3.50%	\$ 1,011,004	3.50%	\$ 1,299,862	3.50%
CDE 1 Expense Reserve	\$	100,000		\$ 100,000		\$ 100,000	
CDE 2 Expense Reserve	\$	100,000		\$ 100,000		\$ 100,000	
CDE 3 Expense Reserve						\$ 100,000	
CDE Exit Fee Reserve	\$	258,184	1.00%	\$ 288,858	1.00%	\$ 371,389	1.00%
Investment Fund Expense Reserve	\$	100,000		\$ 100,000		\$ 100,000	
Investment Fund Management Fee Reserve	\$	105,000		\$ 105,000		\$ 105,000	Only required if JPMC is investor
B. Subtotal - CDE Fees and Expenses	\$	2,599,567		\$ 2,860,296		\$ 3,661,809	
<u>Closing Costs</u>							
Investor Counsel	\$	80,000		\$ 80,000		\$ 80,000	All legal costs are estimates - can range from \$50,000 - \$150,000
CDE 1 Counsel	\$	80,000		\$ 80,000		\$ 80,000	
CDE 2 Counsel	\$	80,000		\$ 80,000		\$ 80,000	
CDE 3 Counsel						\$ 80,000	Likely only 2 CDEs required for Scenario A
QALICB Counsel	\$	80,000		\$ 80,000		\$ 80,000	
Lender Counsel	\$	80,000		\$ 80,000		\$ 80,000	
QALICB Consultant	\$	129,092	0.50%	\$ 144,429	0.50%	\$ 185,695	0.50%
NMTC Accountant	\$	35,000		\$ 35,000		\$ 35,000	
Closing Cost Contingency	\$	50,000		\$ 50,000		\$ 50,000	Estimate - can range from \$20,000 - \$50,000
C. Subtotal - Closing Costs	\$	614,092		\$ 629,429		\$ 750,695	
Net NMTC Equity (A - (B + C))	\$	3,834,773		\$ 4,396,107		\$ 5,726,424	

<u>S&amp;U Analysis</u>			
Multnomah County TIF (Leverage)	\$	18,770,000	\$ 21,000,000
Net NMTC Equity	\$	3,834,773	\$ 4,396,107
Total Sources	\$	22,604,773	\$ 25,396,107
Total Uses (Net of NMTC Costs)	\$	22,761,500	\$ 25,442,498
Surplus / (Gap)	\$	(156,727)	\$ (46,391)



# Financial Structure and Budget

## Assumptions behind Estimated Costs

Estimated costs fall into 5 categories: land and acquisition, construction, construction-related, soft, and excluded costs. The costs are described below with assumptions for larger costs and summarized in the following table.

Assumed land and acquisition costs are estimated at \$0 per the agreement between Home Forward and PHB.

Assumed construction costs between \$218 and \$231 per square foot (\$12.1 and \$20.9 million in total) generate the largest portion of costs for this project. Walsh Construction Company provided conceptual building estimates for the three development schemes.

Assumed construction-related costs include demolition of existing improvements, hazardous material abatement, and owner's contingency. Demolition of \$140,000 is estimated for the perimeter retaining walls and planter boxes. Hazardous material abatement is estimated at \$300,000. Development costs for Bud Clark Commons support the estimates for demolition and hazardous material abatement. Owner's contingency is estimated at 15% of construction costs, comprised of 5% each for design contingency, bid contingency, and construction contingency.

Assumed soft costs include consultant fees, carrying costs, and financing fees generated in planning, preparing for, and monitoring construction. Consultant fees include fees for architectural and engineering work, surveys, special inspections, appraisals, financial consulting, legal, accounting, and developer work. Carrying costs include insurance, property taxes, title insurance, and business licenses. Financing fees include loan fees, lender attorney fees, application fees, interest, and NMTC program fees. The schemes are shown with NMTC sources net of cost. More details on assumptions for soft costs for each building scheme are included in Appendix E.

Excluded costs tend to be program- or project-specific. The excluded costs are the same for each of the three schemes. The excluded costs are:

- Furniture, fixtures, and equipment for administrative or clinical uses within the building;
- Move-in costs for installing furniture and equipment in building;
- Reserves for replacement, operating deficits, or financing requirements;
- Initial or first-year operating or carrying costs; and
- financing costs for pre-development or interim financing.



# Financial Structure and Budget

DRAFT

Scheme	3 -Steel	4 - Steel	6 - Concrete
# of Floors	3	4	6
Type of Building Frame	Steel	Steel	Concrete
Square Feet (SF)	52,500	60,353	96,000
<b>Construction Estimates</b>			
Assumed Land and Acquisition Costs	-	-	-
Assumed Construction Cost	12,147,106	13,621,093	20,892,719
Average Hard Cost/SF	231.37	225.69	217.63
Assumed Construction Related Costs	2,316,805	2,536,584	3,620,823
Total Construction Hard Cost	14,463,911	16,157,677	24,513,542
Average Hard Cost/SF	275.50	267.72	255.35
Assumed Soft Cost (Net of NMTC Costs)	6,749,563	7,424,974	10,492,735
Average Soft Cost/SF	128.56	123.03	109.30
<b>Total Assumed Cost</b>	<b>21,213,474</b>	<b>23,582,651</b>	<b>35,006,277</b>
Average Total Cost/SF	404.07	390.75	364.65
<b>Sources</b>			
Multnomah County TIF	17,641,452	19,666,865	26,900,000
NMTC Investment (Net of NMTC Costs)	3,572,026	3,915,792	5,786,259
Interest Earnings	0	0	0
<b>Total Sources</b>	<b>21,213,479</b>	<b>23,582,657</b>	<b>32,686,259</b>
<b>Cushion Or (Gap)</b>	<b>5</b>	<b>5</b>	<b>(2,320,019)</b>

## Notes:

Construction cost is supplied by Walsh estimates dated 4/21/2011

Additional Construction Costs include demolition, haz-mat abatement and owner's contingency

Multnomah County TIF funds are reduced when the sources exceed the project cost.

Investment Earnings are based upon the Multnomah County TIF and NMTC Investment amounts held in anticipation of use for construction.





# **BLOCK U2 DEVELOPMENT**

## **Feasibility Report**

Appendix A  
Multnomah County Building Analysis



## U2 Building

Space	SF	FTE	Exam Rooms	Adjacencies
<b>Floor 3</b>				
TB Clinic	5,329	9	8	Must be on same floor and near each other
Communicable Disease	3,527	17	2	
Immunizations	1,492	3	2	
ICS Admin. (Part A)	2,005	12	0	
Lab (High-Frequency Use Svcs)	2,247	6.4	0	
<b>TOTAL</b>	<b>14,600</b>	<b>47.4</b>	<b>12</b>	
<b>Floor 2</b>				
STD Clinic	9,722	17	11	
Pharmacy	1,257	7	0	Must be on same floor and near each other
Pharmacy Admin.	1,289	3	0	
ICS Admin. (Part B)	3,732	15.6	0	
<b>TOTAL</b>	<b>16,000</b>	<b>36.6</b>	<b>11</b>	
<b>Floor 1</b>				
Westside Health Center	9,712	35.5	15	Likely space efficiencies possible by combining.
HIV Clinic	8,472	22.25	9	
<b>TOTAL</b>	<b>18,184</b>	<b>57.75</b>	<b>24</b>	
<b>Basement</b>				
Multi- Dental	1,142	6	0	Subbed Mult-Dental for X-Ray 5-5-2011 kj
Lab (Low-Frequency Use Svcs)	3,442	4	0	
Meeting and Storage Space	3,169	0	0	
<b>TOTAL</b>	<b>10,000</b>	<b>4.98</b>	<b>0</b>	

### Other Notes

- On Floor 1, we are anticipating sharing space for Westside Clinic and HIV Clinic. ICS leadership will work with program teams to determine what space efficiencies are possible, recognizing that number of exam rooms must remain as presented or greater.
- On Floor 1, we will need space for a public safety officer, likely in central common area
- Floor 3 should have maximum window opening on rear wall, if possible.
- ICS Admin. total is 5,737 for 27.6 FTE. To accommodate space needs, this was split as follows: 3,732 square feet (15.6 FTE) on Floor 2 and 2,005 square feet (12 FTE) on Floor 3. Splitting ICS Admin. is not ideal.
- Lab total is 5,689 square feet (10.4 FTE). To accommodate space needs, this was split as follows: 2,247 square feet of high-frequency lab use space (6.4 FTE) on Floor 3 and 3,442 square feet of lower-frequency lab use space (4 FTE) in basement.
- ICS's assumption is 3 exam rooms per provider as well as additional exam rooms for social worker/behavioral health specialists to visit with clients. Typical exam room square footage: 84-100.
- Stairs should be prominently placed in the building to encourage their use.
- ICS has not verified FTE data.

## Integrated Clinical Services

<b>CLINICAL</b>	<b>COST CNTR</b>	<b>FLR(S)</b>	<b>DWNTWN</b>	<b>DGO</b>	<b>NO DWNTWN</b>	<b>N/A</b>	<b>BOMA</b>	
Pharmacy	408210	2	1257				689	
Pharmacy Admin	408200	9	1289				667	
Westside Clinic	407750	5	8829				4822	
HIV Clinic	403800	4	8472				4790	
Lab	408300	10	5689				4126	
X-Ray	408310	10	1142				828	
Behavioral Health	407200	8	92				46	
<b>TOTAL CLINICAL</b>			26770					
<b>ADMINISTRATIVE ICS</b>								
ICS Admin	407006	8 & 9	3216				1631	
Dental Admin	406001	9	1014				525	
Nursing Director	407060	9	120				62	
Medical director	407050	8	786				392	
Care Oregon PCCI	4CA91-01-2	9	601				311	
<b>TOTAL ICS ADMIN</b>			5737					
<b>ANCILLARY SERVICES</b>								
Multi-Care	406250	Lincoln			McCoy 9th	1014	525	
Emerg Med Rercords	407020	2		1546			847	
Medical Records	408502	7		2206			1086	
Call Center	407100	7			2890		1423	
<b>BOMA TOTAL</b>							22770	
<b>GRAND TOTAL</b>			32507	3752	2890	1014		40163
<b>FLR(S) = Floor Plan Locations</b>								
<b>NO DWNTWN = No Downtown Required</b>								
<b>DWNTWN = Downtown Required</b>								
<b>DGO = Downtown Grouped near OCHIN</b>								
<b>N/A = Not Applicable</b>								
<b>BOMA = Square ft calculated w/o Common Areas, HVAC, Penetrations etc.</b>								
<b>March 3, 2011 dld</b>								

## MCHD ADMINISTRATION

McCoy & Lincoln Admin	COST CNTR	FLR(S)	DWNTWN	DGO	NO DWNTWN	N/A	BOMA
Basement	Multiple	B			6000		3100
Bio Terrorism Prep	4SA45-05-1	7 & 10			1039		619
Support Services	409320	7			138		68
Facilities Management	400011	8			209		104
Staff Training & Development	409305	7			1068		526
CHS Systems & Quality	403005	2			1053		525
CHS Administration	403002	7			578		288
CHS ECS Program Mgmt	404701	8 & 9			1415		708
OHP Enrollment	409250	2 & 7			996		501
Directors Office	400001	8			2003		999
Fed CDC / ARRA award	4FA61-01-1	8-Jan			321		160
Health & Social Justice	401601	9			3737		1934
Health Officer	402100	6 & 8			1411		706
Emer. Medical Services	402410	7			1373		676
Pan Flu Cooperative	4CA124-01-1	9			365		189
PDES (State Bldg)			state bldg		0		0
PH & Community Initiatives	404002	8			590		294
Lincoln Building	Multiple	2			9124		6264
Lobby	Multiple	1			1742		870
Emergency Operations Ctr	Multiple	10			2125		
The sq ft for the EOC was applied to other programs in the bldg as common area but we need a dedicated space. for the EOC. This change does not add additional sq footage but if needed we can deduct from basement sq ft							
<b>BOMA TOTAL</b>							<b>18531</b>
<b>CONTINGENCY 10%</b>					3316		
<b>GRAND TOTAL</b>					36478		
Grand TOTAL does not include EOC							
FLR(S) = Floor Plan Locations							
NO DWNTWN = No Downtown Required							
DWNTWN = Downtown Required							
DGO = Downtown Grouped near OCHIN							
N/A = Not Applicable							
BOMA = Square ft calculated w/o Common Areas, HVAC, Penetrations etc.							
Could reduce basement space requirements							
March 7, 2011 dld	Rev 3-31-11kj	5-5-11 kj					

# **BLOCK U2 DEVELOPMENT Feasibility Report**

Appendix B  
List of Environmental Reports

## **Block U Environmental Reports and Correspondence**

### **July 1999 Phase I**

Identifies potential issues, recommends Phase II

### **May 2000 Phase II**

Reports elevated petroleum hydrocarbons, lead, and arsenic

### **October 2008 CMMP**

Describes plan for removal of contaminated soil

### **June 2009 Site Closure Report**

Report on the conclusion of removal of contaminated soil

### **September 2009 CMMP Update**

Describes procedures if further contaminated soils are encountered

### **November 2009 NFA Letter**

Letter from DEQ determining no further action needed

### **April 2010 PBS Report**

PBS report on removal of contaminated soil



# **BLOCK U2 DEVELOPMENT Feasibility Report**

Appendix C  
Oregon Department of Environmental Quality  
No-Further-Action Letter



# Oregon

Theodore R. Kulongoski, Governor

## Department of Environmental Quality

Northwest Region

2020 SW 4th Ave, Suite 400

Portland, OR 97201

(503) 229-5263

FAX (503) 229-6945

OTRS 1-800-735-2900

November 3, 2009

David Obern  
Portland Development Commission  
222 NW 5th Avenue  
Portland, OR 97209

Re: Conditional No Further Action Determination  
Block U  
NW 6th Avenue & NW Hoyt Street  
Portland, Oregon  
ECSI # 3102

Dear Mr. Obern:

The Oregon Department of Environmental Quality (DEQ) reviewed the available site investigation information for the Block U Property located at NW 6th Avenue & NW Hoyt Street in Portland, Oregon. The review was completed pursuant to a revised Letter Agreement between the Portland Development Commission (PDC) and DEQ, dated February 26, 2008.

The site had been home to multiple structures that served various purposes including several hotels, an automotive service station, a taxi-car garage and a coal storage building. Multiple stages of site assessment have been performed since environmental investigations began in March of 2000. Investigative findings indicated soil and groundwater were impacted by petroleum products, and that soil was impacted with polynuclear aromatic hydrocarbons, lead and arsenic. In January and February of 2009, PDC completed soil removal actions to reduce and control contamination at the site.

A risk-based evaluation was completed following the soil removal actions consistent with DEQ guidance. Soil containing arsenic at levels that exceed DEQ residential risk-based concentrations remains at the site. Soil with elevated arsenic levels are located at depths exceeding 4 feet from the current ground surface and are likely associated with historic backfill materials. Other contaminants in soil and groundwater had been reduced to below DEQ risk-based criteria. Based on the risk evaluation, DEQ determined that site use restrictions would achieve the protectiveness standards in DEQ's Cleanup Rules. The use restrictions would be in the form of an Easement and Equitable Servitude (E&ES) recorded with the property deed and would require worker safety and soil management protocols should future disturbance of soils below 4 feet occur.

On September 30, 2009, the DEQ issued a File Memorandum for the work on Block U that recommended a Conditional No Further Action (Conditional NFA) for the property. On October

1, 2009, DEQ issued public notice of its proposed decision in accordance with ORS 465.320. No public comments were received on the proposal during the 30-day comment period.

An E&ES was recorded with Multnomah County on November 2, 2009 under recording number 2009-152667. The E&ES referenced an Updated Contaminated Media Management Plan (CMMP) that was dated September 30, 2009. The CMMP describes how soils will be managed at the site if they are disturbed in the future.

Based on our review of available information, if the requirements of the E&ES are complied with and soil disturbances at the site greater than 4-feet below grade are managed in accordance with the CMMP, no further action is required for the Block U site at this site under the Oregon Environmental Cleanup law, ORS 465.200 et. seq., unless additional information becomes available that warrants further investigation.

All obligations for this Property as set forth in the Voluntary Agreement Independent Cleanup Agreement as last amended in February 26, 2008 and all amendments thereto are fully satisfied.

We will update the Environmental Cleanup Site Information System (ECSI) database to reflect this decision. If you have any questions about this letter, please contact Mike Greenburg at 503-229-5153.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce Gilles", is written over the typed name and title.

Bruce Gilles  
Environmental Cleanup Program Manager  
Northwest Region

cc: Mike Greenburg, DEQ NWR Project Manager  
Gerald Gamolo, DEQ NWR Cleanup

# **BLOCK U2 DEVELOPMENT**

## **Feasibility Report**

Appendix D1  
Analysis of Potential NMTC Financing

# Memo

**To:** Mike Andrews and Theresa Auld  
**From:** Paul Breckenridge  
**Cc:**  
**Date:** May 16, 2011  
**Re:** U-2 Project NMTC Analysis

---

## I. Background

The Housing Authority of Portland has engaged Breckenridge Consulting Services to prepare an analysis of a potential New Markets Tax Credit (NMTC) financing benefitting the proposed U-2 Project in Portland, Oregon.

The following items are included in this NMTC Analysis:

- **Memorandum** (this document) providing an overall assessment of the viability of the proposed NMTC financing, as well as a narrative description of the potential NMTC net subsidy that could be generated, and the NMTC financial structure that would likely be utilized;
- **Spreadsheet Model** (Exhibit A) detailing the potential net NMTC subsidy that could be generated for the U-2 Project;
- **Structure Diagrams** (Exhibit B) visually describing the proposed NMTC financial structure and flow of funds at: (1) financial closing, (2) annually during the seven year NMTC compliance period, and (3) unwind of the NMTC financing.

The U-2 Project involves the new construction of a health care facility located at 655 NW Hoyt Street, in Portland, Oregon. The U-2 Project would include up to 96,000 SF of clinical and administrative space to be utilized by the Multnomah County Health Department. The majority of the clinical resources that would be provided at the project would be utilized primarily by low income people.

The U-2 Project would be financed through a Multnomah County tax increment financing (TIF) that could provide up to \$27,000,000 in development capital. There are currently no other funding sources identified that could be utilized for the project (with the exception of NMTCs).

The Housing Authority of Portland is currently considering three different potential building designs for this project:

Scenario	Layout	Square Feet	Total Development Cost
<b>A</b>	3 floors of clinic	52,500	\$22,761,500
<b>B</b>	4 floors of clinic	67,000	\$25,442,498
<b>B+</b>	3.5 floors of clinic and 2.5 floors of office	96,000	\$37,205,007

The potential net NMTC subsidy that could be generated for each of these three scenarios is described in the spreadsheet analysis in Exhibit A. The structure diagrams in Exhibit B reflect only Scenario B, as the general NMTC structure that would be employed would be largely the same for each scenario.

## **II. U-2 Project NMTC Viability**

This section aims to assess the overall viability of a NMTC financing benefiting the U-2 Project by: (1) describing and projecting NMTC industry market conditions; and (2) analyzing the relative attractiveness of the project to the required NMTC financing partners.

This analysis is based on the following assumptions:

- Either the Housing Authority of Portland or the Multnomah County Health Department will be the project sponsor and guarantor, and both entities have the financial strength to satisfy NMTC partners;
- Multnomah County TIF proceeds will be available to be utilized as leverage for the NMTC financing in the required amounts at the time of NMTC financial closing – costs associated with bridging the TIF funds have not been included in this analysis;
- Construction will commence sometime in 2012 or 2013.

### **A. NMTC Industry Overview**

The NMTC program was created in 2000 as part of the Community Renewal Tax Relief Act to encourage investment in low income communities. The U.S. Department of the Treasury allocates NMTC authority to intermediaries called Community Development Entities (CDEs), which in turn sub-allocate the tax credits to qualified projects that are aligned with the objectives of the NMTC program.



To date, the CDFI Fund has administered eight rounds of NMTC allocation awards to CDEs. The eighth round (which was awarded in February) and a ninth round (which will likely be awarded early in 2012), were authorized through tax extender legislation that was passed in January of this year.

While the NMTC industry was generally pleased with the two year extension of the program, there was disappointment that the program was contracted from the \$5 billion in NMTC allocation that was available in rounds 6 and 7, down to \$3.5 billion for the newly authorized rounds 8 and 9.

The following table illustrates the allocation authority that has been available in the eight rounds awarded to date, plus round 9.

Round	Year Awarded	Total Allocation
1	2002	\$2,491,000,000
2	2004	\$3,500,000,000
3	2006	\$2,000,000,000
4	2007	\$4,100,000,000
5	2008	\$3,909,000,000
6	2009	\$5,000,000,000
7	2010	\$5,000,000,000
8	2011	\$3,500,000,000
9	2012 (projected)	\$3,500,000,000

The contraction of the program has resulted in greater competition amongst CDEs for allocation awards. In Round 8, the CDFI Fund received 250 CDE applications requesting \$23.5 billion in allocation, for the \$3.5 billion that was available.

The reduced availability of NMTC allocation has also made it more competitive for qualified projects seeking to secure NMTC subsidy from CDEs. To compound matters, the general upswing in commercial real estate activity in the past 12 months, and a growing awareness of the NMTC program amongst real estate developers, seem to have increased the number of qualified projects seeking a reduced amount of allocation. Anecdotally, Breckenridge Consulting Services can say that certain projects for which it secured NMTC allocation in 2009 and early 2010, would likely not be able to attract allocation in the current market.

One additional NMTC industry shift to consider is the incorporation of 2010 census data into the NMTC program. Currently the census tract in which the U-2 Project is located qualifies as “Highly Distressed”



for the purposes of the NMTC program, based on 2000 census data. This level of qualification makes the project eligible for nearly every CDE that has a service area that includes Portland.

The CDFI Fund has not provided clear guidance as to the timing of the incorporation of 2010 census data into the program's qualification guidelines, nor has it described if there will be a grace period for projects that qualified under the 2000 census, but not the 2010 census. HAP should continue to monitor 2010 census data for the U-2 Project tract as it is released, and also the CDFI Fund's guidance on how this data will be incorporated into the program, to assess the project's continued qualification as an eligible NMTC project.

In summary, HAP should take into account the following NMTC industry trends as it plans for a potential NMTC financing for the U-2 Project:

- It is not clear whether or not the NMTC program will be extended beyond the ninth round; if it is not, projects seeking NMTC allocation in 2013 and beyond will be seeking leftover allocation from previous rounds, which will be a highly competitive environment in which it will likely be difficult to secure awards of the size projected for the U-2 Project;
- The recent contraction of the program to \$3.5 billion has created a higher level of competition amongst qualified projects seeking allocation than we have seen in recent years;
- It will be important to track the ongoing NMTC eligibility of the project as 2010 census data is released, and the CDFI Fund provides guidance on the timing and manner in which it will be incorporated into the NMTC program.

## **B. U-2 Project Relative Attractiveness to NMTC Financing Partners**

NMTC financings require the involvement of two different NMTC-specific financing partners: (1) CDEs that have received a NMTC allocation award from the CDFI Fund, and have discretionary authority to identify and prioritize qualified projects in which to invest this allocation; and (2) NMTC investors that effectively purchase the tax credits that are generated from the utilization of NMTC allocation provided by the CDEs.

While there have been periods of time over the past 24 months when NMTC investor capital has been scarce, generally speaking, if a reputable CDE prioritizes a particular project, it will not be difficult to attract a NMTC investor.

Attracting NMTC allocation from CDEs is a far more rigorous process. As described previously, due to shifting industry dynamics, it has become increasingly competitive for qualified projects to be selected as NMTC allocation recipients by CDEs. As a result, CDEs have "raised the bar" for the projects that they select. While each of the 99 CDEs that received Round 8 allocation awards has slightly different

requirements and priorities, there are two main general characteristics that will make projects attractive to CDEs: (1) project readiness; and (2) low income community impact.

### **1. *Project Readiness***

In order to qualify and be prioritized for future allocation awards from the CDFI Fund, CDEs need to document that they are able to efficiently deploy NMTC allocation into projects that meet the objectives of the program. For this reason, CDEs avoid situations where they reserve NMTC allocation for projects for extended periods of time without being able to document an actual deployment. In general, CDEs are hoping to select projects that have a high degree of “readiness” and can get to a financial closing within roughly a six month timeframe.

The primary factors that CDEs will review in assessing a project’s readiness are:

- Availability of all required funding sources;
- Site control status;
- Development cost certainty;
- Entitlement status and timeline; and
- Timing for execution of a Guaranteed Maximum Price construction contract.

In general, a project needs to be ready to start construction to allow for a NMTC financial closing, which means all funding sources are secured and closed, the project is fully entitled and permitted, and there is an executed GMP with a contractor that is ready to proceed with construction.

The U-2 Project will be viewed more favorably by CDEs to the extent that it can clearly articulate and substantiate a closing timeline that is achievable yet expeditious. This “readiness” requirement often causes significant discomfort for developers of potential NMTC projects, as they are required to pay for the advancement of predevelopment activities before having a firm commitment from a CDE to provide NMTC allocation.

The approach utilized by Breckenridge Consulting Services to attempt to mitigate this discomfort is to:

- Start marketing the project to targeted CDEs up to 12 months in advance of a realistic financial closing date, without the expectation of a commitment from the CDE;
- Allow the targeted CDEs to utilize the project as “pipeline” in their NMTC application to the CDFI Fund;
- Continue to update the targeted CDEs on advances in project readiness;
- Push hard for a commitment when a financial closing can be realistically achieved within six months.

BCS also recommends incorporating into your CDE solicitation strategy the annual shifts in relative NMTC allocation availability, and CDE appetite that arise at various points throughout the year, such as the NMTC application date, the QEI deadline and the NMTC allocation award announcements by the CDFI Fund. For the U-2 Project, this strategy can be formalized once a clear project timeline has been established.

## **2. *Low Income Community Impact***

Assuming that a project is sufficiently “baked” and ready to close, CDEs will prioritize projects that can clearly document that they will create positive outcomes in low income communities.

Low income communities (LICs) are defined in the NMTC industry as census tracts that have either a poverty rate of greater than 20%, or a benchmarked median family income of less than 80%. In general, a project must be located in an LIC to qualify for NMTCs.

As the NMTC industry has become more competitive, it has become standard for CDEs to commit to pursue only projects that are located in “high distress” LICs, which are generally defined as having one of the following characteristics: poverty rate of greater than 30%; median family income of less than 60%; or an unemployment rate of greater than 1.5 times the national average.

Based on 2000 census data, the U-2 Project is well positioned in a highly distressed census tract based on both a 41% poverty rate, and an unemployment rate that is 5.36 times the national average. A detailed CDFI Fund geocoder printout for the U-2 Project census tract is included as Exhibit C.

Location in a high distress LIC is threshold for attracting NMTC allocation from CDEs. To then be prioritized for an award, a project needs to clearly articulate and document the positive community impacts that it will generate. These impacts are generally broken into the following categories:

- **Job Creation** – the number of jobs that will be created or maintained during the construction period and (more importantly) the operation of the project;
- **Quality of Jobs** – the ideal is to create jobs with decent wages and benefits that are targeted toward low income people;
- **Goods and Services to Low Income Communities** – providing resources in LICs that will directly benefit low income people such as a grocery store in a food desert, educational opportunities targeted towards low income people, or medical resources that aren’t currently available;
- **Financing Minority Businesses** – which prioritizes projects that provide benefits to minority owned or controlled business;
- **Housing Units** – projects that create housing opportunities for low income people are prioritized by some CDEs;

- **Environmentally Sustainable Outcomes** – projects that incorporate green building components and target LEED certification are generally viewed more favorably.

The first three impact categories described above are generally more important than the last three.

While it will be important to closely project and document the job creation and environmentally sustainable outcomes that will result from the U-2 Project, its primary community impact strength will be the “goods and services” that it will provide for low income people.

In preparing marketing materials and submitting intake forms for CDEs and NMTC investors, it will be critical for HAP to describe in detail the incremental increases in health care resources that will be made available to low income people through the relocation of Multnomah County Health Department’s programs into the U-2 Project. If this case can be made convincingly, the U-2 Project should be well positioned to secure NMTC allocation commitments from targeted CDEs.

As a point of reference, Central City Concern’s Broadway Recovery Center project, which has many similar characteristics to the proposed U-2 Project, was able to successfully close a NMTC financing in late 2010. The Broadway Recovery Center financing is described in detail in the attached article (Exhibit D) which was published in the January 2011 edition of the Novogradac Journal of Tax Credits.

### III. NMTC Net Subsidy Potential

This section provides a narrative description of the net NMTC subsidy spreadsheet analysis that is attached as Exhibit A.

The workbook contains two worksheets:

- **Fixed Leverage** – which assumes that the Multnomah TIF proceed amounts reflected in the financial projections provided by HAP for the three development scenarios are fixed, and that there are no additional funding sources available (which results in capital budget deficits for all three scenarios);
- **Balance S&U** – which backs into the amount of additional capital required to balance the sources and uses, assuming that these additional funds (along with the TIF proceeds) can be utilized as leverage for a NMTC financing.

Both worksheets utilize roughly the same analysis, which involves: (1) a calculation of the gross NMTC equity that could be derived based on the amount of available capital to leverage through the NMTC

structure; (2) an estimate of the CDE and Investor fees and expenses that would be deducted from gross NMTC proceeds; and (3) an estimate of the closing costs that would be required to be paid by the U-2 Project out of NMTC proceeds. Subtracting “2” and “3” from “1” – leaves us with an estimate of the net NMTC subsidy that could be generated in each scenario.

#### A. Gross NMTC Equity Calculation

Calculating gross NMTC equity is a function of the amount of leverage available to run through a NMTC structure, and the price per tax credit dollar that a NMTC investor is willing to pay. Currently, NMTC investors are paying between \$.68 and \$.74 per credit dollar. The attached spreadsheet analysis assumes credit pricing of \$.70.

While a formula is used in the spreadsheet, the calculation of gross NMTC equity is better illustrated in the table below, which assumes that a hypothetical project has \$10,000,000 in available leverage, and the NMTC investor will pay \$.70 per tax credit dollar:

	Leverage	NMTCs (39% of leverage)	NMTC Equity (at \$.70)
	\$10,000,000 (initial leverage)	\$3,900,000	\$2,730,000
	\$2,730,000 (NMTC equity from above)	\$1,064,700	\$745,290
	\$745,290	\$290,663	\$203,464
	\$203,464	\$79,351	\$55,546
	\$55,546	\$21,663	\$15,164
	\$15,164	\$5,914	\$4,140
	\$4,140	\$1,615	\$1,130
	\$1,130	\$441	\$309
	\$309	\$120	\$84
	\$84	\$33	\$23
	\$23	\$9	\$6
<b>Total</b>		<b>\$5,364,508</b>	<b>\$3,755,156</b>

This hypothetical project could generate \$3,755,156 in gross NMTC equity. Combined with the \$10,000,000 in initial leverage, the project would support a \$13,755,156 Qualified Equity Investment (QEI), which is equal to the amount of NMTC allocation that the project would need to raise from a CDE.

For the U-2 Project (looking at the “Fixed Leverage” worksheet), given the amount of leverage available, and assuming \$.70 NMTC pricing, the project would be able to support the following gross NMTC equity investments and QEIs:

Scenario	Leverage	Gross NMTC Equity	QEI
<b>A</b>	\$18,770,000	\$7,048,432	\$25,818,432
<b>B</b>	\$21,000,000	\$7,885,832	\$28,885,832
<b>B+</b>	\$27,000,000	\$10,138,927	\$37,138,927

Generally speaking, CDEs like to spread their allocation awards around to several different projects, and therefore prefer not to commit more than \$15,000,000 of NMTC allocation to any single project. Based on this rule of thumb, HAP should expect that two CDEs would be required for Scenarios A and B, and three CDEs would be required for Scenario B+.

## **B. CDE Fees and Expenses**

CDEs generally charge at least two (and sometimes up to four) different types of fees to projects benefiting from its NMTC allocation. Estimates of these fees are included in the spreadsheet analysis, and additional detail on the basis for these estimates is provided below.

### **1. CDE Upfront Fee**

This fee is generally extracted from NMTC proceeds at the CDE level (before it gets to the project). The Upfront Fee is almost always a function of the QEI, and generally ranges from 0% up to 6% of the QEI. The few CDEs that don't charge Upfront Fees are generally NMTC investors that also have incorporated CDEs, which derive their economic benefit through their NMTC pricing rather than CDE fees. The attached spreadsheet includes an estimate of 4% Upfront Fees, which is roughly equal to what CDEs like Enterprise and LISC are currently charging.

### **2. CDE Asset Management Fee**

CDEs also charge ongoing Asset Management Fees during the duration of the seven year NMTC compliance period. While there is slight variation in Asset Management Fees, the vast majority of the prominent national CDEs charge .5% of QEI per year. It should be expected that the CDEs will require that the project capitalize a controlled reserve out of NMTC proceeds at closing to cover all seven years of this Asset Management Fee. For this reason, the spreadsheet analysis assumes a deduction equal to 3.5% (7 years x .5%) of QEI to capitalize this Asset Management Fee reserve.

### **3.      *Exit Fee***

Some CDEs also charge an Exit Fee at the end of the compliance period. This fee can range greatly, but the majority of CDEs that would be targeted by HAP for the U-2 Project would likely either not charge this fee, or would set it at not more than 1% of QEI. Again, there are some CDEs that require that a reserve be capitalized out of NMTC proceeds at closing to cover this Exit Fee. The spreadsheet analysis assumes a 1% Exit Fee that is set aside in a reserve at closing.

### **4.      *Investment Fund Management Fee***

In general, the NMTC Investor is the sole member and manager of the Investment Fund, and it doesn't charge a fee for ongoing management. One prominent investor – JPMorgan Chase – requires that the CDE manage the ongoing reporting and accounting requirements of the Investment Fund. In this instance, the CDEs will charge a fixed Investment Fund Asset Management Fee equal to \$10,000 - \$20,000 per year. A full seven years of this fee would generally need to be set aside in a reserve at closing. The spreadsheet assumes a \$105,000 Investment Fund Asset Management Fee reserve (\$15,000 per year).

It should be noted that while it is a JPMorgan Chase requirement that causes this additional fee, they generally are several cents above the competition on pricing which can easily offset the additional cost.

### **5.      *Expenses***

In addition to the fees described above, CDEs and Investors generally also pass along to borrowers the ongoing audit and tax return costs that are incurred by each CDE participating in the project, as well as the Investment Fund. These expenses usually range from \$10,000 – \$15,000 per year for each entity. As there is always a partial first and last calendar year during the seven year NMTC compliance period, eight full years of this expense is generally required to be capitalized in a controlled reserve out of NMTC proceeds at closing.

The attached spreadsheet analysis assumes \$100,000 (\$12,500 x 8 years) reserves are established for each CDE plus the Investment Fund. Scenarios A and B require two CDEs, and Scenario C requires a third CDE.

## **C.      NMTC Closing Costs**

Without exception, CDEs, investors and lenders pass along to the borrower the third party legal costs associated with closing the NMTC financing. These costs range greatly depending on the complexity of

the proposed structure, the coordination amongst various attorneys, the duration of the NMTC closing process, and the rates charged by the firms that are engaged.

BCS has seen fees from individual NMTC attorneys that range from as low as \$30,000 to as high as \$300,000. Generally, the fees fall in the range of \$50,000 - \$100,000 per attorney.

The attached spreadsheet assumes an average of \$80,000 in legal costs for each CDE and Investor. Additionally, HAP will need to engage counsel to represent its interests, and \$80,000 has been budgeted for this expense as well.

CDEs and Investors generally require a deposit of \$20,000 - \$80,000 to be paid upon initial engagement. This deposit would be applied to that CDE or Investor's legal costs at NMTC closing.

Another requirement of NMTC closings is the production of a detailed financial projection by a national accounting firm (almost always either Reznick or Novogradac). This financial projection can be up to 100 pages long, and is the basis for the closing documentation. The cost for this financial projection is usually in the range of \$20,000 - \$50,000, and is due at the NMTC closing. The attached spreadsheet includes an estimate of \$35,000 for this cost.

Finally, developers seeking NMTC allocation often elect to engage a NMTC consultant to assist in the identification of an optimal NMTC financial structure, the solicitation of targeted NMTC financing partners, and the coordination of the closing process. Fees range widely for this particular service, and are often charged as a function of the NMTC allocation raised. While there is no standard fee structure for NMTC consultants, it is fairly common to see consultants set their fees at 1% of the QEI benefitting the project. Unlike legal and accounting costs, NMTC consultants generally structure the majority of their fee to be contingent upon a successful NMTC closing.

The attached spreadsheet includes a NMTC consultant fee equal to .5% of the QEI. This is the fee that BCS would charge HAP to serve as NMTC consultant for the U-2 Project; \$5,000 would be due upon engagement, with the balance due at (and contingent upon) financial closing.

As all of the closing costs described above are estimates, a NMTC closing cost contingency of \$50,000 has also been included in the analysis.

#### **D. Net NMTC Equity Calculation**

To calculate net NMTC equity, we simply deduct CDE Fees and Expenses and Closing Costs from gross NMTC equity.



The table below summarizes the net NMTC equity calculation in the “fixed leverage” worksheet:

Scenario	A	B	B+
Gross NMTC Equity	\$7,048,432	\$7,885,832	\$10,138,927
CDE Fees and Expenses	\$2,599,567	\$2,860,296	\$3,661,809
Closing Costs	\$614,092	\$629,429	\$750,695
Net NMTC Equity	<b>\$3,834,773</b>	<b>\$4,396,107</b>	<b>\$5,726,424</b>

#### IV. NMTC Financial Structure

This section provides a narrative description of the NMTC structure diagrams that are attached as Exhibit B. The structure diagrams reflect development Scenario B, and tie out with the Scenario B columns on the Fixed Leverage page of the spreadsheet analysis. The same general structure would apply regardless of the development scenario that is selected, with the exception of Scenario C, which would likely require a third CDE.

There are three separate diagrams included in Exhibit B:

- **Flow of Funds at Closing** – which reflects how the cash will move through the NMTC structure on the day of the NMTC financial closing;
- **Annual Flow of Funds During NMTC Compliance Period** – which illustrates the annual debt service payments and distributions that would occur annually during the seven year NMTC compliance period;
- **Unwind of NMTC Structure After 7 Years** – which describes how the CDEs and NMTC Investor will exit the structure at the end of the NMTC compliance period.

It is important to note that the structure depicted in the attached diagrams involve many assumptions about the specific terms and requirements of the various participants. It is highly possible (and even likely) that the actual structure that is utilized for this project will vary in some way from what is reflected in the diagrams. Regardless, the structure in the diagrams is a very commonly utilized NMTC structure for projects with similar fact patterns to the U-2 Project, and will be a good starting point for entering into conversations with potential CDEs and Investors.

## **A. Flow of Funds at Closing**

After weeks (likely months) of financial structuring, due diligence review, and document drafting and negotiation, it will be time to close the NMTC financing. This closing will involve a series of up to 30 wire transfers that occur pursuant to a “Flow of Funds Memo” that is usually drafted by NMTC Investor counsel. All of the wire transfers usually happen within a single day. The Flow of Funds at Closing diagram summarizes the primary wire transfers that would occur at the NMTC closing. The narrative below will describe in further detail each of these transfers.

### **1. \$21,000,000 TIF Loan**

This assumes that \$21,000,000 in Multnomah County TIF proceeds will be lent to a newly created affiliate of HAP at 3% (interest only) for a term of at least seven years. If HAP is only a development consultant for this project, and the project owner is the Multnomah County Health Department, then the borrower would likely be an affiliate of MCHD. This portion of the diagram is the most likely to vary, based on the specific requirements of the TIF capital provider and the sponsor. The actual structure of the entities and the loan will need to be determined by counsel.

### **2. \$21,000,000 Leverage Loan**

After receiving the TIF capital, HAP immediately lends it on to a single purpose Investment Fund that has been created specifically to aggregate capital for this financing. In the NMTC industry, this loan is commonly referred to as a Leverage Loan, because the proceeds that are lent will leverage additional NMTC equity. The Leverage Loan would also be at 3% interest only, with a term of at least seven years.

### **3. \$7,885,832 NMTC Equity Investment**

As described previously, the size of this NMTC investment is a function of the amount of leverage and the price per credit that the NMTC Investor is willing to pay. The NMTC Investor will take a 100% ownership interest in the Investment Fund pursuant to this investment, and will therefore be entitled to 100% of the tax credits that flow up to the Investment Fund over the NMTC compliance period.

### **4. \$14,442,916 QEI (x2)**

After receiving the Leverage Loan and the NMTC Equity, the Investment Fund will be capitalized with \$28,885,832. The Investment Fund will use this capital to make Qualified Equity Investments (QEIs) into two Sub-CDEs. Like the Investment Fund itself, Sub-CDEs are entities that are created specifically for the purposes of this financing by their CDE parents. Each CDE will sub-allocate NMTC authority to the

project specific Sub-CDE in an amount equal the QEI that it will receive. Pursuant to these QEIs, the Investment Fund will be granted a 99.99% ownership interest in each Sub-CDE. The parent CDEs will be the .01% managing member of each Sub-CDE.

**5. *\$577,717 CDE Upfront Fee (x2)***

As described previously, each CDE will charge its Sub-CDE an Upfront Fee. This model assumes that each CDEs Upfront Fee is sized at 4% of the QEI that it received.

**6. *\$10,500,000 QLICI A / \$3,365,199 QLICI B (x2)***

The Sub-CDEs will use the remaining proceeds to make loans to the Qualified Active Low Income Community Business (QALICB) – the NMTC term used to describe the single asset, special purpose entity that is owned by the project sponsor/owner. These loans are referred to in the NMTC industry as Qualified Low Income Community Investments (QLICIs). The Sub-CDEs will each make senior “QLICI A” loans totaling \$21,000,000, that will reflect the terms of the Leverage Loan; and junior “QLICI B” loans totaling \$6,730,399. Interest on the QLICI B loans will be set to equal the ongoing CDE fees and expenses that will be due quarterly (generally) throughout the NMTC compliance period.

**7. *\$629,429 Closing Costs***

The NMTC closing costs that are described in the previous section will be due and payable on the day of closing.

**8. *\$1,704,862 Reserve Deposit***

As described in the previous section, the project will be required to use NMTC proceeds to set up a reserve that will be controlled by the CDEs. This reserve will be used to pay the ongoing CDE fees and expenses that will be due quarterly during the NMTC period (the QLICI B interest payment), as well as the exit fees due at the NMTC unwind after seven years.

After paying all of the various fees and closing costs and funding the reserve, the QALICB is left with \$25,396,107 in proceeds to carry out the development of the project. These proceeds will be held in a CDE-controlled disbursement account, and released to the QALICB pursuant to draw requests during the construction period.

## **B. Annual Flow of Funds During NMTC Compliance Period**

This diagram depicts the annualized debt service payments and distributions that will occur each year during the NMTC compliance period.

### **1. \$196,929 Draw from Reserve**

This draw is equal to the QLICI B Interest payment that will be due, which is equal to the sum of the annual CDE Asset Management Fee, Investment Fund Management Fee and Sub-CDE and Investment Fund operating expenses.

### **2. \$315,000 QLICI A Debt Service / \$98,464 QLICI B Debt Service (x2)**

The QALICB will then make annualized debt service payments on the QLICI A loans totaling \$630,000, and the QLICI B loans totaling \$196,929 (equal to the reserve draw).

### **3. \$98,464 Fees and Expenses (x2)**

The Sub-CDEs will use the QLICI B debt service payments to pay the parent CDEs the CDE Asset Management Fee, Investment Fund Management Fee, and Sub-CDE and Investment Fund operating expense (tax return and audit) reimbursements.

### **4. \$315,000 Distribution (x2)**

The Sub-CDEs will then distribute the remaining QLICI A debt service proceeds to the Investment Fund - the 99.99% Sub-CDE owner.

### **5. \$630,000 Debt Service**

The Investment Fund will use the distribution from the Sub-CDEs to pay its debt service obligation to the HAP Affiliate Leverage Lender.

### **6. \$630,000 Debt Service**

The HAP Affiliate Leverage Lender uses the debt service payment from the Investment Fund to make its debt service payment to the TIF Lender.

**7. *\$1,444,292 Tax Credits Y1-3 / \$1,733,150 Tax Credits Y4-7***

Tax credits equal to 39% of the \$28,885,832 in QEIs that were made into the two Sub-CDEs will flow up to the Investment Fund over the seven year NMTC compliance period. The tax credits will be delivered in an amount equal to 5% of the QEIs in years one through three, and 6% of the QEIs in years four through seven.

**8. *\$1,444,292 Tax Credits Y1-3 / \$1,733,150 Tax Credits Y4-7***

As the sole owner of the Investment Fund, the NMTC Investor will receive 100% of the NMTC that are generated. The NMTC equity that was initially invested is equal to 70% of the total tax credits that will be delivered over the seven year NMTC compliance period.

**C. Unwind of NMTC Structure After 7 Years**

The third diagram reflects one of many different potential strategies that will allow the NMTC structure to effectively unwind at the end of the seven year NMTC compliance period. The exact unwind strategy utilized will be determined by the parties involved in the financing and their respective tax attorneys.

**1. *\$288,858 Draw from Reserve***

The QALICB will draw the remaining balance from the CDE Fee/Expense Reserve that was established out of NMTC proceeds at closing.

**2. *\$144,429 Exit Fee Payment (x2)***

The QALICB will use the reserve proceeds to pay the CDE exit fees. For the purposes of this analysis, the exit fees have been estimated at 1% of the NMTC allocation provided by each CDE (the QEI amount).

**3. *NMTC Investor Put***

At the NMTC closing, the NMTC Investor will enter into a put/call agreement with an entity affiliated with the project sponsor. For the purposes of this analysis, it is assumed that the entity will be the HAP Affiliate Leverage Lender. The put call agreement will allow the NMTC Investor to put its interest in the Investment Fund to HAP Affiliate for a nominal payment of \$1,000.

The put/call agreement will also allow for HAP Affiliate to acquire the NMTC Investor's interest in the Investment Fund for fair market value, should the NMTC Investor not exercise the put. This

arrangement is required to establish economic substance, however in practice the NMTC Investor will always exercise the put, as it will have received the entirety of the benefits that it sought through the delivery of the tax credits over the previous seven years.

Upon exercise of the put, HAP Affiliate will become the sole owner of the Investment Fund. The Sub-CDEs will assign their QLICI loans to the Investment Fund (HAP Affiliate). The Sub-CDEs and Investment Fund entities will be dissolved, and the CDEs and NMTC Investor will effectively be removed from the financial structure.

HAP Affiliate will be left with a \$21,000,000 QLICI A loan, and a \$6,730,399 QLICI B loan to the QALICB. The QLICI A loan will stay in place to allow for the continued servicing of the loan to TIF Lender. The QLICI B loan will be forgiven, assuming that the QALICB is an exempt entity, which would allow it to avoid cancellation of debt tax implications.

*Please note that the information contained within this memorandum and the supporting materials is for discussion purposes only. Please feel free to contact me with any questions that may come up during your review of this analysis.*

## U-2 Net NMTC Subsidy Analysis

Assumes Fixed Leverage Available

Scenario	A				B				B+			
<u>Gross NMTC Equity Calculation</u>												
Qualified Equity Investment	\$	25,818,432		\$	28,885,832		\$	37,138,927				
NMTC Pricing	\$	0.70		\$	0.70		\$	0.70				
Leverage	\$	18,770,000		\$	21,000,000		\$	27,000,000				
A.	Gross NMTC Equity	\$	7,048,432		\$	7,885,832		\$	10,138,927			
<u>CDE Fees and Expenses</u>												
CDE Upfront Fee	\$	1,032,737	4.00%	\$	1,155,433	4.00%	\$	1,485,557	4.00%			
CDE Asset Management Fee Reserve	\$	903,645	3.50%	\$	1,011,004	3.50%	\$	1,299,862	3.50%			
CDE 1 Expense Reserve	\$	100,000		\$	100,000		\$	100,000				
CDE 2 Expense Reserve	\$	100,000		\$	100,000		\$	100,000				
CDE 3 Expense Reserve							\$	100,000				
CDE Exit Fee Reserve	\$	258,184	1.00%	\$	288,858	1.00%	\$	371,389	1.00%			
Investment Fund Expense Reserve	\$	100,000		\$	100,000		\$	100,000				
Investment Fund Management Fee Reserve	\$	105,000		\$	105,000		\$	105,000				
B.	Subtotal - CDE Fees and Expenses	\$	2,599,567		\$	2,860,296		\$	3,661,809			
<u>Closing Costs</u>												
Investor Counsel	\$	80,000		\$	80,000		\$	80,000				
CDE 1 Counsel	\$	80,000		\$	80,000		\$	80,000				
CDE 2 Counsel	\$	80,000		\$	80,000		\$	80,000				
CDE 3 Counsel							\$	80,000				
QALICB Counsel	\$	80,000		\$	80,000		\$	80,000				
Lender Counsel	\$	80,000		\$	80,000		\$	80,000				
QALICB Consultant	\$	129,092	0.50%	\$	144,429	0.50%	\$	185,695	0.50%			
NMTC Accountant	\$	35,000		\$	35,000		\$	35,000				
Closing Cost Contingency	\$	50,000		\$	50,000		\$	50,000				
C.	Subtotal - Closing Costs	\$	614,092		\$	629,429		\$	750,695			
<u>Net NMTC Equity (A - (B + C))</u>												
	\$	3,834,773		\$	4,396,107		\$	5,726,424				

### Notes

Assumes that this number is fixed

Can range from 0% up to 6%  
Can range from 0 - 75 bps / year for 7 years

Likely only 2 CDEs required for Scenarios A and B  
Can range from 0% - 5%

Only required if JPMC is investor

All legal costs are estimates - can range from \$50,000 - \$150,000

Likely only 2 CDEs required for Scenario A

Estimate - can range from \$20,000 - \$50,000

<u>S&amp;U Analysis</u>			
Multnomah County TIF (Leverage)	\$	18,770,000	\$ 21,000,000
Net NMTC Equity	\$	3,834,773	\$ 4,396,107
Total Sources	\$	22,604,773	\$ 25,396,107
Total Uses (Net of NMTC Costs)	\$	22,761,500	\$ 25,442,498
Surplus / (Gap)	\$	(156,727)	\$ (46,391)

## U-2 NMTC Analysis

Solves for Required Additional Capital to Balance S&U

Scenario	A			B			B+		
<u>Gross NMTC Equity Calculation</u>									
Qualified Equity Investment	\$	25,990,659		\$	28,936,811		\$	42,060,447	
NMTC Pricing	\$	0.70		\$	0.70		\$	0.70	
Leverage	\$	18,895,209		\$	21,037,062		\$	30,577,945	
A.	Gross NMTC Equity	\$	7,095,450		\$	7,899,749		\$	11,482,502
<u>CDE Fees and Expenses</u>									
CDE Upfront Fee	\$	1,039,626	4.00%	\$	1,157,472	4.00%	\$	1,682,418	4.00%
CDE Asset Management Fee Reserve	\$	909,673	3.50%	\$	1,012,788	3.50%	\$	1,472,116	3.50%
CDE 1 Expense Reserve	\$	100,000		\$	100,000		\$	100,000	
CDE 2 Expense Reserve	\$	100,000		\$	100,000		\$	100,000	
CDE 3 Expense Reserve							\$	100,000	
CDE Exit Fee Reserve	\$	259,907	1.00%	\$	289,368	1.00%	\$	420,604	1.00%
Investment Fund Expense Reserve	\$	100,000		\$	100,000		\$	100,000	
Investment Fund Management Fee Reserve	\$	105,000		\$	105,000		\$	105,000	
B.	Subtotal - CDE Fees and Expenses	\$	2,614,206		\$	2,864,629		\$	4,080,138
<u>Closing Costs</u>									
Investor Counsel	\$	80,000		\$	80,000		\$	80,000	
CDE 1 Counsel	\$	80,000		\$	80,000		\$	80,000	
CDE 2 Counsel	\$	80,000		\$	80,000		\$	80,000	
CDE 3 Counsel							\$	80,000	
QALICB Counsel	\$	80,000		\$	80,000		\$	80,000	
Lender Counsel	\$	80,000		\$	80,000		\$	80,000	
QALICB Consultant	\$	129,953	0.50%	\$	144,684	0.50%	\$	210,302	0.50%
NMTC Accountant	\$	35,000		\$	35,000		\$	35,000	
Closing Cost Contingency	\$	50,000		\$	50,000		\$	50,000	
C.	Subtotal - Closing Costs	\$	614,953		\$	629,684		\$	775,302
<u>Net NMTC Equity (A - (B + C))</u>									
	\$	3,866,291		\$	4,405,436		\$	6,627,062	

### Notes

Set to balance the S&U

Can range from 0% up to 6%  
Can range from 0 - 75 bps / year for 7 years

Likely only 2 CDEs required for Scenarios A and B  
Can range from 0% - 5%

Only required if JPMC is investor

All legal costs are estimates - can range from \$50,000 - \$150,000

Likely only 2 CDEs required for Scenario A

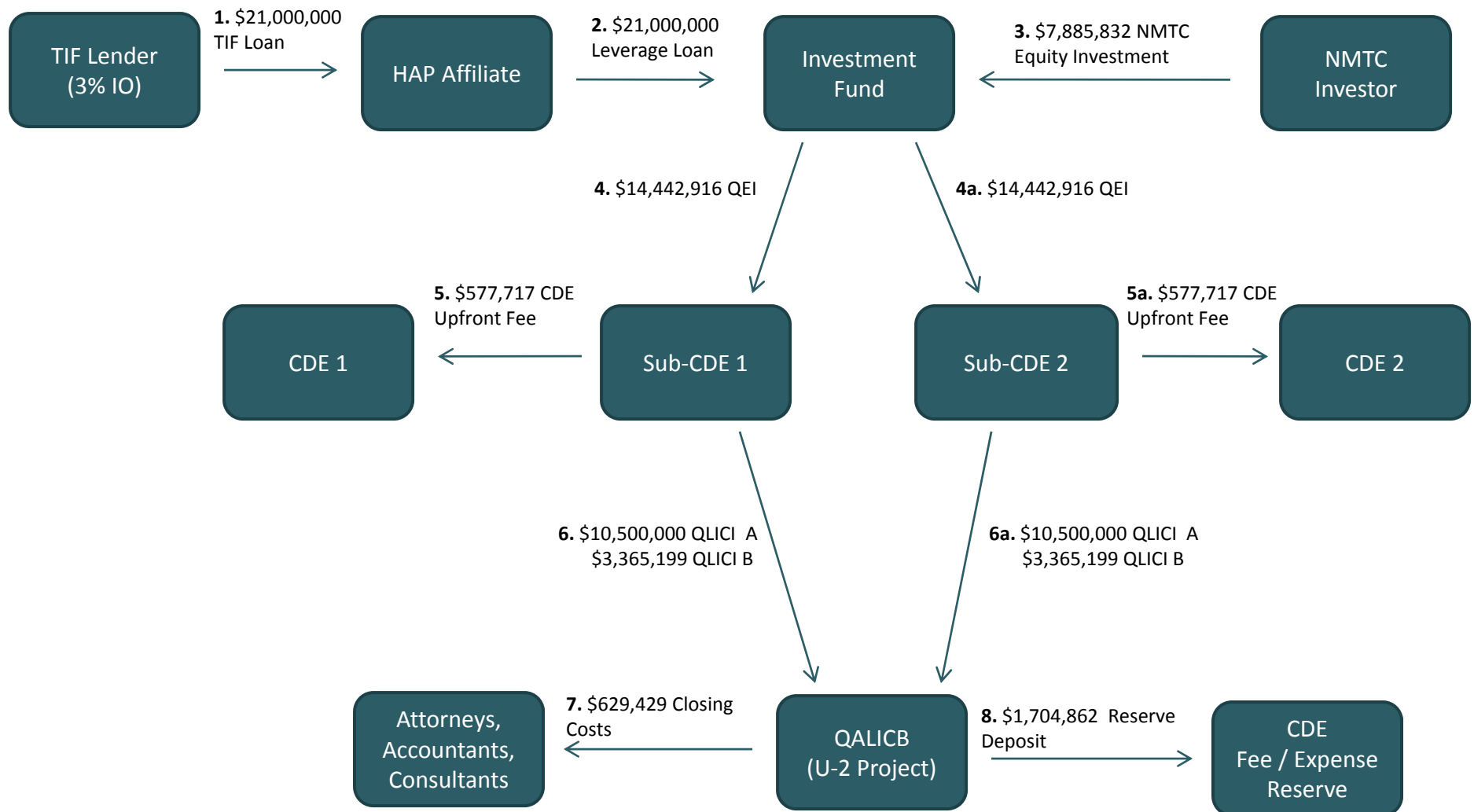
Estimate - can range from \$20,000 - \$50,000

<u>S&amp;U Analysis</u>				
Multnomah County TIF (Leverage)	\$	18,770,000	\$	21,000,000
Additional Required Capital	\$	125,209	\$	37,062
Net NMTC Equity	\$	3,866,291	\$	4,405,436
Total Sources	\$	22,761,500	\$	25,442,498
Total Uses (Net of NMTC Costs)	\$	22,761,500	\$	25,442,498
Surplus / (Gap)	\$	-	\$	-



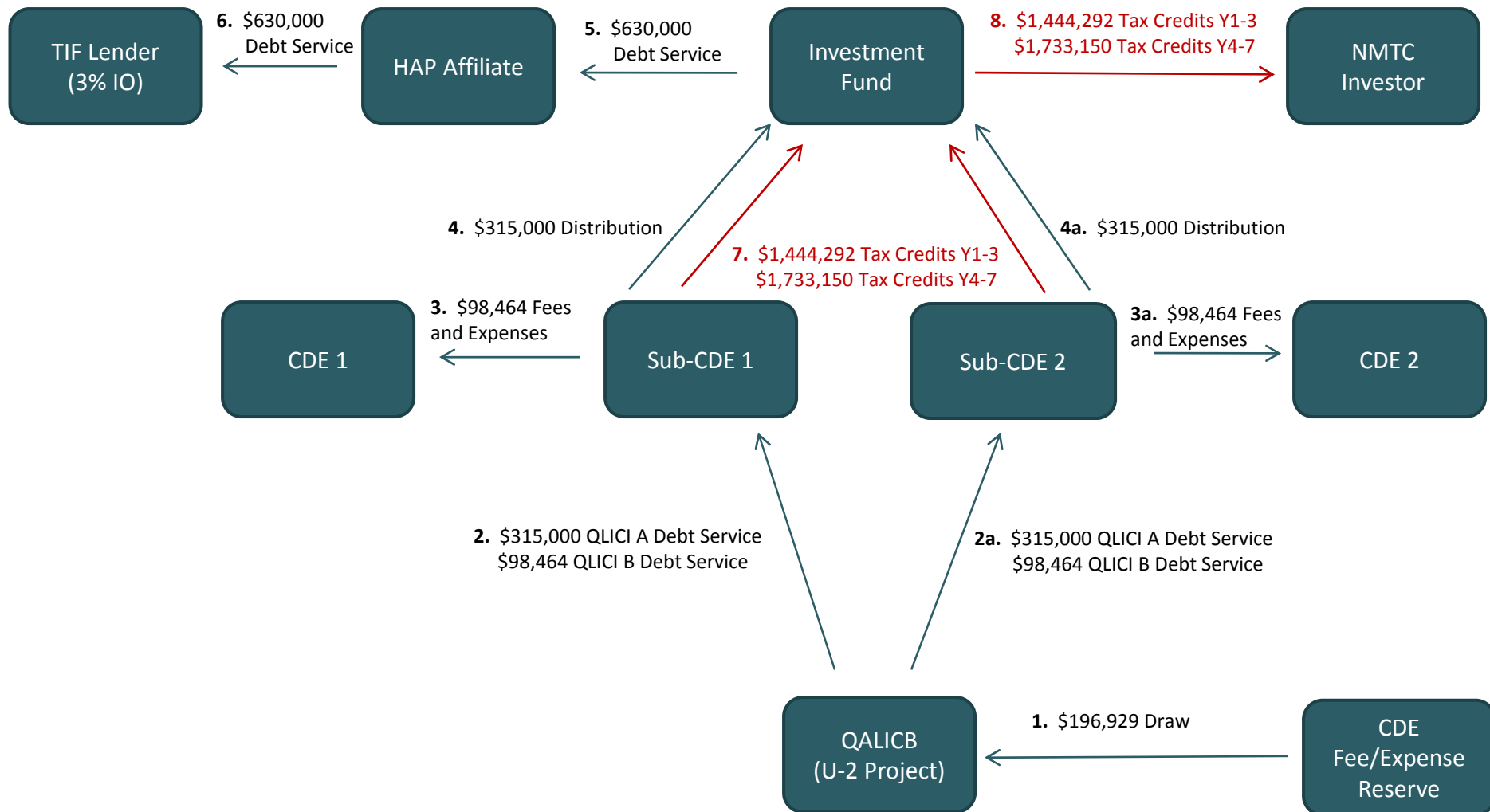
## U-2 Project – NMTC Structure Diagrams (Scenario B)

### Flow of Funds at Closing



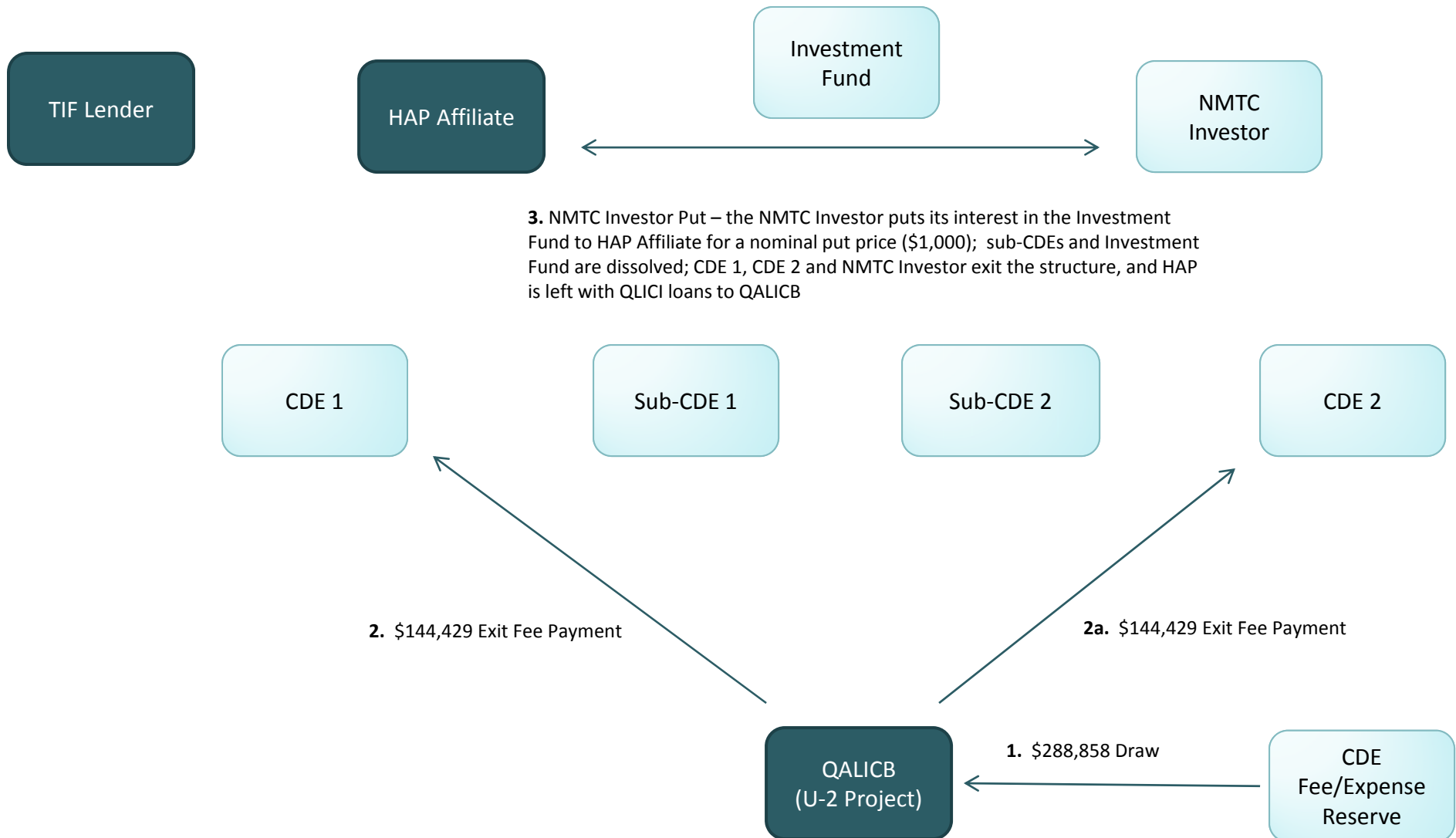
## U-2 Project - NMTC Structure Diagrams (Scenario B)

### Annual Flow of Funds During NMTC Compliance Period



## U-2 Project – NMTC Structure Diagrams (Scenario B)

### Unwind of NMTC Structure After 7 Years



myCDFI-Fund

Paul Breckenridge

Log Out

Home

Organization

Readers

Help

CDFI Home

User Home

Organization Home

Breckenridge Consulting Services, Inc.

F.A. Component, CDFI Program: Investment Area/ Hot Zone Worksheet

Breckenridge Consulting Services, Inc. - New Map 5/10/2011 11:46:28 AM

Qualifying Status

The selected area has contiguous units.

☒ All Tracts Individually Qualify As A Hot Zone

Qualified

Reports

Investment Area Worksheet

Address GeoCoder Report

Count	State	Metropolitan Area Name	County	Unit	Total Population	Poverty Rate	% of Benchmark Median Family Income	Unemployment Rate	Ratio of Local to U.S. Unemployment Rates	Qualifies Under Investment Area Criteria?	Qualifies as Economic Development Hot Zone?	Qualifies as a Housing Hot Zone?
1	OR	Portland--Vancouver, OR--WA PMSA	051	41051005100	3642	0.413	0.75	0.311	5.36	Yes	Yes	Yes
Total 1					3642	0.413	0.750	0.311	5.360	1	1	1

Details:

Total population of tracts/counties that do not meet Investment Area criteria(if any)

0

Percent of total population in tracts/counties not meeting Investment Area criteria

0%

Total number of Hot Zone tracts/counties(any type)

1

Hot Zones as a percentage of Investment Area tracts/counties

100.00%

Hot Zones population as a percentage of Investment Area population

100.00%

Are all geographic units in Investment Area contiguous?

True

Source: U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, 2003. The above data is not rounded in order to prevent errors in the computation of Distress Criteria.



# NMTCs, Bonds Fund Mental Health Center

By Jennifer Dockery, Assignment Editor, Novogradac & Company LLP

**R**esidents in Portland, Ore.'s Old Town neighborhood complained for years that an abandoned fast food restaurant at the corner of Burnside Street and Broadway Avenue had attracted drug use, prostitution and other unwelcome activities. On September 7, those neighbors celebrated a rebirth of that corner as Central City Concern (CCC), a 501(c)(3) not-for-profit agency serving individuals and families in the Portland metro area who are affected by homelessness, poverty and addictions, demolished the building and broke ground on an integrated behavioral health services center. The center is benefiting from a \$31 million commitment from Wells Fargo Community Lending and Investment in the form of a tax-exempt bond (TEB) and new markets tax credit (NMTC) investment.

Tentatively called the Broadway Recovery Center (BRC), CCC's new 43,922-square-foot project will replace and expand CCC's 12th Avenue Recovery Center, which is located a few blocks away. The new building will serve the recovery center's 500 existing clients and allow CCC to serve an additional 1,350 patients. The building, designed by SERA Architects to be LEED Gold certified, will feature 14 exam rooms, counseling offices, nursing stations and administrative offices. The building will also include structured socialization space with a kitchen, dining area and computer lab on the ground floor. Services will include primary health care, mental health services, alcohol and drug treatment, and case management. The recovery center will be joined to CCC's adjacent Old Town Clinic, which provides services for low- and moderate-income residents. With the addition of the recovery center, the complex will have the capacity to accommodate 40,000 patient visits annually and



Rendering Courtesy: SERA Architects

The Broadway Recovery Center will provide mental health services to low-income clients in Portland's Old Town.

will be able to integrate primary care services with their mental health and substance abuse treatment programs.

"We believe ... that integrated care models work by far the best. The care is best given by a team of providers so ... they can coordinate their care," said Ed Blackburn, CCC's executive director. Blackburn added that the community has been supportive of the center and that its prominent location will help clients to access services.

## First Time Deal

"CCC has been a recurring customer. They brought the deal to us and we worked together as a team to provide the financing that was needed. We've worked with CCC quite a bit over the years. They're a strong developer," said Megdy Khoury, Wells Fargo assistant vice president.

The \$19.5 million BRC is part of a nearly \$25 million NMTC project that will expand CCC's mental health

*continued on page 57*



continued from page 56

and substance abuse recovery services at two Portland locations. Wells Fargo invested \$5.2 million in NMTC equity into the BRC. Wells Fargo also purchased \$6.3 million in bonds from the Oregon Facilities Authority.

Additionally, the Health Resources and Services Administration in 2009 awarded the project a nearly \$9 million grant through the American Recovery and Reinvestment Act Health Center Integrated Services Development Initiative, which provides funding for construction and renovation of community health centers nationwide. "It was key. The grant put a lot of equity into the building right away. It's very attractive to lenders," Blackburn said.

Tracy Ericson agreed. "If there's grant dollars coming in ... it shows an extra vote of confidence in the project," said the Wells Fargo vice president and NMTC specialist.

Wells Fargo worked on both the debt and equity side of the transaction, committing \$24.7 million in NMTC allocation, \$6.6 million in NMTC equity contribution and \$6 million in bonds. The bank had worked on previous NMTC projects with CCC and when the not-for-profit presented the project, Wells Fargo signed on. Wells Fargo structured the deal so that the bonds went to CCC rather than into the project directly. The project benefited from falling bond rates and Wells Fargo was able

to convert the bonds from variable to fixed rate bonds. Wells Fargo pooled the proceeds with the other leveraged funds and fed them into the NMTC project.

"By being able to pair together bonds [and NMTCs], they were able to get the best of both worlds ... Although a bit more complicated, the ultimate benefit to investors and the community is better because we're able to put together both financial instruments," Ericson said.

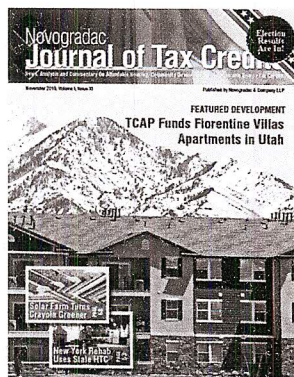
The grant proceeds will help fund the project's construction, which Walsh Construction and Gerding Edlen Development Company began in October. CCC expects construction to take a little more than a year, and the center should begin serving patients by the end of 2011. Future phases of development at the site could include up to 119 affordable housing units that would be part of a seven-story vertical addition to the structure.

The remaining \$1.4 million in NMTC equity went to CCC's Crisis Assessment Treatment Center, a 16-bed facility that will include a county sobering station. Additional funding includes \$1 million from the state of Oregon, \$2 million from the city of Portland, and \$842,000 from Multnomah County. The two facilities are expected to bring 38 permanent jobs, 210 construction and/or temporary jobs and provide an additional 8,500 medical visits annually to Portland. ♦

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# **BLOCK U2 DEVELOPMENT Feasibility Report**

Appendix D2  
Summary of NMTC Program

## **Chapter 1**

### **Introduction to the New Markets Tax Credit**

#### **Introduction**

This chapter provides a brief overview of the New Markets Tax Credit (NMTC) under IRC §45D.

#### **Congressional Intent**

The New Markets Tax Credit (NMTC) Program, enacted by Congress as part of the Community Renewal Tax Relief Act of 2000, is incorporated as section 45D of the Internal Revenue Code. This Code section permits individual and corporate taxpayers to receive a credit against federal income taxes for making Qualified Equity Investments (QEI) in qualified community development entities (CDEs).

These investments are expected to result in the creation of jobs and material improvement in the lives of residents of low-income communities. Examples of expected projects include financing small businesses, improving community facilities such as daycare centers, and increasing home ownership opportunities.

A “low-income community” is defined as any population census tract where the poverty rate for such tract is at least 20% or in the case of a tract not located within a metropolitan area, median family income for such tract does not exceed 80 of statewide median family income, or in the case of a tract located within a metropolitan area, the median family income for such tract does not exceed 80% of the greater of statewide median family income or the metropolitan area median family income.

As part of the American Jobs Creation Act of 2004, IRC §45D(e)(2) was amended to provide that targeted *populations* may be treated as low-income communities. A “targeted population” means individuals, or an identifiable group of individuals, including an Indian tribe, who are low-income persons or otherwise lack adequate access to loans or equity investments.

“Targeted population” also includes the Hurricane Katrina Gulf Opportunity (GO) Zone, where individuals’ principal residences or principal sources of income were located in areas that were flooded, sustained heavy damage, or sustained catastrophic damage as a result of Hurricane Katrina.

See Notice 2006-60, [2006], 2006-2 C.B. 82, for additional guidance on targeted populations.



## Taxpayers' Qualified Equity Investment (QEI)

### Qualified Equity Investment (QEI) Defined

The actual cash investment made by the investor to the CDE, which is referred to as the equity investment, is the first step in defining a QEI. This cash investment eventually qualifies for the NMTC provided that the CDE makes qualified low-income community investments (QLICIs).

A QEI is, in general, any equity investment in a CDE if:

1. Such investment is acquired by the investor at its original issue (directly or through an underwriter) solely in exchange for cash,
2. Substantially all (at least 85%) of the cash is used by the CDE to make qualified low-income community investments (QLICI), and
3. The investment is designated by the CDE as a QEI on its books and records using any reasonable method.

The term equity investment means any stock in an entity which is a corporation, and any capital interest in an entity which is a partnership.

### Amount Paid at Original Issue

Under IRC §45D(b)(1)(A) and Treas. Reg. §1.45D-1(b)(4), the amount paid by the investor to the CDE for a QEI at its original issue consists of all amounts paid by the taxpayer to, or on behalf of, the CDE and includes any underwriter fees to purchase the investment at its original issue.

### Time of Investment

In general, an equity investment in a CDE is not eligible to be designated as a QEI if it is made before the CDE enters into an allocation agreement with the Community Development Financial Institutions Fund (CDFI). The allocation agreement specifies the terms of the NMTC allocation under IRC §45D(f)(2). However, for exceptions to the rule, see Treas. Reg. §1.45D-1(c)(3)(ii).

### Reporting Requirements

A CDE must provide notice to any investor who acquires a QEI in the CDE at its original issue that the equity investment is a QEI entitling the investor to claim the NMTC. The notice is made using Form 8874-A, Notice of Qualified Equity Investment for New Markets Credit, or for periods before March 2007, a written notification prepared by the CDE. The notice must be provided by the CDE to the taxpayer *no later than 60 days* after the date the investor makes the equity investment in the CDE. The notice must contain the amount paid to the CDE for the QEI at its original issue and the CDE's taxpayer identification number. (Treas. Reg. §1.45D-1(g)(2)(A).)

### Allocation Limitation

The amount of QEIs designated by a CDE may not exceed the amount allocated to the CDE by the CDFI Fund. The term QEI *does not include*:

1. Any equity investment issued by a CDE more than 5 years after the CDE enters into an allocation agreement with the CDFI Fund, and
2. Any equity investment by a CDE in another CDE, if the CDE making the investment has received an allocation under IRC §45D(f)(2). This prevents a CDE with an allocation from investing in another CDE with an allocation, and

thereby doubling up credits on a single investment.

## Allowance of Credit

The NMTC is included under IRC §38(a)(13) as part of the General Business Credit. The credit equals 39% of the investment and is claimed during a seven-year credit period. Investors may not redeem or otherwise cash out their investments in the CDEs prior to the conclusion of the seven-year credit period.

### Credit Allowance Date

A taxpayer holding a qualified equity investment (QEI) on a credit allowance date occurring during the taxable year may claim the NMTC for such taxable year in an amount equal to the applicable percentage of the amount paid to a qualified community development entity (CDE) for such investment at its original issue. Under IRC §45D(a)(3), the term credit allowance date means, with respect to any QEI:

1. The date on which the investment is initially made; and
2. Each of the six anniversary dates of such date thereafter.

In other words, the credit period is the seven-year period beginning on the date a QEI is initially made, even though the credit is allowable on the first day of each credit year.

### Applicable Percentage

The credit provided to the investor equals 39% of the QEI and is claimed over the seven-year credit period. Under IRC §45D(a)(2), the applicable percentage is 5 percent for the first three credit allowance dates and 6 percent for the last four credit allowance dates.

#### Example 1:

A CDE receives a \$2 million NMTC allocation. Investors make \$2 million of equity investments in the CDE. Assuming all other requirements are met, the investors would be entitled to claim NMTC equal to 39% of \$2 million or \$780,000 as follows:

Year One:	5% of \$2 million = \$100,000
Year Two:	5% of \$2 million = \$100,000
Year Three:	5% of \$2 million = \$100,000
Year Four:	6% of \$2 million = \$120,000
Year Five:	6% of \$2 million = \$120,000
Year Six:	6% of \$2 million = \$120,000
<u>Year Seven:</u>	<u>6% of \$2 million = \$120,000</u>
Total:	\$780,000

Although the CDE has the authority to designate up to \$ 2 million in QEI, its investors can only claim the NMTC on the actual cash invested in the CDE.

### Example 2:

Assuming the same facts in Example 1, except the CDE raises \$1 million for investments in qualified active low-income businesses. Assuming all other requirements are met, the investors would be entitled to claim \$150,000 in NMTC for the first three years and \$240,000 in NMTC for the last four years computed as follows:

(5% of \$1 million) x 3 years = \$150,000

(6% of \$1 million) x 4 years = \$240,000

Total: \$390,000

In essence, an investor in the NMTC program gets 39 cents in tax credits during the seven-year credit period for every dollar invested and designated as a QEI.

#### **Manner of Claiming the New Markets Tax Credit**

A taxpayer may claim the NMTC for each applicable year by completing Form 8874, New Markets Credit, and filing the form with the taxpayer's federal income tax return.

#### **Subsequent Purchasers**

Under Treas. Reg. §1.45D-1(c)(7), a QEI includes any equity investment that would be a QEI in the hands of the taxpayer (but for the requirement that the investment be acquired by the taxpayer at its original issue) if the investment was a QEI in the hands of a prior holder.

#### **Credit Recapture**

If, at any time during the 7 years beginning on the date of the original issue of a QEI in a CDE, there is a recapture event with respect to the investment, then the tax imposed for the taxable year in which the recapture event occurs is increased by the credit recapture amount. A recapture event requires recapture of credits allowed to the taxpayer who purchased the equity investment from the CDE at its original issue and to all subsequent holders of that investment.

Under IRC §45D(g)(3), there is a recapture event with respect to any equity investment in a CDE if one of the following three events occurs:

1. The CDE ceases to be a CDE,
2. The taxpayer's investment ceases to meet the substantially-all requirement, which involves investments in qualified low-income community investments (QLICs), or
3. The investment is redeemed or otherwise cashed out by the CDE.

### **Relationship to Other Federal Tax Benefits**

#### **Interaction with Other Federal Tax Benefits**

The availability of other federal tax benefits does not limit the availability of the NMTC. Under Treas. Reg. §1.45D-1(g)(3), examples include:

1. The Rehabilitation Credit under IRC §47.

2. All deductions under IRC §§167 and 168, including first year depreciation under IRC §168(k), and the expense deduction for certain depreciable property under IRC §179.
3. All tax benefits relating to certain designated areas such as empowerment zones and enterprise communities under IRC §1391 through IRC §1397D, the District of Columbia Enterprise Zone under IRC §1400 through IRC §1400B, renewal communities under IRC §1400E through IRC §1400J, and the New York Liberty Zone under IRC §1400L.
4. A CDE is not prohibited from purchasing tax-exempt bonds because tax-exempt financing provides a subsidy to borrowers and not bondholders. See T.D. 9171, 69 FR 77627, for discussion of Tax Exempt Bonds under IRC §103.

**Exception for  
Low-Income  
Housing Credit**

If a CDE makes a capital or equity investment or a loan with respect to a qualified low-income building under IRC §42, the investment or loan is not a QLICI to the extent the building's eligible basis under IRC §42(d) is financed by the proceeds of the investment or loan. See Treas. Reg. §1.45D-1(g)(3)(C)(ii).

## **Anti Abuse Rules**

If a principal purpose of a transaction, or a series of transactions, is to achieve a result that is inconsistent with the purpose of IRC §45D and the regulations thereunder, the Commissioner may treat the transaction or series of transactions as causing a recapture event. IRC §45D(i)(1) and Treas. Reg. §1.45D-1(g)(1).

## **Qualified Community Development Entity (CDE)**

**Qualified  
Community  
Development  
Entity (CDE)  
Defined**

Under IRC §45D(c)(1), a CDE is any domestic corporation or partnership:

1. Whose primary mission is serving or providing investment capital for low-income communities or low-income persons,
2. That maintains accountability to residents of low-income communities through their representation on any governing board or advisory board of the CDE, and
3. Has been certified as a CDE by the CDFI Fund. See [www.cdfifund.gov](http://www.cdfifund.gov) for more information.

Under IRC §45D(c)(2), any specialized small business investment company as defined in IRC §1044(c)(3) and CDFI as defined in §103 of the Community Development Banking and Financial Institutions Act of 1994 are treated as having met these requirements.

A CDE certification lasts for the life of the organization unless it is revoked or terminated by the CDFI Fund. To maintain its CDE certification, a CDE must certify annually during this period that the CDE has continued to meet the CDE certification requirements.

Both for-profit and non-profit CDEs may apply to the CDFI Fund for an allocation of NMTC, but only a for-profit CDE is permitted to provide the NMTC to its investors. Thus, if a non-profit CDE receives an allocation of NMTC, it must “sub-allocate” its NMTC allocation to one or more for-profit CDEs.

**Qualified Low-Income Community Investments (QLICI)**

The investor’s cash investment received by a CDE is treated as invested in a QLICI only to the extent that the cash is so invested no later than 12 months after the date the cash is paid by the investor (directly or through an underwriter) to the CDE. The cash investment can be one of the four following types of QLICIs under IRC §45D(d)(1):

1. Any capital or equity investment in, or loan to, any qualified active low-income community business.
2. A loan purchased by a CDE from another CDE which is a QLICI.
3. Financial counseling and other services to any qualified active low-income community business, or to any residents of a low-income community.
4. Any equity investment in, or loan to, other CDEs. See Treas. Reg. §1.45D-1(d)(1)(iv).

## **Community Development Financial Institutions Fund’s Responsibilities**

The CDFI Fund is responsible for establishing the credit application process, eligibility guidelines, and a scoring model for ranking applicants requesting allocations of NMTC. The CDFI Fund grants credit authority to the CDE; i.e., the ability to issue a specific amount of NMTC in exchange for equity investments.

Throughout the life of the NMTC Program (2001-2009), the CDFI Fund has been authorized to allocate to CDEs the authority to issue credit to their investors up to the aggregate amount of \$21.5 billion in equity. Under the Gulf Opportunity Zone Act of 2005, the CDFI Fund allocated an additional \$1 billion from 2005 to 2007 for QLICIs in the Hurricane Katrina GO Zone.

## **Internal Revenue Service’s Responsibility**

The Internal Revenue Service (IRS) is responsible for the tax administration aspects of IRC §45D, including responsibility for ensuring taxpayer compliance. The IRS has developed a comprehensive compliance program that focuses on both filing and reporting compliance by CDEs that received credit allocations, as well as taxpayers making investments and claiming the credit.

The IRS has developed this audit technique guide as part of its compliance program. The remaining chapters of this guide will focus on key terminology used in the NMTC arena, tax law, entity structures, examination issues at the CDE and investor levels, disclosure concerns, and report writing.

## The Complete Picture

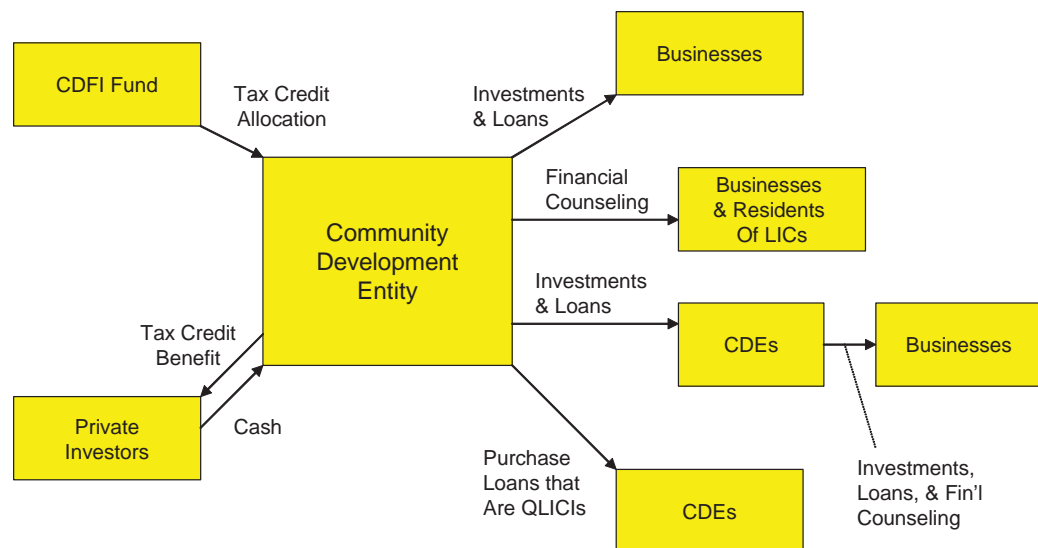
To conclude this chapter, the following diagram demonstrates the relationship between the organizations involved with the New Markets Tax Credit (NMTC) program.

In the upper left hand corner is the CDFI Fund, which has authority to allocate a portion of the NMTC limitation to the CDE, which means that the CDFI Fund allocates equity eligible for the NMTC.

Private investors (lower left hand corner) make cash investments in the CDE and claim the NMTC on their federal income tax returns. Although not demonstrated here, the investor may leverage the investment by investing funds borrowed from another source, thereby increasing the amount of the investment and credit.

The CDE must then invest substantially all of the cash in low-income communities within 12 months of receiving the funds.

On the right-hand side of the chart are the types of investments the CDE can make.



## Summary

1. The NMTC was enacted on December 21, 2000, as part of the Community Renewal Tax Relief Act of 2000. As part of the American Jobs creation Act of 2004, IRC §45D(e)(2) was amended to provide for investment in targeted populations, in addition to investments in low-income areas where there is at least a 20% poverty level or where the median family income does not exceed 80% of the median family income. The Hurricane Katrina GO Zone has also been identified as an area where low-income persons lack adequate access to loans or equity investments.

2. IRC §45D creates a tax credit for equity investments in CDEs. QEIs are made as stock or capital interest purchases in a for-profit corporation or partnership, respectively. QEIs must remain with the CDE for the entire 7-year credit period.
3. The NMTC is 39% of the QEI during a 7-year credit period. The investor may claim 5% in each of the first 3 years and 6% in each of the final 4 years.
4. The NMTC is recaptured if the substantially-all requirement is not met and is not corrected within the one-time 6 month cure period, the CDE ceases to be a CDE, or the CDE redeems or otherwise cashes out the investment.
5. A CDE's primary mission is to provide investment capital for low-income communities. A CDE can be a corporation or partnership.
6. The CDFI Fund is responsible for determining which CDEs will be granted authority to issue NMTC. The CDFI Fund has created an application process, eligibility guidelines, and a scoring model for ranking applicants. The CDFI Fund also certifies entities as CDEs and monitors CDEs for compliance.
7. Throughout the life of the NMTC Program, the CDFI Fund is authorized to allocate to CDEs the authority to issue to investors up to the aggregate amount of \$21.5 billion in equity for which the NMTC can be claimed. In addition, under the Gulf Opportunity Zone Act of 2005, the CDFI Fund allocated an additional \$1 billion from 2005 to 2007 for QLICs in the Hurricane Katrina Gulf Opportunity Zone. The American Recovery and Reinvestment Tax Act of 2009 provides the CDFI Fund with an additional \$3 billion of NMTC authority to be divided equally between 2008 and 2009.
8. The IRS is responsible for establishing procedures and processes to ensure taxpayers are in compliance with IRC §45D.

# **BLOCK U2 DEVELOPMENT Feasibility Report**

Appendix E  
Design Option Soft Cost Comparison



## DEVELOPMENT BUDGET

Item	Current Cost	% in Basis	Inf? 1=Y	FY1 P/SF 96,000	Item	Current Cost	% in Basis	Inf? 1=Y	FY1 P/SF 96,000	Item	Current Cost	FY1 P/U 96,000
<b>Acquisition Costs</b>					<b>General Fees, continued</b>					Total Project Budget	21,213,474	221
Purchase Price:			1	0	Cost Certification			1	0	Total Basis Eligible Costs	0	0
Land	0	0%	1	0	Appraisals	10,000		1				
Improvements			1	0	Special Inspections/Testing	80,000		1	1	Inflation Factor and Period	0.0%	0.0 year(s)
Liens and Other Taxes			1	0	Developer Fee	1,556,817		1	16	Inflated Total Project Budget	21,213,474	221
Closing/Recording	5,000		1	109	Consultant Fee			1	0	Inflated Total Basis Eligible Costs	0	0
Extension Fees			1	0	Lock Rate Fee			1	0			
Other:			1	0	Project Management Fee - Pre-Const	64,194		1	1	FY1 OHCS Category Subtotals		
<b>Construction Costs</b>					Other: Condo Legal and Survey	0		1	0	Acquisition Costs	5,000	0
Off-site Work		0%	1	0	<b>Construction Loan Costs/Fees</b>					Construction Costs	14,463,911	151
On-site Work			1	0	Lender Inspection Fees	10,800		1	0	Development Costs	938,981	10
Hazardous Materials Abatement	300,000		1	3	Lender Title Insurance	85,125		1		General Fees	3,400,136	35
Demolition	140,000		1	1	Lender Legal Fees	35,000		1	0	Construction Loan Costs/Fees	1,156,609	12
Residential Building	0		1	0	Loan Fees (Letter of Credit)	1,016,550		1	11	New Market Tax Credit Fees (Net)	0	0
Commercial Space/Building (Admin)	0	0%	1	0	Loan Closing Fees	5,000		1	0	Permanent Loan Fees	0	0
Common Use Facilities -- Clinical Space	12,072,034		1	126	Property Taxes (Construction Period)	4,134		1	0	Tax Credit Fees	0	0
Elevator			1	0	Insurance			1	0	Bond Issuance Fees	225,067	2
Laundry Facilities			1	0	<b>New Market Tax Credits (Net of NMTC Sources Generated)</b>					Interest	827,326	9
Storage/Garages			1	0	NMTC Owner Asset Management Fees	0		1	0	Reserves/Contingency	196,444	2
Landscaping			1	0	NMTC CDE Fees and Expenses	0		1	0			
General Conditions			1	0	NMTC Closing Fees	0		1	0			
Contractor Liability Insurance			1	0	<b>Permanent Loan Fees</b>							
Contractor Overhead			1	0	Perm. Loan Fee		0%	1	0			
Contractor Profit			1	0	Perm. Loan Closing Fees		0%	1	0			
Contingency	1,876,805		1	20	<b>Tax Credit Fees</b>							
FF&E (Common Area Furnishings)			1	0	Tax Credit Fee			1	0			
Performance and Payment Bonds	75,072		1	1	Tax Credit Cost Certification			1	0			
Other: Signage			1	0	Tax Credit Legal/Advisor Fee			1	0			
<b>Development Costs</b>					<b>Bond Issuance Fees</b>							
Land Use Approvals			1	0	Cost of Bond Issuance	213,067	0%	1	2			
Building Permits/Fees	500,481		1	5	Negative Arbitrage (1.50%)	0	0%	1	0			
System Development Charges	174,500		1	2	Bond Cost Certification	12,000	0%	1	0			
Market Study	0		1	0	Other:		0%	1	0			
Environmental Report	8,000		1	0	<b>Interest</b>							
Lead Based Paint Report	0		1	0	Construction & Stabilization Period	827,326		1	9			
Asbestos Report	0		1	0	Bridge Loan		0%	1	0			
Soils Report (Geotechnical)	0		1	0	Other:			1	0			
Survey	15,000		1	0	Other:			1	0			
Marketing/Advertising	10,000	0%	1	0	<b>Reserves/Contingency</b>							
Insurance	171,000		1	2	Lease Up/Operating Contingency	0	0%	1	0			
Other: Cost Estimating	10,000		1	0	Development Contingency			1	0			
Other: Haz Mat Testing	50,000		1	1	Tenant Relocation			1	0			
<b>General Fees</b>					Deposit to Replacement Reserves		0%	1	0			
Architectural	1,689,125		1	18	Soft Cost Contingency (3%)	196,444	0%	1	2			
SPD Architectural Review Fee			1	0	Operating Deficit Reserve			1	0			
Engineering			1	0	Debt Service Reserve			1	0			
Legal/Accounting			1	0	Operating Subsidy Reserve			1	0			
					Operating Subsidy Reserve			1				

## U-2

Updated as of

05/09/11

## Scheme 3 - Steel: Three Floors of Clinical Space (Steel-Framed Building)

Physical Project	U2 is a new-construction medical building located on the east side of Block U between NW Hoyt, Irving, Broadway and 6th. The building may be six-stories high within the 75' limits. It may contain clinical and administrative office space for Multnomah County. The number of stories and square footage will depend on the available sources to support the construction. This Scheme includes Administrative or Office space of 0 SF expected. Clinical space of 52500 expected. McCoy building has 101,276 total SF less 36,877 SF devoted to Admin for total clinical SF of 64,399
Financing Structure	Multnomah County has \$26.9 million of TIF proceeds available starting in FY 2014-5 and continuing through 2021. This project will require bridge financing for the TIF funds. Additional sources can be achieved through a New Market Tax Credit Financing Structure.

Acquisition Costs	Detail on estimate, source and basis
Purchase Price:	
Land	Land costs assumed to be \$0 same as the western portion of the lot for the Resource Access Center.
Improvements	No improvements exist that will remain after redevelopment. Some demolition may be required for planter boxes and retaining walls on the North side.
Liens and Other Taxes	
Closing/Recording	Recording fees are estimated at \$5000 for all closing documents at acquisition and financial closing.
Extension Fees	
Other:	
Construction Costs	
Off-site Work	
On-site Work	
Hazardous Materials Abatement	Environmental Abatement of soils at the RAC cost \$315,000. We estimate cost for the East side of the block at \$300,000.
Demolition	Estimate of \$140,000 demolition for planter boxes and North retaining wall based upon RAC's demolition estimate of \$140,000
Residential Building	
Commercial Space/Building -- Office space	Admin or Office space of 0 SF expected. Existing McCoy building has 36,877 SF devoted to admin.
Facilities -- Clinical Space	Clinical space of 52500 expected. McCoy building has 101276 total SF less 36,877 SF devoted to Admin for total clinical SF of 64,399
Elevator	Elevators are not singled out. The building floors may include floor A: 17,500 for floors 1-3 and B: 14,500 for floors 4-6.
Laundry Facilities	Not in design program
Storage/Garages	Not in design program
Landscaping	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
General Conditions	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Liability Insurance	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Overhead	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Profit	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contingency	15% of all costs in this construction section (including 5% for owner's construction contingency, 5% for bid contingency and 5% for design contingency)
FF&E (Common Area Furnishings)	Built-in cabinets are included in the office and clinical space estimates. Furniture and equipment are not included in this proforma
Performance and Payment Bonds	Estimated at 0.6% of construction costs based upon the RAC costs
Other: Signage	
Development Costs	
Land Use Approvals	
Building Permits/Fees	Per Mary Pat a 4-story 120,000 SF office building vaulted at \$20 million was charged \$790,000 in fees. This is \$6.60 per SF or 4% of total costs. This doesn't include design review or land adjustment fees. The expected building will have more plumbing for the clinical space so more fees will be added.
System Development Charges	SDC are estimated at \$300 per frontage foot for conduit to the vault. We're estimating 100 ft frontage for \$30,000 total costs. Additionally, the vault costs are estimated at \$119,500 or 40% of RAC's Vault costs of \$298,750. PGE staff has said we won't be charged for the vault, but RAC will get a reimbursement. The tariffs support both a charge for U2 and a reimbursement for RAC. Accelerometer cost of \$25,000
Market Study	NA
Environmental Report	An update to the environmental report is estimated at \$8,000.
Lead Based Paint Report	NA
Asbestos Report	NA
Soils Report (Geotechnical)	NA
Survey	Foundation Survey and as-built surveys are estimated at \$15,000

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<b>Acquisition Costs</b>	<b>Detail on estimate, source and basis</b>
Marketing/Advertising	Estimate for Ground-breaking and grand opening events are \$10,000
Insurance	Estimated at three times the cost of the RAC at \$57K which compared to Walsh's estimated cost at \$190,000 for the RAC.
Other: Cost Estimating	Cost estimating by a third-party estimator is expected to run \$10,000 for three separate estimates.
Other: Haz-Mat Testing	Haz-Mat testing is estimated at \$50,000 based upon the \$52k spent at RAC for piling from the foundation piers.
<b>General Fees</b>	
Architectural	Estimated at 9% of construction costs for engineering and consulting and 4% of construction costs for building design and .5% for medical space consulting
SPD Architectural Review Fee	NA
Engineering	Included in Architectural
Legal/Accounting	
Cost Certification	
Appraisals	An appraisal is estimated at \$10,000.
Special Inspections/Testing	Special inspections are estimated at \$80,000, which is the cost of the RAC special inspections
Developer Fee	Estimated at 8% of development costs less reserves or 8% of \$19,460,213
Consultant Fee	
Lock Rate Fee	
Project Management Fee - Pre-Const	RAC's Project Management costs were \$146,654 or 0.51% of construction costs. We estimate U2 costs at 64,194.
Other: Condo Legal and Survey	Condo legal is not included in this scheme. Condo Legal is estimated at \$75,000 for drafting initial and final regime docs. Condo survey is estimated at \$45,000 for initial and final plat. Recording and filing fees are estimated at \$5,000.
<b>Construction Loan Costs/Fees</b>	
Lender Inspection Fees	Estimated at \$600 per month for a 18 month construction period
Lender Title Insurance	RAC's title costs were \$111,566 or 0.24%. We estimate U2 title costs at 50,912.
Lender Legal Fees	Lender's counsel is estimated at \$35,000 based upon the RAC
Loan Fees (Letter of Credit)	Letter of Credit fees are estimated upon 101% of the bond loan amount of \$21,213,479 at 2% per annum for 2 years. LC Origination fees are 0.667% and extension fees are 0.125% of 101% of the bond loan amount.
Loan Closing Fees	Estimated at \$5,000 based upon the RAC closing costs of \$5,000
Property Taxes (Construction Period)	Based upon a Dec 2011 purchase date, 6-7 months of taxes will be owed for the purchase year. After purchase HAP can register as tax-exempt and no taxes will be charged after 7/1/2012
Insurance	
<b>New Market Tax Credits</b>	(Shown NMTC Sources Net of NMTC Costs so no estimates shown below)
NMTC Owner Asset Management Fees	None estimated
NMTC Fees and Expenses	NMTC upfront and ongoing fees for Community Development Entities and Investment Fund Management based upon the size of the Qualified Equity Investment by Breckenridge Consulting
NMTC Legal and Closing Fees	Legal, financing, accounting and closing fees for New Market Tax Credits (NMTC) estimated by Breckenridge Consulting
<b>Permanent Loan Fees</b>	
Perm. Loan Fee	See bond issuance costs
Perm. Loan Closing Fees	See construction loan costs (letter of credit)
<b>Tax Credit Fees</b>	
Tax Credit Fee	NA
Tax Credit Cost Certification	NA
Tax Credit Legal/Advisor Fee	NA
<b>Bond Issuance Fees</b>	
Cost of Bond Issuance	Estimated 0.5% underwriter fee on a loan equal to the sum of TIF and NMTC sources of (\$21,213,479) plus \$22,000 remarketing fee, \$10,000 Underwriter's Counsel, and \$75,000 bond (issuer) and disclosure counsel
Negative Arbitrage (1.50%)	
Bond Cost Certification	Estimated at \$12,000 based upon tax credit cost certifications
Other:	
<b>Interest</b>	
Construction & Stabilization Period	Estimated 24 months of 3% interest for an average loan balance of 65% of the TIF and NMTC sources of (\$21,213,479)
Bridge Loan	
Other:	
Other:	
<b>Reserves/Contingency</b>	

Acquisition Costs	Detail on estimate, source and basis
Lease Up/Operating	6 months of operating expenses and replacement reserve funding based upon NOAH's requirements. No debt service coverage.
Development	
Tenant Relocation	NA
Deposit to Replacement Reserves	
Soft Cost Contingency (3%)	Estimated at 3% of all soft costs.
Other:	Moving costs of owner/residents are not included in this budget
Other:	
Other:	

39,203

## DEVELOPMENT BUDGET

Item	Current Cost	% in Basis	Inf? 1=Y	FY1 P/SF 96,000	Item	Current Cost	% in Basis	Inf? 1=Y	FY1 P/SF 96,000	Item	Current Cost	FY1 P/U 96,000
<b>Acquisition Costs</b>					<b>General Fees, continued</b>					<b>Total Project Budget</b>	23,582,651	246
Purchase Price:			1	0	Cost Certification			1	0	<b>Total Basis Eligible Costs</b>	0	0
Land	0	0%	1	0	Appraisals	10,000		1		<b>Inflation Factor and Period</b>	0.0%	0.0 year(s)
Improvements			1	0	Special Inspections/Testing	80,000		1	1	<b>Inflated Total Project Budget</b>	23,582,651	246
Liens and Other Taxes			1	0	Developer Fee	1,730,854		1	18	<b>Inflated Total Basis Eligible Costs</b>	0	0
Closing/Recording	5,000		1	109	Consultant Fee			1	0			
Extension Fees			1	0	Lock Rate Fee			1	0			
Other:			1	0	Project Management Fee - Pre-Const	71,712		1	1	<b>FY1 OHCS Category Subtotals</b>		
<b>Construction Costs</b>					Other: Condo Legal and Survey	0		1	0	Acquisition Costs	5,000	0
Off-site Work		0%	1	0	<b>Construction Loan Costs/Fees</b>					Construction Costs	16,157,677	168
On-site Work			1	0	Lender Inspection Fees	10,800		1	0	Development Costs	997,589	10
Hazardous Materials Abatement	300,000		1	3	Lender Title Insurance	85,125		1		General Fees	3,779,492	39
Demolition	140,000		1	1	Lender Legal Fees	35,000		1	0	Construction Loan Costs/Fees	1,270,140	13
Residential Building	0		1	0	Loan Fees (Letter of Credit)	1,130,081		1	12	<b>New Market Tax Credit Fees (Net)</b>	0	0
Commercial Space/Building (Admin)	0	0%	1	0	Loan Closing Fees	5,000		1	0	Permanent Loan Fees	0	0
Common Use Facilities -- Clinical Space	13,537,230		1	141	Property Taxes (Construction Period)	4,134		1	0	Tax Credit Fees	0	0
Elevator			1	0	Insurance			1	0	Bond Issuance Fees	236,913	2
Laundry Facilities			1	0	<b>New Market Tax Credits (Net of NMTC Sources Generated)</b>					Interest	919,724	10
Storage/Garages			1	0	NMTC Owner Asset Management Fees	0		1	0	Reserves/Contingency	216,116	2
Landscaping			1	0	NMTC CDE Fees and Expenses	0		1	0			
General Conditions			1	0	NMTC Closing Fees	0		1	0			
Contractor Liability Insurance			1	0	<b>Permanent Loan Fees</b>							
Contractor Overhead			1	0	Perm. Loan Fee		0%	1	0			
Contractor Profit			1	0	Perm. Loan Closing Fees		0%	1	0			
Contingency	2,096,584		1	22	<b>Tax Credit Fees</b>							
FF&E (Common Area Furnishings)			1	0	Tax Credit Fee			1	0			
Performance and Payment Bonds	83,863		1	1	Tax Credit Cost Certification			1	0			
Other: Signage			1	0	Tax Credit Legal/Advisor Fee			1	0			
<b>Development Costs</b>					<b>Bond Issuance Fees</b>							
Land Use Approvals			1	0	Cost of Bond Issuance	224,913	0%	1	2			
Building Permits/Fees	559,089		1	6	Negative Arbitrage (1.50%)	0	0%	1	0			
System Development Charges	174,500		1	2	Bond Cost Certification	12,000	0%	1	0			
Market Study	0		1	0	Other:		0%	1	0			
Environmental Report	8,000		1	0	<b>Interest</b>							
Lead Based Paint Report	0		1	0	Construction & Stabilization Period	919,724		1	10			
Asbestos Report	0		1	0	Bridge Loan		0%	1	0			
Soils Report (Geotechnical)	0		1	0	Other:			1	0			
Survey	15,000		1	0	Other:			1	0			
Marketing/Advertising	10,000	0%	1	0	<b>Reserves/Contingency</b>							
Insurance	171,000		1	2	Lease Up/Operating Contingency	0	0%	1	0			
Other: Cost Estimating	10,000		1	0	Development Contingency			1	0			
Other: Haz Mat Testing	50,000		1	1	Tenant Relocation			1	0			
<b>General Fees</b>					Deposit to Replacement Reserves		0%	1	0			
Architectural	1,886,926		1	20	Soft Cost Contingency (3%)	216,116	0%	1	2			
SPD Architectural Review Fee			1	0	Operating Deficit Reserve			1	0			
Engineering			1	0	Debt Service Reserve			1	0			
Legal/Accounting			1	0	Operating Subsidy Reserve			1	0			
					Operating Subsidy Reserve			1				

**U-2**

Updated as of

05/09/11

**Scheme 4 - Steel: Four Floors including 3.6 floors of Clinical Space (Steel Framed Building)**

Physical Project	U2 is a new-construction medical building located on the east side of Block U between NW Hoyt, Irving, Broadway and 6th. The building may be six-stories high within the 75' limits. It may contain clinical and administrative office space for Multnomah County. The number of stories and square footage will depend on the available sources to support the construction. This Scheme includes Administrative or Office space of 3141.2 SF expected. Clinical space of 57211.8 expected. McCoy building has 101,276 total SF less 36,877 SF devoted to Admin for total clinical SF of 64,399
Financing Structure	Multnomah County has \$26.9 million of TIF proceeds available starting in FY 2014-5 and continuing through 2021. This project will require bridge financing for the TIF funds. Additional sources can be achieved through a New Market Tax Credit Financing Structure.

**Acquisition Costs****Detail on estimate, source and basis**

Purchase Price:	
Land	Land costs assumed to be \$0 same as the western portion of the lot for the Resource Access Center.
Improvements	No improvements exist that will remain after redevelopment. Some demolition may be required for planter boxes and retaining walls on the North side.
Liens and Other Taxes	
Closing/Recording	Recording fees are estimated at \$5000 for all closing documents at acquisition and financial closing.
Extension Fees	
Other:	

**Construction Costs**

Off-site Work	
On-site Work	
Hazardous Materials Abatement	Environmental Abatement of soils at the RAC cost \$315,000. We estimate cost for the East side of the block at \$300,000.
Demolition	Estimate of \$140,000 demolition for planter boxes and North retaining wall based upon RAC's demolition estimate of \$140,000
Residential Building	
Commercial Space/Building -- Office space	Admin or Office space of 0 SF expected. Existing McCoy building has 36,877 SF devoted to admin.
Facilities -- Clinical Space	Clinical space of 52500 expected. McCoy building has 101276 total SF less 36,877 SF devoted to Admin for total clinical SF of 64,399
Elevator	Elevators are not singled out. The building floors may include floor A: 17,500 for floors 1-3 and B: 14,500 for floors 4-6.
Laundry Facilities	Not in design program
Storage/Garages	Not in design program
Landscaping	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
General Conditions	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Liability Insurance	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Overhead	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Profit	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contingency	15% of all costs in this construction section (including 5% for owner's construction contingency, 5% for bid contingency and 5% for design contingency)
FF&E (Common Area Furnishings)	Built-in cabinets are included in the office and clinical space estimates. Furniture and equipment are not included in this proforma
Performance and Payment Bonds	Estimated at 0.6% of construction costs based upon the RAC costs
Other: Signage	

**Development Costs**

Land Use Approvals	
Building Permits/Fees	
System Development Charges	Per Mary Pat a 4-story 120,000 SF office building vaulted at \$20 million was charged \$790,000 in fees. This is \$6.60 per SF or 4% of total costs. This doesn't include design review or land adjustment fees. The expected building will have more plumbing for the clinical space so more fees will be added. SDC are estimated at \$300 per frontage foot for conduit to the vault. We're estimating 100 ft frontage for \$30,000 total costs. Additionally, the vault costs are eestimated at \$119,500 or 40% of RAC's Vault costs of \$298,750. PGE staff has said we won't be charged for the vault, but RAC will get a reimbursement. The tariffs support both a charge for U2 and a reimbursement for RAC. Accellerameter cost of \$25,000
Market Study	NA
Environmental Report	An update to the environmental report is estimated at \$8,000.
Lead Based Paint Report	NA
Asbestos Report	NA
Soils Report (Geotechnical)	NA
Survey	Foundation Survey and as-built surveys are estimated at \$15,000

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<b>Acquisition Costs</b>	<b>Detail on estimate, source and basis</b>
Marketing/Advertising	Estimate for Ground-breaking and grand opening events are \$10,000
Insurance	Estimated at three times the cost of the RAC at \$57K which compared to Walsh's estimated cost at \$190,000 for the RAC.
Other: Cost Estimating	Cost estimating by a third-party estimator is expected to run \$10,000 for three separate estimates.
Other: Haz-Mat Testing	Haz-Mat testing is estimated at \$50,000 based upon the \$52k spent at RAC for piling from the foundation piers.
<b>General Fees</b>	
Architectural	Estimated at 9% of construction costs for engineering and consulting and 4% of construction costs for building design and .5% for medical space consulting
SPD Architectural Review Fee	NA
Engineering	Included in Architectural
Legal/Accounting	
Cost Certification	
Appraisals	An appraisal is estimated at \$10,000.
Special Inspections/Testing	Special inspections are estimated at \$80,000, which is the cost of the RAC special inspections
Developer Fee	Estimated at 8% of development costs less reserves or 8% of \$21,635,681
Consultant Fee	
Lock Rate Fee	
Project Management Fee - Pre-Const	RAC's Project Management costs were \$146,654 or 0.51% of construction costs. We estimate U2 costs at 71,712.
Other: Condo Legal and Survey	Condo legal is not included in this scheme. Condo Legal is estimated at \$75,000 for drafting initial and final regime docs. Condo survey is estimated at \$45,000 for initial and final plat. Recording and filing fees are estimated at \$5,000.
<b>Construction Loan Costs/Fees</b>	
Lender Inspection Fees	Estimated at \$600 per month for a 18 month construction period
Lender Title Insurance	RAC's title costs were \$111,566 or 0.24%. We estimate U2 title costs at 56,598.
Lender Legal Fees	Lender's counsel is estimated at \$35,000 based upon the RAC
Loan Fees (Letter of Credit)	Letter of Credit fees are estimated upon 101% of the bond loan amount of \$23,582,657 at 2% per annum for 2 years. LC Origination fees are 0.667% and extension fees are 0.125% of 101% of the bond loan amount.
Loan Closing Fees	Estimated at \$5,000 based upon the RAC closing costs of \$5,000
Property Taxes (Construction Period)	Based upon a Dec 2011 purchase date, 6-7 months of taxes will be owed for the purchase year. After purchase HAP can register as tax-exempt and no taxes will be charged after 7/1/2012
Insurance	
<b>New Market Tax Credits</b>	(Shown NMTC Sources Net of NMTC Costs so no estimates shown below)
NMTC Owner Asset Management Fees	None Estimated
NMTC Fees and Expenses	NMTC upfront and ongoing fees for Community Development Entities and Investment Fund Management based upon the size of the Qualified Equity Investment by Breckenridge Consulting
NMTC Legal and Closing Fees	Legal, financing, accounting and closing fees for New Market Tax Credits (NMTC) estimated by Breckenridge Consulting
<b>Permanent Loan Fees</b>	
Perm. Loan Fee	See bond issuance costs
Perm. Loan Closing Fees	See construction loan costs (letter of credit)
<b>Tax Credit Fees</b>	
Tax Credit Fee	NA
Tax Credit Cost Certification	NA
Tax Credit Legal/Advisor Fee	NA
<b>Bond Issuance Fees</b>	
Cost of Bond Issuance	Estimated 0.5% underwriter fee on a loan equal to the sum of TIF and NMTC sources of (\$23,582,657) plus \$22,000 remarketing fee, \$10,000 Underwriter's Counsel, and \$75,000 bond (issuer) and disclosure counsel
Negative Arbitrage (1.50%)	
Bond Cost Certification	Estimated at \$12,000 based upon tax credit cost certifications
Other:	
<b>Interest</b>	
Construction & Stabilization Period	Estimated 24 months of 3% interest for an average loan balance of 65% of the TIF and NMTC sources of (\$23,582,657)
Bridge Loan	
Other:	
Other:	
<b>Reserves/Contingency</b>	

<b>Acquisition Costs</b>	<b>Detail on estimate, source and basis</b>
Lease Up/Operating	6 months of operating expenses and replacement reserve funding based upon NOAH's requirements. No debt service coverage.
Development	
Tenant Relocation	NA
Deposit to Replacement Reserves	
Soft Cost Contingency (3%)	Estimated at 3% of all soft costs.
Other:	Moving costs of owner/residents are not included in this budget
Other:	
Other:	



## DEVELOPMENT BUDGET

Item	Current Cost	% in Basis	Inf? 1=Y	FY1 P/SF 96,000	Item	Current Cost	% in Basis	Inf? 1=Y	FY1 P/SF 96,000	Item	Current Cost	FY1 P/U 96,000
<b>Acquisition Costs</b>					<b>General Fees, continued</b>					Total Project Budget	35,006,277	365
Purchase Price:			1	0	Cost Certification			1	0	Total Basis Eligible Costs	0	0
Land	0	0%	1	0	Appraisals	10,000		1				
Improvements			1	0	Special Inspections/Testing	80,000		1	1	Inflation Factor and Period	0.0%	0.0 year(s)
Liens and Other Taxes			1	0	Developer Fee	2,570,430		1	27	Inflated Total Project Budget	35,006,277	365
Closing/Recording	5,000		1	109	Consultant Fee			1	0	Inflated Total Basis Eligible Costs	0	0
Extension Fees			1	0	Lock Rate Fee			1	0			
Other:			1	0	Project Management Fee - Pre-Const	108,797		1	1	FY1 OHCS Category Subtotals		
<b>Construction Costs</b>					Other: Condo Legal and Survey	0		1	0	Acquisition Costs	5,000	0
Off-site Work		0%	1	0	<b>Construction Loan Costs/Fees</b>					Construction Costs	24,513,542	255
On-site Work			1	0	Lender Inspection Fees	10,800		1	0	Development Costs	1,286,719	13
Hazardous Materials Abatement	300,000		1	3	Lender Title Insurance	85,125		1		General Fees	5,631,968	59
Demolition	140,000		1	1	Lender Legal Fees	35,000		1	0	Construction Loan Costs/Fees	1,706,385	18
Residential Building	0		1	0	Loan Fees (Letter of Credit)	1,566,326		1	16	New Market Tax Credit Fees	0	0
Commercial Space/Building (Admin)	8,905,093	0%	1	93	Loan Closing Fees	5,000		1	0	Permanent Loan Fees	0	0
Common Use Facilities -- Clinical Space	11,860,393		1	124	Property Taxes (Construction Period)	4,134		1	0	Tax Credit Fees	0	0
Elevator			1	0	Insurance			1	0	Bond Issuance Fees	282,431	3
Laundry Facilities			1	0	<b>New Market Tax Credits (Net of NMTC Sources Generated)</b>					Interest	1,274,764	13
Storage/Garages			1	0	NMTC Owner Asset Management Fees	0		1	0	Reserves/Contingency	305,468	3
Landscaping			1	0	NMTC CDE Fees and Expenses	0		1	0			
General Conditions			1	0	NMTC Closing Fees	0		1	0			
Contractor Liability Insurance			1	0	<b>Permanent Loan Fees</b>							
Contractor Overhead			1	0	Perm. Loan Fee		0%	1	0			
Contractor Profit			1	0	Perm. Loan Closing Fees		0%	1	0			
Contingency	3,180,823		1	33	<b>Tax Credit Fees</b>							
FF&E (Common Area Furnishings)			1	0	Tax Credit Fee			1	0			
Performance and Payment Bonds	127,233		1	1	Tax Credit Cost Certification			1	0			
Other: Signage			1	0	Tax Credit Legal/Advisor Fee			1	0			
<b>Development Costs</b>					<b>Bond Issuance Fees</b>							
Land Use Approvals			1	0	Cost of Bond Issuance	270,431	0%	1	3			
Building Permits/Fees	848,219		1	9	Negative Arbitrage (1.50%)	0	0%	1	0			
System Development Charges	174,500		1	2	Bond Cost Certification	12,000	0%	1	0			
Market Study	0		1	0	Other:		0%	1	0			
Environmental Report	8,000		1	0	<b>Interest</b>							
Lead Based Paint Report	0		1	0	Construction & Stabilization Period	1,274,764		1	13			
Asbestos Report	0		1	0	Bridge Loan		0%	1	0			
Soils Report (Geotechnical)	0		1	0	Other:			1	0			
Survey	15,000		1	0	Other:			1	0			
Marketing/Advertising	10,000	0%	1	0	<b>Reserves/Contingency</b>							
Insurance	171,000		1	2	Lease Up/Operating Contingency	0	0%	1	0			
Other: Cost Estimating	10,000		1	0	Development Contingency			1	0			
Other: Haz Mat Testing	50,000		1	1	Tenant Relocation			1	0			
<b>General Fees</b>					Deposit to Replacement Reserves		0%	1	0			
Architectural	2,862,741		1	30	Soft Cost Contingency (3%)	305,468	0%	1	3			
SPD Architectural Review Fee			1	0	Operating Deficit Reserve			1	0			
Engineering			1	0	Debt Service Reserve			1	0			
Legal/Accounting			1	0	Operating Subsidy Reserve			1	0			
					Operating Subsidy Reserve			1				

**U-2**

Updated as of

**Scheme 6 - Concrete: Six Floors including 3.6 Floors of Clinical Space plus Additional Floors of Office Space (Post Tension Concrete Building)****05/09/11**

Physical Project	U2 is a new-construction medical building located on the east side of Block U between NW Hoyt, Irving, Broadway and 6th. The building may be six-stories high within the 75' limits. It may contain clinical and administrative office space for Multnomah County. The number of stories and square footage will depend on the available sources to support the construction. This Scheme includes Administrative or Office space of 35000 SF expected. Clinical space of 61000 expected. McCoy building has 101,276 total SF less 36,877 SF devoted to Admin for total clinical SF of 64,399
Financing Structure	Multnomah County has \$26.9 million of TIF proceeds available starting in FY 2014-5 and continuing through 2021. This project will require bridge financing for the TIF funds. Additional sources can be achieved through a New Market Tax Credit Financing Structure.

<b>Acquisition Costs</b>	<b>Detail on estimate, source and basis</b>
Purchase Price:	
Land	Land costs assumed to be \$0 same as the western portion of the lot for the Resource Access Center.
Improvements	No improvements exist that will remain after redevelopment. Some demolition may be required for planter boxes and retaining walls on the North side.
Liens and Other Taxes	
Closing/Recording	Recording fees are estimated at \$5000 for all closing documents at acquisition and financial closing.
Extension Fees	
Other:	
<b>Construction Costs</b>	
Off-site Work	
On-site Work	
Hazardous Materials Abatement	Environmental Abatement of soils at the RAC cost \$315,000. We estimate cost for the East side of the block at \$300,000.
Demolition	Estimate of \$140,000 demolition for planter boxes and North retaining wall based upon RAC's demolition estimate of \$140,000
Residential Building	
Commercial Space/Building -- Office space	
Facilities -- Clinical Space	Clinical space of 61000 expected. McCoy building has 101,276 total SF less 36,877 SF devoted to Admin for total clinical SF of 64,399
Elevator	Elevators are not singled out. The building floors may include floor A: 17,500 for floors 1-3 and B: 14,500 for floors 4-6.
Laundry Facilities	Not in design program
Storage/Garages	Not in design program
Landscaping	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
General Conditions	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Liability Insurance	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Overhead	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contractor Profit	Included in Residential Building / Commercial Building / Facilities (for early estimates, may need to break out later for PHB information)
Contingency	15% of all costs in this construction section (including 5% for owner's construction contingency, 5% for bid contingency and 5% for design contingency)
FF&E (Common Area Furnishings)	Built-in cabinets are included in the office and clinical space estimates. Furniture and equipment are not included in this proforma
Performance and Payment Bonds	Estimated at 0.6% of construction costs based upon the RAC costs
Other: Signage	
<b>Development Costs</b>	
Land Use Approvals	
Building Permits/Fees	Per Mary Pat a 4-story 120,000 SF office building vaulted at \$20 million was charged \$790,000 in fees. This is \$6.60 per SF or 4% of total costs. This doesn't include design review or land adjustment fees. The expected building will have more plumbing for the clinical space so more fees will be added.
System Development Charges	SDC are estimated at \$300 per frontage foot for conduit to the vault. We're estimating 100 ft frontage for \$30,000 total costs. Additionally, the vault costs are estimated at \$119,500 or 40% of RAC's Vault costs of \$298,750. PGE staff has said we won't be charged for the vault, but RAC will get a reimbursement. The tariffs support both a charge for U2 and a reimbursement for RAC. Accelerometer cost of \$25,000
Market Study	NA
Environmental Report	An update to the environmental report is estimated at \$8,000.
Lead Based Paint Report	NA
Asbestos Report	NA
Soils Report (Geotechnical)	NA
Survey	Foundation Survey and as-built surveys are estimated at \$15,000

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<b>Acquisition Costs</b>	<b>Detail on estimate, source and basis</b>
Marketing/Advertising	Estimate for Ground-breaking and grand opening events are \$10,000
Insurance	Estimated at three times the cost of the RAC at \$57K which compared to Walsh's estimated cost at \$190,000 for the RAC.
Other: Cost Estimating	Cost estimating by a third-party estimator is expected to run \$10,000 for three separate estimates.
Other: Haz-Mat Testing	Haz-Mat testing is estimated at \$50,000 based upon the \$52k spent at RAC for piling from the foundation piers.
<b>General Fees</b>	
Architectural	Estimated at 9% of construction costs for engineering and consulting and 4% of construction costs for building design and .5% for medical space consulting
SPD Architectural Review Fee	NA
Engineering	Included in Architectural
Legal/Accounting	
Cost Certification	
Appraisals	An appraisal is estimated at \$10,000.
Special Inspections/Testing	Special inspections are estimated at \$80,000, which is the cost of the RAC special inspections
Developer Fee	Estimated at 8% of development costs less reserves or 8% of \$32,130,379
Consultant Fee	
Lock Rate Fee	
Project Management Fee - Pre-Const	RAC's Project Management costs were \$146,654 or 0.51% of construction costs. We estimate U2 costs at 108,797.
Other: Condo Legal and Survey	Condo legal is not included in this scheme. Condo Legal is estimated at \$75,000 for drafting initial and final regime docs. Condo survey is estimated at \$45,000 for initial and final plat. Recording and filing fees are estimated at \$5,000.
<b>Construction Loan Costs/Fees</b>	
Lender Inspection Fees	Estimated at \$600 per month for a 18 month construction period
Lender Title Insurance	RAC's title costs were \$111,566 or 0.24%. We estimate U2 title costs at 78,447.
Lender Legal Fees	Lender's counsel is estimated at \$35,000 based upon the RAC
Loan Fees (Letter of Credit)	Letter of Credit fees are estimated upon 101% of the bond loan amount of \$32,686,259 at 2% per annum for 2 years. LC Origination fees are 0.667% and extension fees are 0.125% of 101% of the bond loan amount.
Loan Closing Fees	Estimated at \$5,000 based upon the RAC closing costs of \$5,000
Property Taxes (Construction Period)	Based upon a Dec 2011 purchase date, 6-7 months of taxes will be owed for the purchase year. After purchase HAP can register as tax-exempt and no taxes will be charged after 7/1/2012
Insurance	
<b>New Market Tax Credits</b>	(Shown NMTC Sources Net of NMTC Costs so no estimates shown below)
NMTC Owner Asset Management Fees	None estimated
NMTC Fees and Expenses	NMTC upfront and ongoing fees for Community Development Entities and Investment Fund Management based upon the size of the Qualified Equity Investment by Breckenridge Consulting
NMTC Legal and Closing Fees	Legal, financing, accounting and closing fees for New Market Tax Credits (NMTC) estimated by Breckenridge Consulting
<b>Permanent Loan Fees</b>	
Perm. Loan Fee	See bond issuance costs
Perm. Loan Closing Fees	See construction loan costs (letter of credit)
<b>Tax Credit Fees</b>	
Tax Credit Fee	NA
Tax Credit Cost Certification	NA
Tax Credit Legal/Advisor Fee	NA
<b>Bond Issuance Fees</b>	
Cost of Bond Issuance	Estimated 0.5% underwriter fee on a loan equal to the sum of TIF and NMTC sources of (\$32,686,259) plus \$22,000 remarketing fee, \$10,000 Underwriter's Counsel, and \$75,000 bond (issuer) and disclosure counsel
Negative Arbitrage (1.50%)	
Bond Cost Certification	Estimated at \$12,000 based upon tax credit cost certifications
Other:	
<b>Interest</b>	
Construction & Stabilization Period	Estimated 24 months of 3% interest for an average loan balance of 65% of the TIF and NMTC sources of (\$32,686,259)
Bridge Loan	
Other:	
Other:	
<b>Reserves/Contingency</b>	

Acquisition Costs	Detail on estimate, source and basis
Lease Up/Operating	6 months of operating expenses and replacement reserve funding based upon NOAH's requirements. No debt service coverage.
Development	
Tenant Relocation	NA
Deposit to Replacement Reserves	
Soft Cost Contingency (3%)	Estimated at 3% of all soft costs.
Other:	Moving costs of owner/tenants are not included in this budget
Other:	
Other:	