

March 25, 2015

House Committee on Revenue
900 Court St. NE
Salem, Oregon 97301

Dear Chair Barnhart and Members of the Committee:

This letter is written in strong support of H.B. 2126 which extends the sunset date for certification for the vertical housing development zone program to January 1, 2026, and defines “non-residential use.”

The vertical housing development zone (VHDZ) program is an important tool for local jurisdictions to attract mixed use development that brings desired activity and jobs to main streets and downtowns. The program has been used to help stimulate private investment in six developments in three historic downtowns around the region:

- Milwaukie –
 - North Main Village
 - North Main Apartments
- Gresham –
 - Beranger
 - Third Central
- Hillsboro –
 - 4th Main Building
 - Wrap site (The Core) at Orenco

Combined, these private developments exceed \$68.0 million in total value. They produced 350 new dwelling units and approximately 39,000 square feet of retail and restaurant space; 64 of the units are affordable and 286 provide workforce housing. About 450 jobs were created during construction. Because these are built near transit, and are higher density than the market would have produced on its own, an estimated 159,000 more trips will be made annually by transit, instead of by automobile.

By attracting this new development, local tax bases are increased both directly by the value of these projects and indirectly by the spillover benefits on nearby properties and businesses. The limited term tax benefit is not experienced as a fiscal loss because it does not reduce funding previously relied upon for programs or services; instead, the increases in local property tax revenues are phased. The tax base increases immediately, and increases again in ten (10) years.

The market would not have produced these developments on its own. Public financing incentives were needed to cover the cost premiums of compact mixed use development. It is typical that a number of different public financing tools are needed to close financing gaps. For each of these

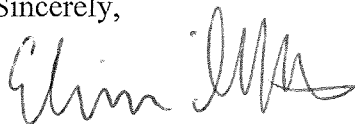
developments the Metro TOD Program also provided a modest amount of project funding. See the attached project profiles for more information on these public private partnership projects. Each public financing tool offers unique benefits. The VHDZ program reduces the operating costs of a building for its first ten (10) years and that positions a developer to secure larger loans, with more favorable terms.

The VHDZ program will be improved by defining “non-residential use” in the legislation to mean any use that is not exclusively residential. This would allow live-work units to be considered as eligible ground floor uses in the VHDZ program. Live-work units attract local businesses to underserved areas, bring 18-hour activity, and generate spillover benefits for other properties and businesses. Live-work units are increasingly desired by emerging small businesses. For developers and property owners, live-work units can offer an income stream in places where retail space would stand empty. If live-work uses are allowed, local communities have a better chance of attracting development of new buildings with the ground floor transparency and high ceilings that retail requires. Over time, as new investments and activity attract more retail, the buildings can transition from live-work to retail spaces.

I encourage you to support passage of House Bill 2126.

Thank you for consideration.

Sincerely,



Elissa Gertler
Planning & Development Director

Attachments:

Project profile – North Main Village (& Apartments)

Project profile – Beranger

Project profile – Third Central

Project profile – 4th Main

North Main Village

Milwaukie, Oregon

Transit-oriented
development

Project Profile



North Main Village is considered the cornerstone of Milwaukie's downtown revitalization effort. For years, a vacated Safeway store inhabited the site, but now in its place is an architecturally diverse, mixed-use project providing housing, live-work and retail space. Located just 10 miles south of downtown Portland and a block away from the Willamette River, the developer saw the project as a prime opportunity for supporting a resurging Milwaukie.

The project's six buildings include 97 housing units and 8,600 feet of retail. The housing units vary from town homes with live/work elements that place living space over retail space, to a four-story building with affordable rental units. Construction types also vary from traditional wood framing to post-tensioned concrete and steel framing. Other site amenities include a central green space, rainwater harvesting landscaping features and ground floor retail.

Mike Swanson, Milwaukie city manager at the time, said the project has been fulfilling because of the faith shown by so many partners. "In a small city like ours, you don't do this alone. You have

to find substantial partners. We had the vision, but we didn't have the means." North Main Village has proven to be a remarkable example of the transit-oriented development potential of public-private partnerships.

AT A GLANCE

Location 10554 SE Main St., Milwaukie

Status Completed 2006

Total development cost \$14 Million

TOD program funding \$560,528

Mixed uses 8,000 square feet ground level retail; 64 affordable rental units; and 33 ownership townhomes, flats and live-work units

Building Six separate structures, two to four stories in height

Parking 33 tuck-under and 56 surface spaces

Site 1.85 acres

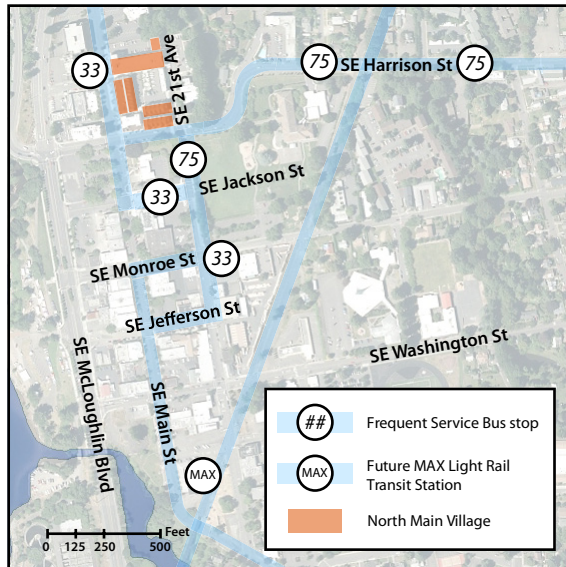
Density 52 dwelling units per acre

Increased transit ridership 30,072 annual trips



Clean air and clean water do not stop at city limits or county lines. Neither does the need for jobs, a thriving economy and good transportation choices for people and businesses in our region. Voters have asked Metro to help with the challenges that cross those lines and affect the 25 cities and three counties in the Portland metropolitan area.

A regional approach simply makes sense when it comes to protecting open space, caring for parks, planning for the best use of land, managing garbage disposal and increasing recycling. Metro oversees world-class facilities such as the Oregon Zoo, which contributes to conservation and education, and the Oregon Convention Center, which benefits the region's economy.



Highlights.

- Distinct architectural style for each of the six buildings
- Innovative courtyard rain garden that channels and filters stormwater and runoff into a central plaza partially financed with a green building grant of \$25,000
- First new housing in downtown Milwaukie in almost four decades
- First condominium project in downtown Milwaukie
- First mixed-use project in Milwaukie
- First project funded from Metro's urban centers program, which was established by the Metro Council in 2004
- First time the City of Milwaukie authorized a tax abatement for mixed use buildings under the Vertical Housing Tax Zone program
- Project financing was extraordinarily challenging and a total of 14 different financing sources were required

For more information, call 503-797-1757 or visit www.oregonmetro.gov/tod

Private partners

Developer KemperCo. Development LLC

Architects Myhre Group Architects

Landscape MacDonald Environmental Planning, PC

Construction financing Bank of America

Tax credit equity Enterprise Community Partners

Contractors R & H Construction and LMC Construction

Public partners

Metro TOD program funding and TOD green building grant

City of Milwaukie Land acquisition, 10 year partial tax abatement under the Oregon Vertical Housing Tax Zone program for mixed-use buildings, and system development charge reduction

State of Oregon Risk-sharing loan for construction financing; Oregon Community Incentive Fund grant for off-site improvement, state weatherization grant and administration of the Vertical Housing Tax Zone program

Federal Four percent Low Income Housing Tax Credits, allocated by the state of Oregon

The Beranger

Gresham, Oregon

Transit-oriented
development

Project Profile



The Beranger condominium project is a welcome newcomer to the Gresham downtown area. Completed in fall 2007, the Beranger offers the first mid-rise urban condominiums in Gresham.

The building facade is dark slate with large, wood-clad canopies that create a dramatic effect along the exterior. Special consideration was given to stormwater-related site constraints. Porous pavement, flow-through planters and an eco-roof were used to reduce the environmental impact to the city's stormwater system. The eco-roof is viewable from a rooftop community patio to serve as an educational tool for residents and visitors.

The Beranger is within walking distance to MAX and bus lines, the farmers market and the future site of the Gresham Center for the Performing Arts.

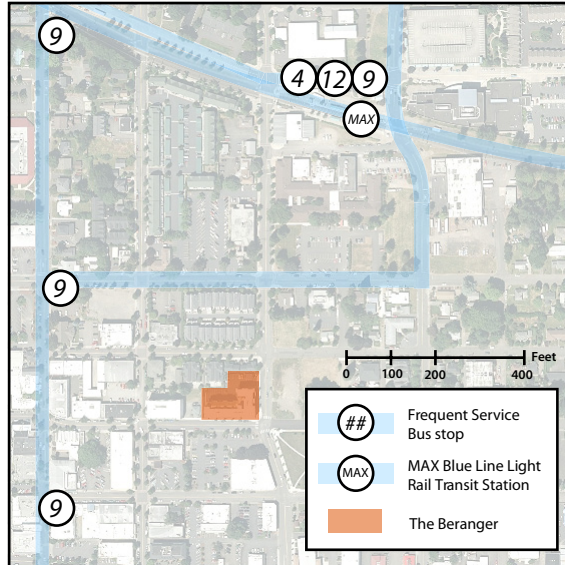
AT A GLANCE

- Location** 287 NE Third St., Gresham
- Status** Completed 2007
- Total development cost** \$6.5 Million
- TOD program funding** \$685,335
- Mixed uses** 6,100 square feet ground level retail, 24 condominium units
- Building** Four stories
- Parking** 10 tuck-under and 18 surface spaces
- Site** 0.54 acres
- FAR** 1.6
- Density** 44 dwelling units per acre
- Increased transit ridership** 12,895 annual trips



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Highlights

- The Beranger offers the first higher density condominium housing in Gresham
- A rooftop terrace affords residents the opportunity to enjoy the fresh and sophisticated landscaping design of the eco-roof, which provides stormwater management
- Located adjacent to the Gresham Performing Arts Center Plaza
- First condominium project financed by the Metro TOD Program
- TOD program funding of \$685,335 including a \$400,000 loan and a green building grant of \$35,000

Private partners

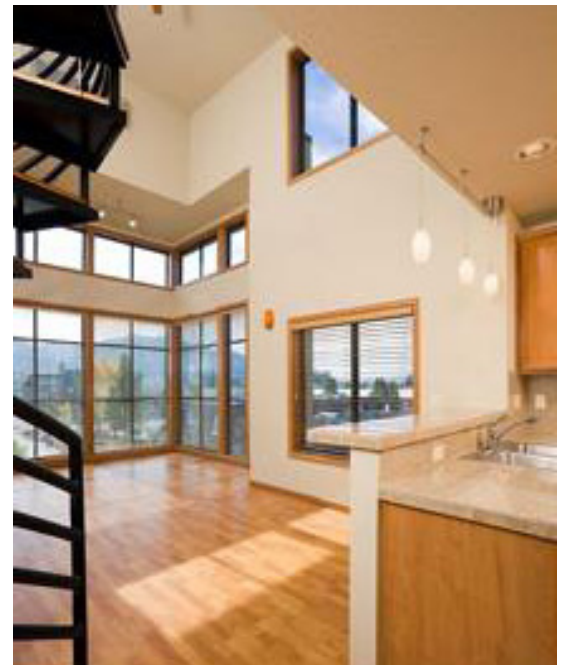
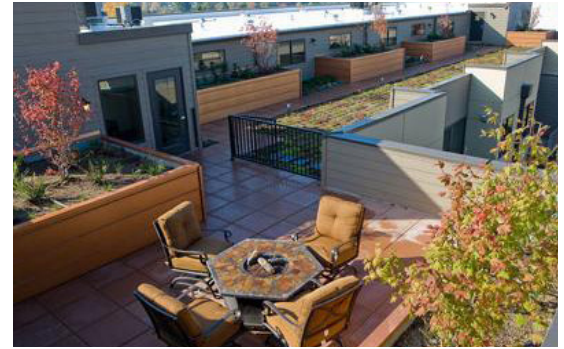
Developer Rossman Development LLC

Architects Myhre Group Architects

Contractor Loan Oak Construction, Inc.

Construction financing Pacific Continental Bank

Permanent financing Pacific Continental Bank



Public partners

Metro TOD program funding

City of Gresham 10 year, partial tax abatement for mixed-use buildings approved under the Oregon Vertical Housing Tax Zone program

State of Oregon Oregon Housing and Community Services loan funding and administration of the Vertical Housing Tax Zone program

For more information, call 503-797-1757 or visit www.oregonmetro.gov/tod

3rd Central

Gresham, Oregon

Transit-oriented
development

Project Profile



3rd Central is a four-story mixed-use development situated in historic downtown Gresham featuring 34 market-rate apartment homes and a full service natural foods market on the ground floor. Contemporary architecture, panoramic views, secure underground parking, and a private urban courtyard make living at 3rd Central the complete urban experience. A public library across the street, Main Avenue just a block to the east, and a light rail station within a quarter mile, means 3rd Central residents are just footsteps away from a broad array of urban living amenities.

This transit-oriented development would not have been economically feasible without the support of the Metro TOD program and the City of Gresham. Cost premiums resulting from higher density mixed-use development exceeded \$1million, but the developer helped close the gap by forgoing the developer's fee and most of the construction profit. These partnerships and persistence on the part of the developer demonstrate that mixed-use transit-oriented development can be successful even in the middle of an economic recession. 3rd Central serves as a model for the small ground floor urban grocery retail format which can serve as a tremendous neighborhood amenity

and generate transit trips for TOD projects and centers throughout the region.

AT A GLANCE

Location 255 NW 3rd St. Gresham

Status Completed 2009

Total development cost \$6.1 Million

TOD program funding \$345,000

Urban Living Infrastructure \$85,000

Mixed uses 5,450 square feet of ground floor retail, 34 apartments

Building Four stories

Parking 47 underground spaces

Site 0.65 acres

FAR 2.1

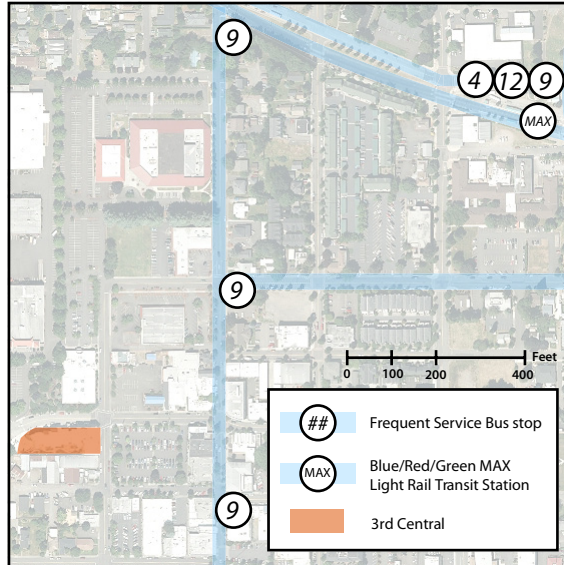
Density 52 dwelling units per acre

Increased transit ridership 16,408 annual trips



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Highlights

- 3rd Central provides the first underground parking in downtown Gresham
- Metro, the City of Gresham and the private developer partnered to bring the specialty grocer to downtown Gresham, which the community has desired for many years
- Metro's Urban Living Infrastructure (ULI) funding of \$85,000 partially covered the costs of HVAC, public bathroom improvements, and other costly building improvements essential for a grocery store or restaurant use
- The city of Gresham put together a package of cash equivalent contributions to match Metro's grant, including fee reductions, on-street parking, and off-site refuse and recycling space. Gresham's mayor and city council then enacted a fee holiday, entirely suspending system development charges for small retail uses

Private partners

Developer Tokola Properties

Architects PF Architecture

Contractor Tokola Properties

Construction financing Northwest Commercial Funding and US Bank

For more information, call 503-797-1757 or visit www.oregonmetro.gov/tod



Public partners

Metro TOD program funding and Urban Living Infrastructure grant

City of Gresham 10 year, partial tax abatement for mixed-use buildings approved under the Oregon Vertical Housing Tax Zone program, fee reductions and in-kind contributions

State of Oregon Administration of the Oregon Vertical Housing Tax Zone program

4th Main

Hillsboro, Oregon

Transit-oriented
development

Project Profile



The 4th Main project is downtown Hillsboro's first mixed-use transit-oriented development. The four-story urban-style building offers apartments and lofts, a ground floor restaurant and retail space, a publicly-accessible plaza, and underground parking. A vacant Wells Fargo Bank on the site was renovated to provide additional commercial space with authentic historic character. The development is located on historic Main Street, one block north of the Hillsboro Central MAX light rail station.

The shared vision for 4th Main can be traced to 1998 when the land was purchased for transit-oriented development by the City of Hillsboro and Metro with grant funding from the Federal Transit Administration. In 2009, Hillsboro revised its development code and adopted an urban renewal plan to encourage mixed-use development. Shortly thereafter, Metro and Hillsboro issued an open and competitive request for qualifications in order to select a private development partner. The project ultimately succeeded through the collaborative efforts of Tokola Properties and its four public partners. The *Portland Business Journal* recognized it as "Public-Private Partnership of the Year" and the Oregon Main Street Association awarded the project "Best New Building" designation.

The 71 market rate apartments include one-, two- and three-bedroom units on the upper floors and lofts along Fourth Avenue. The development will boost downtown activity with more than 9,000 square feet of retail/restaurant space and a public outdoor gathering space along Main Street.

AT A GLANCE

Location 350 East Main Street

Status Completed in 2013

Total development cost \$15.6 Million

TOD program funding \$465,000

Mixed uses 71 market rate apartment units, 3,850 square feet of new retail space, 5,500 square feet of renovated retail space

Building Four stories

Parking 85 underground and tuck-under

Site 1.11 acres

Density 2.6 FAR, 87 units/acre

Increased transit ridership 39,465 trips annually

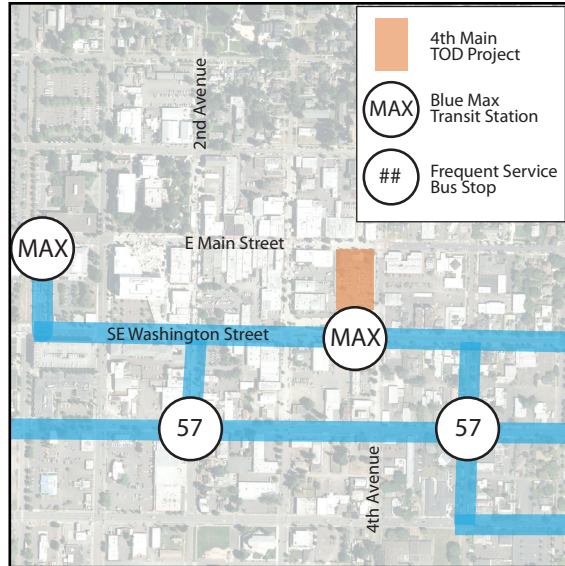


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A regional approach simply makes sense when it comes to providing services, operating venues and making decisions about how the region grows. Metro works with communities to support a resilient economy, keep nature close by and respond to a changing climate. Together we're making a great place, now and for generations to come.

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Highlights

- Exemplary private-public partnership between developer and local, regional, state and federal government
- Adaptive reuse of former bank building adds authentic character
- Former brownfield site remediated to accommodate below-ground parking structure
- Expected to attract 125 new residents to the downtown area with each new resident estimated to spend \$15,000 per year on food and entertainment
- Award-winning project recognized for design and public-private partnerships that made it a reality

Private partners

Developer Tokola Properties

Architects Paul Franks Architecture

For more information, call 503-797-1757 or visit www.oregonmetro.gov/tod



The former Wells Fargo Bank building before redevelopment.



After redevelopment. The former bank building is to the right.

Public partners

Metro Land acquisition and TOD program funding

City of Hillsboro Land acquisition and value write-down, partial funding of system development charges and Oregon Vertical Housing Zone limited property tax abatement

State of Oregon Department of Environmental Quality brownfields cleanup loan

FTA Region 10 Land acquisition and authorization of land value write-down