



Bend Metro Park & Recreation District

March 19, 2023

# Board of Directors

## Agenda and Reports

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*play for life*



## **Our Vision**

To be a leader in building a community connected to nature, active lifestyles and one another.

## **Our Mission**

To strengthen community vitality and foster healthy, enriched lifestyles by providing exceptional park and recreation services.

## **We Value**

Excellence by striving to set the standard for quality programs, parks and services through leadership, vision, innovation and dedication to our work.

Environmental Sustainability by helping to protect, maintain and preserve our natural and developed resources.

Fiscal Accountability by responsibly and efficiently managing the financial health of the District today and for generations to come.

Inclusiveness by reducing physical, social and financial barriers to our programs, facilities and services.

Partnerships by fostering an atmosphere of cooperation, trust and resourcefulness with our patrons, coworkers and other organizations.

Customers by interacting with people in a responsive, considerate and efficient manner.

Safety by promoting a safe and healthy environment for all who work and play in our parks, facilities and programs.

Staff by honoring the diverse contributions of each employee and volunteer, and recognizing them as essential to accomplishing our mission.



**District Office | Don Horton, Executive Director**

799 SW Columbia St., Bend, Oregon 97702 | [www.bendparksandrec.org](http://www.bendparksandrec.org) | (541) 389-7275



2. Approve Pine Nursery Phase 5 concept plan – *Bronwen Mastro (30 min)*
3. Approve River Concessions Contract – *Michael Egging and Justin Sweet (15 min)*
4. Approve Audit Services Contract Award – *Justin Sweet and Kristin Toney (15 min)*

**EXECUTIVE DIRECTOR’S REPORT**

**REPORTS**

**BOARD MEETINGS CALENDAR REVIEW**

**GOOD OF THE ORDER**

**ADJOURN**

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Accessible Meeting/Alternate Format Notification

This meeting location is accessible. Sign and other language interpreter service, assistive listening devices, materials in alternate format or other accommodations are available upon advance request. Please contact the Executive Assistant no later than 24 hours in advance of the meeting at [sheilar@bendparksandrec.org](mailto:sheilar@bendparksandrec.org) or 541-706-6151. Providing at least 2 business days’ notice prior to the meeting will help ensure availability.



**BOARD AGENDA COMMUNICATION**

<b>AGENDA DATE:</b>	March 19, 2024
<b>SUBJECT:</b>	Comprehensive Plan – Project Priority Results
<b>STAFF RESOURCE:</b>	Sara Anselment, Planner
<b>PREVIOUS BOARD ACTION:</b>	Board Update, September 5, 2023; October 3, 2023 December 19, 2023; January 2, 2024; March 5, 2024
<b>ACTION PROPOSED:</b>	None
<b>STRATEGIC PLAN:</b>	
<b>Pillar:</b>	Operations & Management Practices
<b>Outcome:</b>	A balance between caring for existing infrastructure and new development
<b>Strategy:</b>	Ensure the district is maintaining its adopted level of service targets

**BACKGROUND**

At the December 19, 2023 board meeting, staff shared proposed evaluation criteria that would help prioritize the proposed projects to be included in the Comprehensive Plan update. Staff scored the proposed projects that were shared during the March 5, 2024 board meeting based on how well they met the criteria.

After scoring the projects, staff established thresholds of high, medium and low priorities based on the natural breaks that appeared in the scores. With thresholds in place, the projects naturally fell into “buckets” of high, medium and low priorities for inclusion in the Comprehensive Plan update (see Attachment A).

As discussed at the December 19, 2023 board meeting, these priority levels are not intended to be a strict prescription of the order in which projects should be developed, but instead provide staff a general summary of how the projects compare with one another at addressing community needs. The high, medium, low priorities do not dictate the creation of the Capital Improvement Plan (CIP), but rather help to inform it.

This evaluation process is intentionally designed to be flexible in order to accommodate changes in the market, changes in demographics, changes in the projects themselves, and to be able to take advantage of opportunities as they arise. The board will continue to have the ultimate decision-making authority about when projects proceed through the annual CIP preparation process.

Projects in the existing CIP were not scored against the evaluation criteria, as those projects have already been vetted by the board and have identified funding. The CIP projects will be included in the Comprehensive Plan and will be considered along with the other projects during subsequent preparations of the CIP.

**BUDGETARY IMPACT**

There is not a budgetary impact at this time. However, these projects are the basis for the development of the district's future CIPs. In addition, those projects that help to serve future populations will influence the district's System Development Charge (SDC) project list and associated fees.

**STAFF RECOMMENDATION**

None

**MOTION**

None

**ATTACHMENTS**

Attachment A – Draft Comprehensive Plan Prioritized Projects

Attachment A: 2024 Comprehensive Plan Update Prioritized Projects

Project	Description	Priority
JSFC Main Chiller Unit Replacement	The main chiller unit is nearing the of it's life span and needs to be replaced.	High (CIP)
JSFC Outdoor Cover Replacement	The outdoor pool cover is nearing the of it's life span and needs to be replaced.	High (CIP)
JSFC Outdoor Pools Wall Liner Replacement	The outdoor pool wall liner is nearing the of it's life span and needs to be replaced.	High (CIP)
JSFC Roof Replacement (South/East Wing)	The scope of work will replace the existing roofing material over the SE wing of Juniper Swim and Fitness Facility.	High (CIP)
Mirror Pond Dredge Commitment	The sediment load within Mirror Pond has reached maximum carrying capacity since the last time it was dredged in the 1980's. The dredge will remove approximately 83,000 cubic yards of silt from the bottom of Mirror Pond.	High (CIP)
Park Services Complex	The current Park Services facilities, built in the 1980s, no longer meet today's space, safety, and operational needs. The District is acquiring the City of Bend's public utility shop on Boyd Acres Rd to address these needs. The project includes design, permitting and construction administration for the tenant improvements to the complex.	High (CIP)
Pavilion Flooring Replacement	This project will expand and replace the original rubber flooring material within the interior of the Pavilion.	High (CIP)
Skyline Field Renovations	The majority of this project was completed in 2017 and included rebuilding two of the three infields, and increasing accessibility. Phase 2 will rebuild the remaining infield.	High (CIP)
Bend Whitewater Park Maintenance & McKay Access Project	Enhancements at McKay Park include improved river access, addressing erosion, and enhancing user circulation. The Bend Whitewater Park will also be evaluated to ensure its current features align with the original design.	High (CIP)
Riley Ranch Nature Reserve Bike/Pedestrian Bridge	This project will construct a bike/pedestrian bridge from the north end of Riley Ranch Nature Reserve, crossing the Deschutes River and ultimately connecting to the Deschutes River Trail.	High (CIP)
Art Station	This project will build a new facility at Larkspur Park to permanently house and enhance the district's ongoing art programs.	High (CIP)
Little Fawn Park	This projects will complete development of Little Fawn Park with neighborhood park amenities.	High (CIP)
Manzanita Ridge Park	This project will complete development of Manzanita Ridge Park with neighborhood park amenities.	High (CIP)
Neighborhood Park Development (Park Search Area 18)	The District will develop a neighborhood park on existing district property. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Neighborhood Park Land for Current UGB Expansion area (Park Search Area 24)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Neighborhood Park Land for Future UGB Expansion (Park Search Area 5)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Neighborhood Park Land to Serve New Density (Park Search Area 14)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Neighborhood Park Land to Serve New Density (Park Search Area 27)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)

Project	Description	Priority
Neighborhood Park Land to Serve New Density (Park Search Area 28)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Neighborhood Park Land to Serve New Density (Park Search Area 32)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Neighborhood Park Land to Serve New Development (Discovery West/Park Search Area 11)	The District will develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High (CIP)
Pine Nursery Park Phase 4 (Pending Partnership)	This project includes a partnership with Bend FC Timbers to design and construct two new soccer fields and associated improvements.	High (CIP)
Pine Nursery Park Phase 5	The scope of this project will develop additional improvements in Pine Nursery Park consistent with the approved park concept plan, such as athletic fields, lighting, trails, courts, maintenance facility and accessibility enhancements.	High (CIP)
Columbia Park Access Project	Columbia Park's river access point has experienced significant erosion since its designation in 2011. This project includes bank stabilization and revegetation, and will provide neighborhood-scale river access.	High (CIP)
Hollinshead Park Renovation	This project will renovate and improve Hollinshead Park. Plans include improving access and parking, fencing the off-leash area, and possibly adding permanent restrooms.	High (CIP)
Larkspur Park Playground Renovation	This project will replace the existing playground surfacing.	High (CIP)
Millers Landing Access Project	This project will improve river access points and restore habitat.	High (CIP)
Ponderosa Park Renovation	Staff will develop a plan for renovation of the existing Hal Puddy baseball field, seating area, and original skate park on the northwest side of the site.	High (CIP)
River Access at Riverbend Park	This project will refine access for river users at Riverbend Park. Work may include a redesign of the beach and off-leash river-access area.	High (CIP)
Sawyer Park Redevelopment	This project will relocate the existing parking lot, construct permanent restrooms, add additional picnic facilities, improve accessibility and improve the trail system within the park.	High (CIP)
Stover Park Renovation	This project will replace the existing playground and includes new surfacing and improves accessibility.	High (CIP)
Sylvan Park Planning Process and Renovation	This project will develop a plan to renovate the existing park and playground, including access improvements from the existing parking lot to the playground.	High (CIP)
Central Oregon Historic Canal Trail from Reed Market Road to Hansen Park	This project includes securing trail easements, surface repairs, placement of aggregate, signage, trail amenities and other improvements necessary to prepare the Central Oregon Irrigation District Canal Trail for public use.	High (CIP)
Deschutes River Trail (DRT) Putnam to Riley Ranch Nature Reserve (RRNR) Bike/Pedestrian Bridge	This project includes securing additional easements and construction of a new portion of the Deschutes River Trail from Putnam Road to the proposed Riley Ranch Nature Reserve Bridge.	High (CIP)
DRT Galveston to Miller's Landing	This project will look at options for redesigning the streetscape in coordination with City of Bend to provide enhanced trail connectivity between Miller's Landing Park and Drake Park along Riverfront Street.	High (CIP)

Project	Description	Priority
DRT Kirkaldy Court to Putnam Road	This project involves evaluating and designing a new trail extension from the end of Kirkaldy Court to Putnam Road, within an existing Tumalo Irrigation District (TID) easement.	High (CIP)
Manzanita Trail	In order to serve residents in this future neighborhood, the District will work to gain an easement or user agreement and develop a trail in this area. The trail will connect the north portion of Discovery Park to Shevlin Park.	High (CIP)
North Unit Canal Trail	This project includes trail easement acquisition, securing a use agreement, and surface repairs to the North Unit Irrigation Canal Trail in the north of town. This section of trail is from BNSF railroad line on the west to Hamhook Road on the east, passing through Pine Nursery Park.	High (CIP)
Park Search Area--DRT North Trailhead	The trailhead will serve the DRT and Riley Ranch Nature Reserve once the Riley Ranch bike/pedestrian bridge is completed. The district has secured an easement that allows for the construction of a trailhead parking area.	High (CIP)
15th Street Mid-Block Crossing	Construction of an enhanced mid-block crossing of 15th Street at Suntree Street. This crossing will facilitate access to Larkspur Park from the surrounding neighborhood.	High
Bend Lava Trail Crossing	ODOT has proposed constructing an underpass of Knott Road in their long range Baker/Knott Interchange Area Management Plan. This undercrossing will connect the segment of the Bend Lava Trail proposed by ODOT to the segment proposed by the district.	High
Colorado Avenue Mid-Block Crossing	Construction of an enhanced mid-block crossing of Colorado Avenue at Emkay Drive. This crossing will facilitate access to the Haul Road Trail from the proposed City of Bend Climate Friendly Area.	High
Simpson Avenue Mid-Block Crossing	Construction of an enhanced mid-block crossing of Simpson Avenue at Cyber Drive. This crossing will facilitate access to the Pavillion from the proposed City of Bend Climate Friendly Area.	High
Community Park for Future UGB Expansion (Stevens Road Tract/Park Search Area 35)	The City of Bend has identified a 29 acre community park to be located within the Stevens Road Tract UGB expansion area. The district will work to acquire the land and develop a community park.	High
Neighborhood Park Land to Serve New Density (Park Search Area 15)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High
Neighborhood Park Land to Serve New Density (Park Search Area 20)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High
Neighborhood Park Land to Serve New Density (Park Search Area 21)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High
Neighborhood Park Land to Serve New Density (Park Search Area 26)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High
Neighborhood Park Land to Serve New Density (Park Search Area 33)	As identified in the Core Area Report and related Core Area TIF Plan, the City of Bend/Bend Urban Renewal Agency and district will partner to fund and acquire land, and subsequently develop a park, plaza, recreation site, trail and/or open space.	High
Neighborhood Park Land to Serve New Density (Park Search Area 34)	As identified in the Core Area Report and related Core Area TIF Plan, the City of Bend/Bend Urban Renewal Agency and district will partner to fund and acquire land, and subsequently develop a park, plaza, recreation site, trail and/or open space.	High



Project	Description	Priority
Neighborhood Park Land to Serve New Density (Park Search Area 36)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High
Neighborhood Park Land to Serve New Density (Park Search Area 37)	The District will work to acquire land and develop a neighborhood park, parklet or plaza to support redevelopment in this area. This park search area's boundaries are supported by the best available information on the city's proposed Climate Friendly and Equitable Communities (CFEC) designated areas and may change as CFEC planning is refined.	High
Neighborhood Park Land to Serve New Density (Park Search Area 38)	The District will work to acquire land and develop a neighborhood park, parklet or plaza to support redevelopment in this area. This park search area's boundaries are supported by the best available information on the city's proposed Climate Friendly and Equitable Communities (CFEC) designated areas and may change as CFEC planning is refined.	High
Neighborhood Park Land to Serve New Density (Park Search Area 6)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	High
Farewell Bend Park – North Beach Enhancements	Enhancements at Farewell Bend Park include accessibility improvements and addressing erosion at the existing beach.	High
TransCanada Trail	This project aims to develop a trail along the TransCanada gas line easement that is east of town. The trail connects to U.S. Forest Service (USFS) land to the south, the planned High Desert Trail and the Steven's Road Tract UGB expansion area.	High
12th Street Mid-Block Crossing	Construction of an enhanced mid-block crossing of 12th Street at Hillside Park Drive. This crossing will facilitate access to Hillside Park	Medium
8th Street Mid-Block Crossing	Construction of an enhanced mid-block crossing of 8th Street at Quimby Avenue. This crossing will facilitate access to Goodrich Pasture Park from the surrounding neighborhood.	Medium
Park Search Area 10	The District will work with the City of Bend and Deschutes County for safer crossings at Neff and Hamby Roads to Big Sky Park.	Medium
Park Search Area 2	The District will work with developers through the land use process to ensure residents have access to Riley Ranch Nature Reserve.	Medium
Park Search Area 23	The District will work with the City of Bend and/or developers through the land use process to build safer crossings of 27th Street and Ferguson Road to access future parks east of 27th Street and south of Ferguson Road.	Medium
Park Search Area 39	The District will coordinate with the City of Bend for safe crossings over Country Club Road to the future neighborhood park is Park Search Area 27.	Medium
Park Search Area 40	The District will coordinate with the City of Bend for safe crossings over Butler Market Road and Eagle Road to Fieldstone Park and Eagle Park.	Medium
Central Oregon Irrigation District (COID) Natural Area	This project will acquire and develop the natural area within the protected river corridor area of special interest adjacent to the Deschutes River with soft surface trails.	Medium
Neighborhood Park Land for Future UGB Expansion (Park Search Area 13)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	Medium
Neighborhood Park Land for Future UGB Expansion (Park Search Area 16)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	Medium
Neighborhood Park Land for Future UGB Expansion (Park Search Area 8)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	Medium

Project	Description	Priority
Neighborhood Park Land to Serve New Density (Park Search Area 17)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	Medium
Neighborhood Park Land to Serve New Density (Park Search Area 19)	The District will continue to explore options for this park search area, which may include adding features along the Haul Road Trail to create a linear park.	Medium
Neighborhood Park Land to Serve New Density (Park Search Area 29)	To serve future population growth, this project may develop a neighborhood park on a portion of existing district property. The district may also work to acquire additional park land and/or an alternative park site.	Medium
Neighborhood Park Land to Serve New Density (Park Search Area 31)	The District will work to acquire land and develop a neighborhood park, approximately 1.5-6 acres in size. In addition to typical neighborhood park amenities, other opportunities will be determined by community needs and a public input process.	Medium
Sunset View Park	This project may include basic improvements and connectivity improvements. The scope of the project will be determined by community needs and a public input process.	Medium
Farewell Bend Park (North)	The scope of this project will improve the existing canoe launch to address erosion.	Medium
Farewell Bend Park (South)	This project will consolidate and improve access points, and restore habitat along the river.	Medium
First Street Rapids	This project will close user-created access points on the east and west sides of the river to protect vegetation and the trail. The scope of work will also include fencing and revegetation.	Medium
Big Sky Trail	This project includes securing trail easements, surface repairs, placement of aggregate, signage, trail amenities and other improvements necessary to complete the Big Sky Trail between the Hansen Park Site and Big Sky Park.	Medium
COHCT Connector Trail	This project will formalize an existing social trail that connects Brianne Place to the COHCT. The project will require additional easement or modifications to the existing trail agreement with Central Oregon Irrigation District.	Medium
Discovery Trail Grade-Separated Crossing at Century Drive	The District will work with City of Bend and/or future developers to build an to under- or over-crossing of Century Drive to connect the Discovery Trail to the Haul Road Trail.	Medium
High Desert Trail	This project includes development of the High Desert Trail between 15th Street and the SE Bend Regional Park Site.	Medium
Pilot Butte Canal Trail	This project includes securing trail easements, surface repairs, placement of aggregate, signage, trail amenities and other	Medium
DRT South Urban Growth Boundary (UGB) & Bike/Pedestrian Bridge	There is currently no connection of the Deschutes River Trail from the east side of the river in the River Rim neighborhood (south UGB) over the Deschutes River to the Deschutes National Forest and associated trails. This project evaluates the feasibility of constructing a new bike/pedestrian bridge, trail connections and installing a small trailhead parking area in the vicinity of the Cinder Cone Natural Area.	Medium
Bend Lava Trail	The goal of this project is to develop a trail on Arnold Irrigation Canal Trail south of town. The trail starts at Highway 97 on the west and terminates at Knott Road on the east. The district will also aim to develop a trailhead between China Hat Road and the Baker/Knott US97 interchange in order to serve the Arnold Canal Trail and ODOT's planned Bend Lava Trail. The District will encourage other agencies to complete the alignment from Knott Road to 15th Street.	Medium

Project	Description	Priority
Shevlin Park North - Tumalo Creek Bike/Pedestrian Bridge	The goal of this project is to build a bike/pedestrian bridge over Tumalo Creek to connect to the future Tumalo Creek Trail extension and to the Deschutes River Trail and Tumalo State Park.	Low
Westside Recreation Center Planning and Development	The scope of this project is to develop a preferred concept plan and construct an indoor recreation facility on the westside of Bend. Amenities will be determined based on public need.	Low
Riley Ranch Nature Reserve Phase 2	The scope of this project is to develop a conceptual plan for the Jeffers house and surrounding property.	Low
Brandis Square Redesign	Staff will coordinate with the City of Bend to renovate and repair Brandis Square.	Low
Hillside Park Phase 2	The scope of this project is to construct the planned skate spot, outdoor half basketball court, and other amenities that were not constructed during the park renovation project in 2017.	Low
River Rim Park River Access and Restoration	This project will enhance the user experience and protect sensitive habitat within River Rim Park.	Low
Shevlin Park Transportation Improvements	In order to improve safety for visitors, this project will realign the driveways off of Shevlin Park Road and redesign the parking lots. Staff will work with Deschutes County and the City of Bend to implement traffic calming techniques for safer pedestrian crossings at the driveway entrances.	Low
Big Sky Trail Undercrossing at Hwy 20	The District will work with ODOT and/or future developers to build an undercrossing at Hwy 20 for the Big Sky Trail.	Low
Central Oregon Historic Canal Trail from Hansen Park to Eastgate Park	This project includes securing trail easements, surface repairs, placement of aggregate, signage, trail amenities and other improvements necessary to prepare the Central Oregon Irrigation District Canal Trail for public use.	Low
Deschutes River Trail Overcrossing at Archie Briggs Road	The District will work with the City of Bend to construct a bridge at Archie Briggs Road for the Deschutes River Trail.	Low
Deschutes River Trail Undercrossing at Portland Avenue	The District will work with the City of Bend to construct an undercrossing at Portland Avenue bridge to connect the Deschutes River Trail between Pacific Park and Pioneer Park.	Low
High Desert Trail Undercrossing at Knott Rd/27th Street	The District will work with the City of Bend and/or future developers to build an undercrossing at Knott Rd/27th Street to connect to the SE Bend Regional Park Site and the TransCanada Pipeline Trail.	Low
Powerline Trail	This project includes securing trail easements, surface repairs, placement of aggregate, signage, trail amenities and other improvements necessary to prepare the Powerline Trail for public use.	Low
South Deschutes River Trail (DRT) Buck Canyon Trailhead	The goal of this project is to acquire property and develop a trailhead parking lot off of Buck Canyon Road for the South UGB bike/pedestrian bridge to access the DRT and USFS trails.	Low
Tumalo Creek Trail	This project is to gain an easement or user agreement to develop a trail from the proposed Tumalo Creek bike/pedestrian bridge northward to Oregon State Parks property, then turning back south to connect to the DRT.	Low
DRT Connector to Shevlin Park	This project is to gain an easement or user agreement and to develop a trail to connect the DRT to Shevlin Park. The trail alignment starts from the northeast corner of Shevlin Park on the west to the DRT, north of Putnam Road on the east.	Low

Project	Description	Priority
Hansen Park Trailhead	This project is to develop a trailhead at Hansen Park to serve the Central Oregon Historic Canal Trail. Hansen Park is located near 27th Street, intersects the canal and would provide parking and amenities for trail users.	Low
Natural Area Acquisition	The district will work to acquire natural areas when they increase close to home access, protect habitat or increase access along the Deschutes River, or provide a large area for trail development.	Projects to be individually evaluated

March 5, 2024

**District Office Building | 799 SW Columbia | Bend, Oregon**



<https://www.bendparksandrec.org/about/board-meeting-videos/>

Nathan Hovekamp  
Donna Owens  
Deb Schoen  
Jodie Barram

## Zavier Borja

Don Horton, Executive Director  
Michelle Healy, Deputy Executive Director  
Matt Mercer, Director of Recreation  
Kristin Toney, Administrative Services Director  
Julie Brown, Manager of Communications and Community Relations  
Sheila Reed, Assistant to the Executive Director  
Brian Hudspeth, Development Manager  
Henry Stroud, Planner  
Sara Anselment, Planner

**Chip Conrad:** Mr. Conrad said he loves the surf wave at the Whitewater Park and he is part of a group piloting a high school surf team at Summit High School. They are helping with beach clean-up and he informed the board that the kids are excited to do more to help.

**Robbie Silverman:** Ms. Silverman advocated for the park district to address the MUPTE requirement for open space. She said the bar has been set too low for the public benefit. She said there is not enough public space in the new developments because they do not go beyond the ten percent requirement.

**Abigail Schneider:** Ms. Schneider said she uses park facilities daily and advocated for the South UGB bridge.

**Maitreya Sriram:** Mr. Sriram said he supports the South UGB bridge to ease traffic and emissions. He said there are two kinds of people in Bend, some that can afford the money and the time to recreate and enjoy the area and those who cannot. He said that people that have a harder time should not be excluded from access.



## **WORK SESSION**

### **1. Comprehensive Plan – Unmet Needs Methodology Evaluation – *Sara Anselment***

Ms. Anselment reviewed the community survey and said it is completed every five years. She showed the results of parts of the survey and compared the 2017 survey to 2023. She said staff uses the results from the statistically valid survey to inform the comprehensive plan. She explained that overall, the survey reflected higher needs from the community in several areas, including frequency of facility use stating that weekly and monthly visits are up. The survey consultant cross tabbed the length of time people have lived here revealing that people who have lived here the shortest time are expressing the most need. She said since 2004, the district has prioritized needs based on the community responses, the ranges (highest, high, moderate and low) the district has used in the past have been slightly revised with higher thresholds for each category, she explained this in more detail with the charts provided in the presentation with examples, explaining that often additional information is needed to make decisions.

Ms. Anselment reviewed the next steps that are coming before the board:

- March 19: Prioritized projects results
- Summer 2024: Draft plan, adopt plan and SDC project list

### **2. Mid-Term Comprehensive Plan Update – Amended Project List, Park Search Area Map and Trail Plan Map – *Sara Anselment and Henry Stroud***

Ms. Anselment said the comprehensive plan is a ten-year plan and the district is about half way through the existing one. The new list of projects is now at 100, she noted that the original plan had 99 and the district is through about half of those. She reviewed the 2018 maps and list of projects. She gave some examples of revised projects, new projects and removed and replaced projects.

Mr. Stroud reviewed the park search areas. He noted the following changes:

- Seven park search areas were removed and six new ones added.
- Four crossing improvement area removed and four new were added
- One park search area converted to a crossing improvement area

Mr. Stroud reviewed the trails and crossings

- Updated to show completed trails
- Refined trail alignments based on new planning and agreements
- Five grade separated crossings added
- Additional symbology to clearly show “other agency trail projects”

Mr. Stroud reviewed the planned projects map to show various sources including the CIP, asset management plans and the River Access and Habitat Restoration Plan.

Mr. Stroud explained that the comprehensive plan is a long-term vision and aspirational; he noted that projects are funded through the CIP.

Ms. Anselment reviewed next steps for follow up this summer which includes a draft comprehensive plan update, adoption of the comprehensive plan and revision of the SDC project list.

### **CONSENT**

1. Minutes: 01/16/2024
2. Resolution No. 2024-02 Local Government Grant Program – Miller’s Landing Access and Restoration Project
3. Board Duties and Responsibilities Policy Manual

***Director Owens made a motion to approve the consent agenda. Director Schoen seconded. The motion was approved unanimously, 4-0.***

### **BUSINESS SESSION**

1. Resolution No. 2024-03 Establishing Criteria and a Process for Considering Requests for Tax Exemptions and Fee Waivers – *Michelle Healy*

Ms. Healy explained a couple of changes to the resolution based on comments from the city council and city staff. She said the resolution does not prohibit the board from granting exemptions, and it can be modified as needed in the future. The board discussed their support for the resolution and thanked the city council and staff for their contributions. The resolution was discussed as a tool for the board to use when granting exemptions to be more transparent and removes some of the emotions tied to decisions.

***Director Schoen made a motion to adopt Resolution No. 2024-03 establishing criteria for the consideration of requests for tax exemptions or fee waivers. I move to adopt Resolution No. 2024-03 establishing criteria for the consideration of requests for tax exemptions or fee waivers. Director Owens seconded. The motion was approved unanimously, 4-0.***

2. City of Bend Non-Profit Property Tax Exemption Program – Central Oregon Veteran and Community Outreach (COVO) – *Michelle Healy*

Ms. Healy gave the history of the project and explained the different tax exemption programs that have been presented to the board. She said the COVO project is part of the non-profit program and is intended to serve low income people. She explained that this program is not new, but is new to the city of Bend. It requires 51% of the taxing agencies to approve the tax exemption and is approved on an annual basis by the city of Bend. She added that there is a short window for approval dictated by the state, and the county has already approved the application.

Ms. Healy explained that COVO has applied for a tax exemption for eight properties. The tax exemption from the district is about \$3300 annually and goes up with increases every year. She said she used resolution 2024-03 as a tool to discuss the exemption stating the financial impact is low, the project is

deed restricted affordable housing and requires reapproval from the city annually. She said she is anticipating an SDC waiver on the land in this application. She added this will help keep rent low to those they serve, and allows for easier access for service to individuals that need it.

Lynn McConnell, City of Bend, joined the meeting and said there will be more affordable housing exemption requests, but she does not have a list tonight. She said there are many barriers in Bend for affordable housing and offered to follow up with a project list in a few days. Ms. McConnell said without the tax exemption, COVO would have to make some tough decisions. Lee Bivens, President of the COVO Board of Directors, said the exemption is for 18 units and the exemptions do help to keep the costs lower for the tenants.

***Director Owens made a motion to approve the exemption of district property taxes, as part of the city of Bend's non-profit property tax exemption program, for Central Oregon Veteran and Community Outreach on the following properties: 1407 NE 10<sup>th</sup> Street; 466 NE DeKalb Avenue; 61172 Larkwood Drive; 475 Emerson Avenue; 1985 NE Monroe Lane; 20900 Spinnaker Street; 3079 NE Wells Acre Road; and 476 NE Dekalb Avenue. Director Barram seconded. The motion was approved unanimously, 4-0.***

#### **EXECUTIVE DIRECTOR'S REPORT**

Executive Director Horton shared the following items:

- Skyliners Sports Club, a private club swim pool and sports space with fitness area, submitted preliminary plans to the city for a pre-application meeting. He said this is a good project going in at NWX that will help take some pressure off of district facilities. Plans are attached to the minutes.
- Recreation Immunity passed in the house today and passed in the senate; it will go to the Governor to sign. ORPA, a lobbyist and Mark Reinecke, hired by the district, helped with this success.
- The food and beverage manager is moving plans forward for indoor facilities, park spaces may be considered next year for expansion. He said proceeds from the food and beverage sales will go to the scholarship fund.
- The Boys and Girls Club met with some members of the board and with staff to discuss the challenges of caretaking an old building. Staff will help set up a framework for repair and maintenance and communicate what the district is willing to help fund.
- The South UGB bridge project has been moved off of the agenda for now and likely to come back this summer.
- Staff needs two board members to serve on the benefits committee. Directors Owens and Hovekamp volunteered.

#### **BOARD MEETINGS CALENDAR REVIEW**

##### **GOOD OF THE ORDER**

- Director Schoen appreciated the news on the Boys and Girls Club and thanked the board and staff for their support of her and her family through a difficult time.
- Director Owens thanked staff for addressing concerns that came up in some emails to the board. She said some emails are difficult and staff remains professional. She asked if there is a way to address the noise concerns at the Pavilion. She suggested some screening or vegetation or a sound system that helps direct the sound.

- Director Barram said she appreciates the community that we serve. She appreciates hearing from the community and the staff responses. She said the recreation staff is doing a stellar job in responding to the noise concerns of the Pavilion.
- Director Hovekamp updated the board on the executive director search, he said it is almost complete with an announcement coming soon. He also announced that Director Borja has decided to resign and will make remarks at the next meeting. Staff will move ahead in a recruitment process to fill the vacancy.

**ADJOURN 8:35pm**

◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆ ◆

Prepared by,

Sheila Reed  
Assistant to the Executive Director

\_\_\_\_\_  
Nathan Hovekamp, Chair

\_\_\_\_\_  
Jodie Barram, Vice-Chair

\_\_\_\_\_  
Donna Owens

\_\_\_\_\_  
Zavier Borja

\_\_\_\_\_  
Deb Schoen





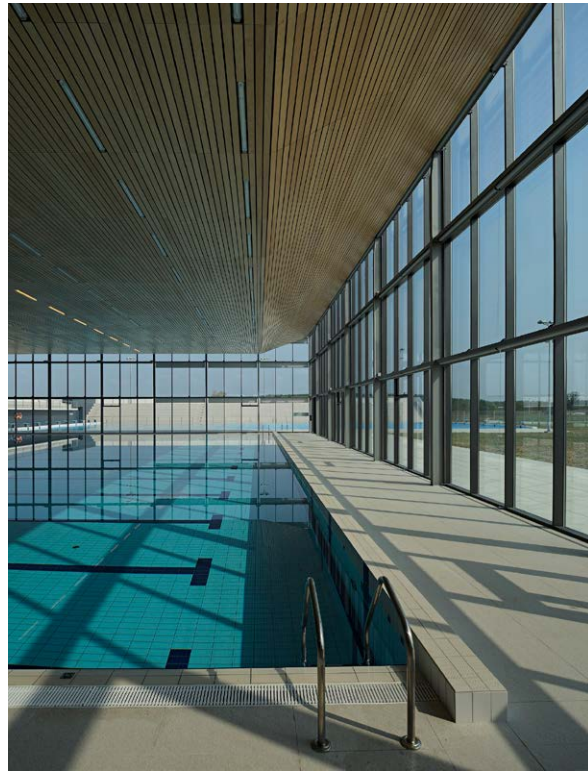
10

PRE-APPLICATION PACKAGE, 02/20/24

# SKYLINER SPORTS CLUB

*Prepared by TEN OVER STUDIO*





## PROJECT PRECEDENTS

**TENOVER**

856 NW Bond Street  
Bend, OR 97701

541.648.1010  
info@tenoverstudio.com

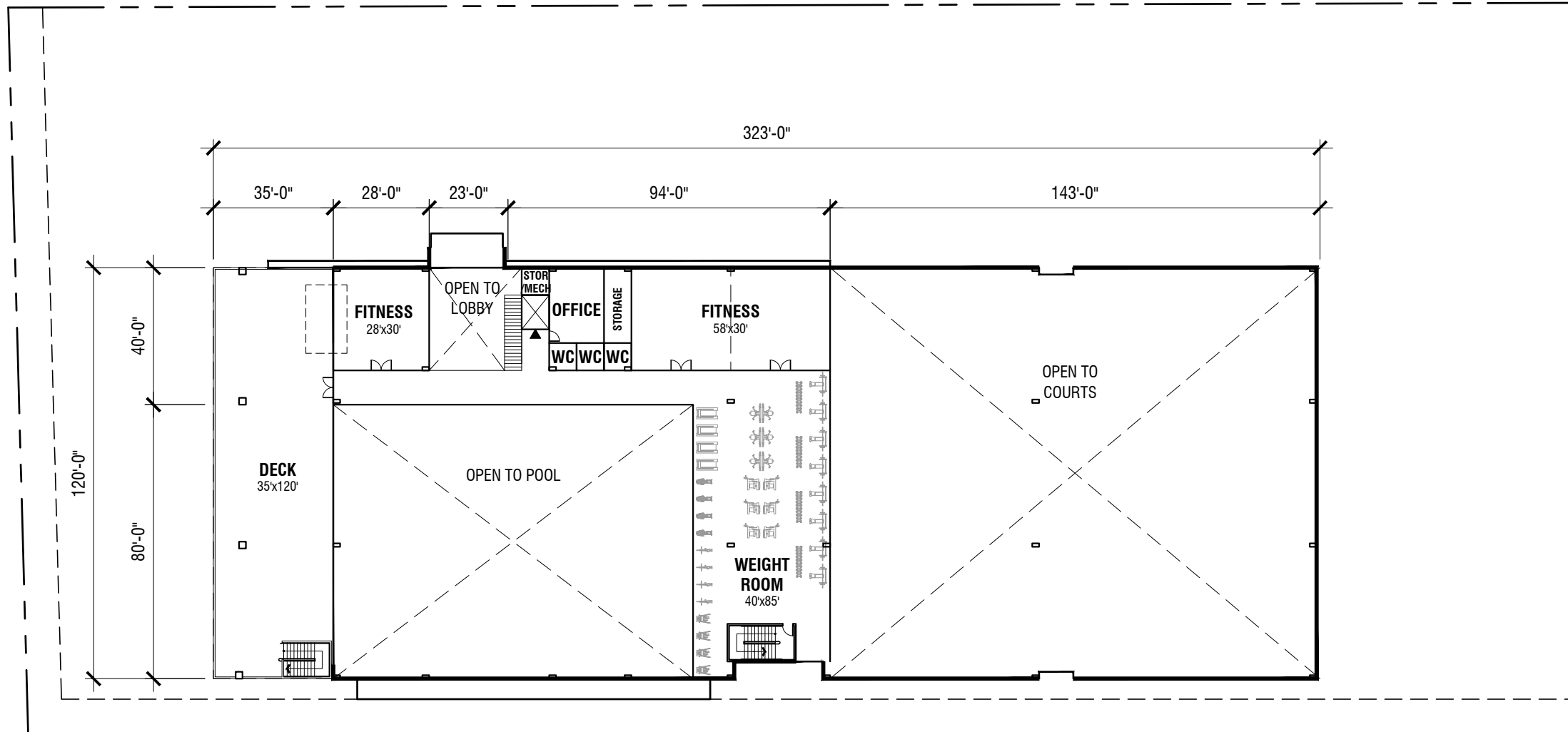
**SKYLINER SPORTS CLUB**

BEND, OR  
DATE: 02/02/24

**T1.0**







## SECOND FLOOR PLAN

SCALE: 1" = 40'-0"



**TREE FARM**

**NORTHWEST  
CROSSING**

**DISCOVERY WEST**

**PACIFIC CREST  
MIDDLE SCHOOL**

**SUMMIT HIGH SCHOOL**

**WILLIAM E. MILLER  
ELEMENTARY SCHOOL**

**SKYLINER  
SPORTS CLUB**

**TETHEROW**

AERIAL VIEW FROM SOUTHWEST

**TENOVER**

856 NW Bond Street  
Bend, OR 97701

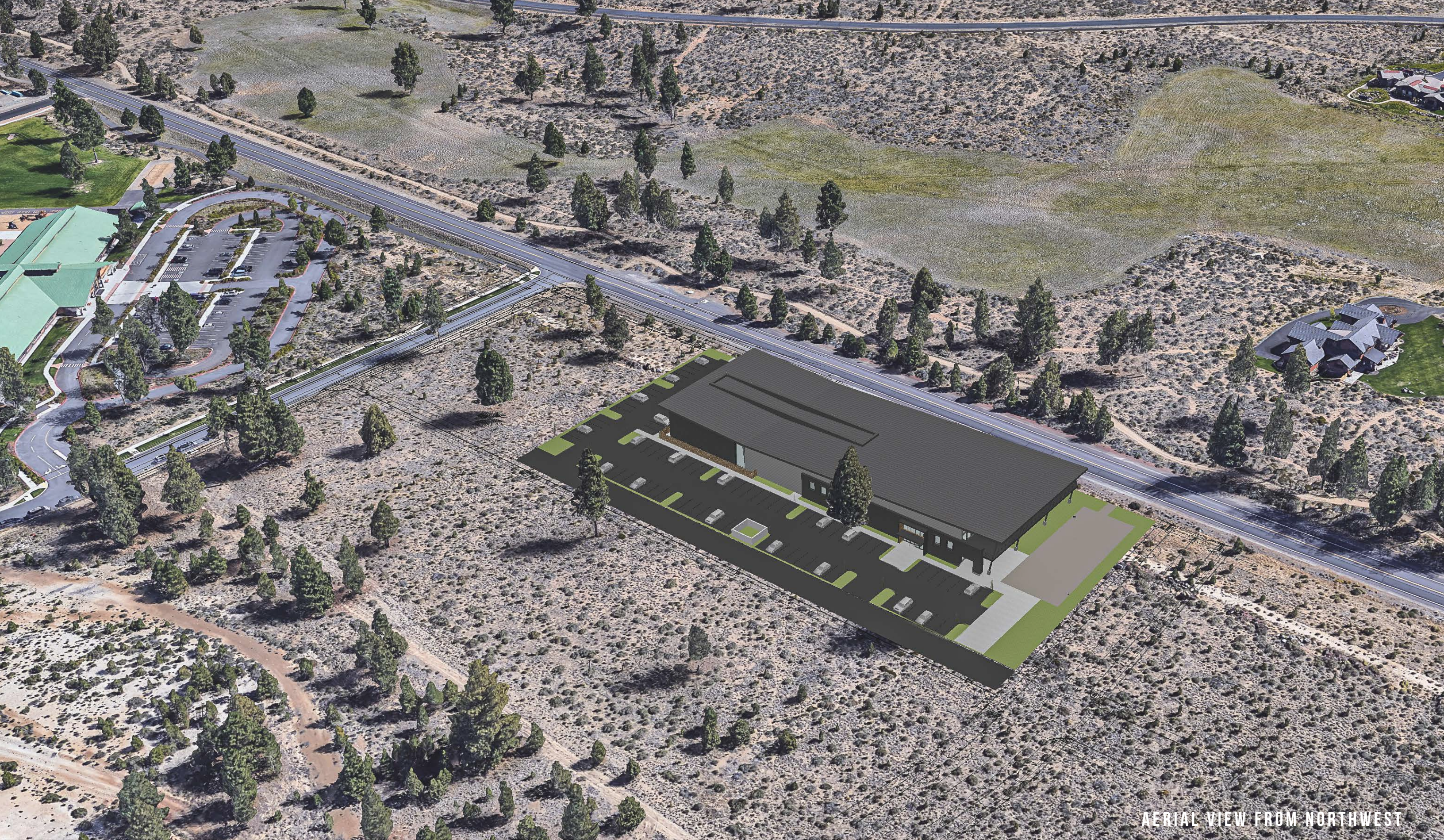
541.648.1010  
info@tenoverstudio.com

**SKYLINER SPORTS CLUB**

BEND, OR  
DATE: 02/02/24

**A3.0**





AERIAL VIEW FROM NORTHWEST

TENOVER

856 NW Bond Street  
Bend, OR 97701

541.648.1010  
info@tenoverstudio.com

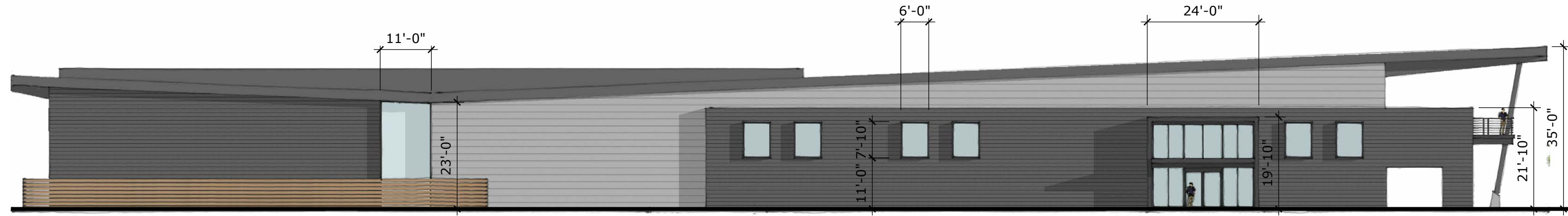
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SKYLINER SPORTS CLUB

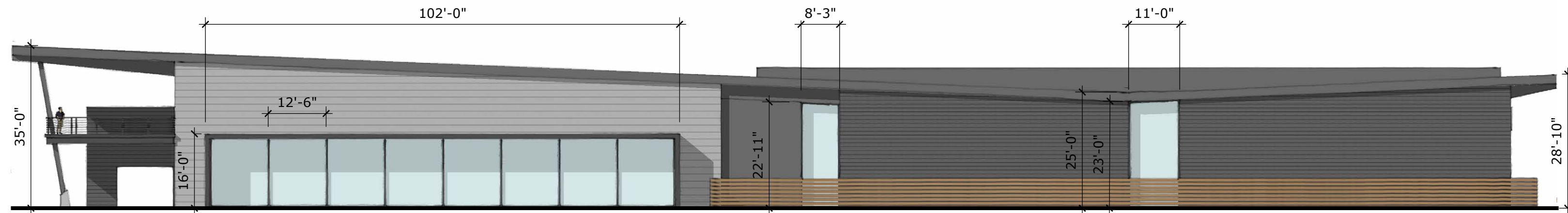
BEND, OR  
DATE: 02/02/24

A3.1





**NORTH ELEVATION**  
*SCALE: 1" = 20'-0"*



**SOUTH ELEVATION**  
*SCALE: 1" = 20'-0"*



**WEST ELEVATION**  
*SCALE: 1" = 20'-0"*



**EAST ELEVATION**  
*SCALE: 1" = 20'-0"*





VIEW FROM SKYLINERS ROAD

TENOVER

856 NW Bond Street  
Bend, OR 97701

541.648.1010  
info@tenoverstudio.com

24

SKYLINER SPORTS CLUB

BEND, OR  
DATE: 02/02/24

A4.0





VIEW OF YARD





VIEW OF POOL AREA





TENOVER

TO LEAVE THE WORLD  
BETTER THAN WE  
FOUND IT.



**BOARD AGENDA COMMUNICATION**

<b>AGENDA DATE:</b>	March 19, 2024
<b>SUBJECT:</b>	445 NE Penn Avenue Multiple Unit Property Tax Exemption (MUPTEx)
<b>STAFF RESOURCES:</b>	Rachel Colton, Park Planner Michelle Healy, Deputy Executive Director
<b>GUEST PRESENTERS:</b>	Allison Platt, City of Bend Kerry Bell, City of Bend Jesse Russell, Hiatus Homes Ryan Andrews, Hiatus Homes
<b>PREVIOUS BOARD ACTION:</b>	April 4, 2023 445 NE Penn Avenue MUPTEx review
<b>ACTION PROPOSED:</b>	Consider MUPTEx request
<b>STRATEGIC PLAN:</b>	
<b>Pillar:</b>	Operations and Management Practices
<b>Outcome:</b>	Financial well-being supported by strong business practices
<b>Strategy:</b>	Plan for long-term financial health

**BACKGROUND**

In August of 2022, the Bend City Council adopted a MUPTEx program to support development and redevelopment goals in Bend's core and transit-oriented areas, and identified program requirements that would need to be met for projects to be eligible. The program is codified in the [Bend Municipal Code \(BMC\) Section 12.35](#), and the city has a [webpage](#) with more details about this program. A high-level overview of the program and topics relevant to the district follow.

- **Program** – MUPTEx is a 10-year tax exemption on improvements for multi-unit residential projects in the Core Area and transit-oriented areas that meet certain public benefit requirements.
- **Program Area** – MUPTEx is only available to projects in certain areas of town, which are listed below and shown on [this map](#). Fiscal impacts to taxing districts differ based upon location, given that TIF areas already impact taxing district property tax revenue.
  - Entire Core Area Tax Increment Finance (TIF) area, including the Central Business District (CBD)
  - Some High Density Residential (RH) zoning adjacent to the Core Area TIF
  - Urban Dwelling Sites (HB3450) projects
- **Public benefits** – Applicants are required to provide a minimum of three public benefits as part of their MUPTEx application, one of which shall be a priority public benefit as defined by the BMC.

- **Approval Process** – Property tax exemptions must be supported by a combined 51-percent of the taxing districts for the exemption to be applied to all tax levies.
- **Schedule** – The tax exemption would be approved for up to ten consecutive years beginning July 1 of the tax year after completion of construction.

To date, two MUPTE applications have been approved – Platform at 105 NE Franklin Avenue and Jackstraw at 310 SW Industrial Way. In addition, two applications are currently pending, including this one from Hiatus Homes. In February 2024, the City Council put the MUPTE program on pause while the city completes an evaluation of all tax incentive tools. As such, no new MUPTE applications are being accepted by the city at this time.

### **Hiatus Homes Application**

On April 4, 2023, the board reviewed the initial Hiatus Homes MUPTE application, which included a tax exemption request for 40 micro housing units to be developed at 445 NE Penn Avenue in the High Density Residential (RH) zone, outside the Core Area TIF area. This initial application was the first complete MUPTE application received by the city. The board memo for that meeting is included as attachment 1. At the April 4, 2023 meeting, the board denied the requested tax exemption due to expressed concerns about the financial impact to the district. The minutes from that board meeting are included as attachment 2.

Since the board’s review of the initial Hiatus Homes MUPTE application, the applicant has updated the proposed project. Specifically, the applicant plans to build a three-story building of 59 micro housing units. Thirty percent (18 units) will be designated middle income housing and rented at levels affordable to those making 120% of the Area Median Income (AMI) or less. The project will include three community rooms, a deck on the third floor, community kitchen and co-working spaces. Nine parking spaces will be provided on site, and will serve the tenant and common area uses of the project. Five of these spaces will be served with Electric Vehicle (EV) charging infrastructure. The property is currently raw land with no buildings, so there is no residential or commercial displacement associated with this project. The city granted land use approvals for the project in September 2022 and November 2023, respectively. The applicant has not begun construction, and has communicated to the city that the project will only proceed if the tax exemption is granted.

This applicant proposes the following public benefits:

1. Middle Income Housing (Priority Public Benefit): The applicant plans to provide Middle Income Housing as their Priority Public Benefit. This requires the applicant to record a deed restriction limiting 30% of the units as only available to those making 120% Area Median Income (AMI) or less for the period of the tax exemption (ten-years). The project includes 59 residential units; therefore 18 units are required to be deed restricted to middle income levels.
2. Stormwater: The applicant is required to develop the site to retain and treat stormwater from more than a 25-year storm water event by qualifying for the city’s Stormwater Credit program. City of Bend Utility Department confirmed that the project meets the requirements of the stormwater credit program and that the stormwater facilities will be designed to treat a 100-year stormwater event.
3. Electric Vehicle (EV) Charging: The applicant is required to provide at least 10-percent more parking spaces with EV charging infrastructure than the minimum required. Oregon Building



Codes require that multifamily projects provide 40% of parking spaces with EV charging infrastructure. Therefore, the project is required to provide a minimum of 50% of the parking spaces with EV charging infrastructure. The applicant plans to provide five of the nine, or 56% of the parking space with EV charging infrastructure.

The requested tax exemption for this project is currently in the taxing district review period that spans 45-days from February 20 through April 17. The project is scheduled for city council review on April 17, and the draft staff report for that council meeting is included as Attachment 3 of this board report. The project will be presented to the Deschutes County Commissioners on April 24 and the Bend La Pine School Board on May 14.

### **Resolution Establishing Criteria and a Process for Considering Request for Tax Exemptions and Fee Waivers**

On March 5, 2024, the board adopted resolution 2024-03, which established criteria and a process for considering requests for tax exemptions and fee waivers. In response to this resolution, the applicant provided the letter included as attachment 4. Below is a summary based on the district's resolution and informed by materials provided by the city and applicant.

- A. This tax exemption request is permitted under state law (ORS 307.600 - 637) and city code (BC 12.35), and meets the requirements of each.
- B. This application doesn't set precedent as each MUPTE application will be evaluated based on its own individual merits.
- C. If the MUPTE request is approved, the total financial impact of this tax exemption is forecasted to be approximately \$125,653, or approximately \$12,565 per year (this is inclusive of annual tax increases). Per the city's staff report, the project will not move forward without the exemption, resulting in a total ten-year tax collection of just \$46,350 for the subject project site. The district receives 9.8% of the tax levy, so that would equate to \$4,542 over ten years, or approximately \$454 per year. It is possible the property could be sold and developed by another party who would not seek a tax exemption.
- D. This tax exemption does not directly align with the district's mission of providing park and recreation services. Though the project does not provide publicly accessible park and recreation facilities, the development's program includes a private landscaped outdoor patio, and over 2,000 square feet of interior community space to serve development residents.
- E. The project is requesting a one-time, 10-year tax exemption and is not seeking any other fee waivers or SDC exemptions. As noted above, if the MUPTE request is approved, the total financial impact of this tax exemption is estimated to be approximately \$125,653, or approximately \$12,565 per year. However, as noted in the City Council staff report, in year 11 after the expiration of the MUPTE exemption, BPRD would collect \$15,263, which would escalate by approximately three-percent annually.
- F. The project will be completed in one-phase, and no additional tax exemptions or fee waivers are contemplated.
- G. There is no financial offset proposed.
- H. Per the applicant's letter included as attachment 4, the project will support 100-130 local jobs during the development and construction phases of the project. In addition, the project

will support local investors, and thus a portion of development profits will be received by local residents.

- I. Based upon the project location, existing park and recreation services, and the 2018 Comprehensive Plan, the project is served by existing park and recreation services. Specifically, Orchard Park is a 0.4 mile walk to the north of the project site, and Goodrich Park is a 0.6 mile walk to the east of the project site.

Additional considerations:

- The project helps address the need for middle income housing in Bend by providing 18-middle income deed-restricted residential units. The proforma indicates that an additional nine units would also be available at middle-income rental levels. However, these additional units are not a project requirement and are not proposed to be deed restricted, so cannot be guaranteed.
- The small unit footprint allows for more units to be provided than if the homes were more typical in size, supporting the City's identified goals for more density in this area of town.
- The project is in a walkable location with minimal off-street parking and bike parking that exceeds code. These elements may result in less vehicular trips being generated by the development than a more typical development.

### **BUDGETARY IMPACT**

The MUPTE program requires that applicants submit two proformas – one with the MUPTE applied and one without it. Those proformas are then subsequently peer reviewed by an independent third-party financial consultant. These proformas must illustrate that the project would not be financially viable except for the tax exemption. The initial pro-forma review was completed by PNW Economics and is included as part of attachment 1. Given the changes in project scope, revised proformas were developed by the applicant and PNW Economics provided a revised proforma review, which is included as attachment 5. The PNW Economics review found that the subject project would not be financially feasible if not for MUPTE and would likely be financially constrained even with MUPTE.

If the requested tax exemption is approved and implemented at this project site, which is outside of the Core Area TIF area, the tax exemption would directly impact district property tax collections in the near term. As noted above, the total near-term financial impact to the district is estimated to be approximately \$125,653, or \$12,565 annually. If the project were to not move forward and the site were to remain undeveloped, the total tax collection for the 10-year period would be approximately \$46,350. However, if the project did not move forward, it is possible that an alternative project, not seeking a property tax exemption, could move forward at the site.

The collective scale of these impacts on the district's finances as a result of the MUPTE Program is undetermined, since it depends upon the location and quantity of MUPTE applications received by the city. As noted previously, at this time the MUPTE program is on hold and no additional applications are being accepted, however, the program could be resumed in the future. The implementing [ordinance \(NS-2447\)](#) for the MUPTE program requires that city staff re-evaluate the program annually to evaluate whether the program is still needed to support the financial feasibility of urban-scale multi-unit housing in the core and transit-oriented area of Bend. These findings and any associated recommendation will be presented to the city council annually, and

may include additional details about projected financial implications for all taxing districts. Per the BMC, the MUPTE program will sunset on February 1, 2030.

System Development Charges (SDCs) would be collected for the project. Based upon the current SDC fees and the proposed 59 studio units, the estimated BPRD SDCs that would be collected are \$276,651. SDCs are one-time fees charged on new development to help pay for the purchase of land and construction of new parks, trail and recreation facilities. Unlike general fund monies, which are largely comprised of property taxes, SDCs cannot be used for maintenance and operations.

#### **STAFF RECOMMENDATION**

Consider the materials in the board memo, hear presentations and public feedback, and approve or deny the MUPTE request.

#### **MOTION**

***I move to \_\_\_\_\_ the applicant's request for a ten-year tax abatement for a 59-unit residential development at 445 Penn Avenue as part of the City of Bend's MUPTE program.***

#### **ATTACHMENTS**

1. April 4, 2023 BPRD Board memo, 445 Penn Avenue MUPTE request
2. April 4, 2023 BPRD Board minutes
3. Draft City Council Report for the April 17, 2024 meeting
4. Applicant letter submitted March 8, 2024
5. 445 Penn Avenue Revised Proforma Peer Review

<b>BOARD AGENDA COMMUNICATION</b>
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<b>AGENDA DATE:</b>	April 4, 2023
<b>SUBJECT:</b>	445 NE Penn Avenue Multiple Unit Property Tax Exemption (MUPTEx)
<b>STAFF RESOURCES:</b>	Rachel Colton, Park Planner Michelle Healy, Deputy Executive Director
<b>GUEST PRESENTERS:</b>	Allison Platt, City of Bend Jesse Russell, Hiatus Homes Ryan Andrews, Hiatus Homes
<b>PREVIOUS BOARD ACTION:</b>	April 5, 2022 Property Tax Exemption Program Follow-up; March 5, 2022 Property Tax Exemption Overview
<b>ACTION PROPOSED:</b>	Support a MUPTEx exemption for the development at 445 NE Penn Avenue
<b>STRATEGIC PLAN:</b>	
<b>Pillar:</b>	Operations and Management Practices
<b>Outcome:</b>	Financial well-being supported by strong business practices
<b>Strategy:</b>	Plan for long-term financial health

**BACKGROUND**

In August of 2022, the Bend City Council adopted a MUPTEx program to support development and redevelopment goals in Bend's core and transit-oriented areas, and identified program requirements that would need to be met for projects to be eligible. The program is codified in the [Bend Municipal Code \(BMC\) Section 12.35](#), and the city has a [webpage](#) with more details about this program. A high-level overview of the program and topics relevant to the district follow.

- **Program** – MUPTEx is a 10-year tax exemption on improvements (typically only residential) for multi-unit residential projects in the Core Area and transit-oriented areas that meet certain public benefit requirements.
- **Program Area** – MUPTEx is only available to projects in certain areas of town, which are listed below and shown on [this map](#). Fiscal impacts to taxing districts differ based upon location, given that TIF areas already impact taxing district property tax revenue.
  - Entire Core Area Tax Increment Finance (TIF) area, including the Central Business District (CBD)
  - Some High Density Residential (RH) zoning adjacent to the Core Area TIF
  - Urban Dwelling Sites (HB3450) projects
- **Public benefits** – Applicants are required to provide a minimum of three public benefits as part of their MUPTEx application, one of which shall be a priority public benefit as defined by the BMC.

- **Approval Process** – Property tax exemptions must be supported by a combined 51-percent of the taxing districts. The Bend City Council can approve the tax exemption via resolution subsequent to sufficient taxing district support.
- **Schedule** – The tax exemption would be approved for up to ten consecutive years beginning July 1 of the tax year after completion of construction.

City of Bend staff will provide a high-level overview of the MUPTE program at the board meeting.

### **Hiatus Homes Application**

The Hiatus Homes MUPTE application that is the subject of this agenda item is located at 445 NE Penn Avenue in the High Density Residential (RH) zone, outside the Core Area TIF area. It is the first complete MUPTE application received by the city.

The applicant plans to build a three-story, 43,485 square foot building of 40 micro housing units. Thirty percent (12 units) will be designated middle income housing and rented at levels affordable to those making 120% of the Area Median Income (AMI) or less. The project will include three community rooms and a gym of approximately 260 sf and a rooftop deck of approximately 4,349 sf. Eighteen parking spaces will be provided on site and will serve the tenant and common area uses of the project. Six of these spaces will be served with Electric Vehicle (EV) charging infrastructure. The property is currently raw land with no buildings, so there is no residential or commercial displacement associated with this project. The city granted land use approval for the project in September 2022. This application is focused on the MUPTE request only.

This applicant proposes the following public benefits:

1. Middle Income Housing (Priority Public Benefit): The applicant plans to provide Middle Income Housing as their Priority Public Benefit. This requires the applicant to record a deed restriction limiting 30% of the units as only available to those making 120% Area Median Income (AMI) or less for the period of the tax exemption. The project includes 40 residential units; therefore 12 units are required to be deed restricted to middle income levels.
2. Stormwater: The applicant is required to develop the site to retain and treat stormwater from more than a 25-year storm water event by qualifying for the city's Stormwater Credit program. City of Bend Utility Department confirmed that the project meets the requirements of the stormwater credit program and that the stormwater facilities will be designed to treat a 100-year stormwater event.
3. Electric Vehicle (EV) Charging: The applicant is required to provide at least 10-percent more parking spaces with EV charging infrastructure than the minimum required. Oregon Building Codes require that multifamily projects provide 20% of parking spaces with EV charging infrastructure. The applicant proposes to provide at least 30% of parking spaces with EV infrastructure.

The requested tax exemption for this project is currently in the taxing district review period which spans 45-days from March 21 through May 5. The project is scheduled for city council review on May 17, and the draft staff report for that council meeting is included as Attachment 1 of this board report.

## **BUDGETARY IMPACT**

The MUPTE program requires that applicants submit two proformas – one with the MUPTE applied and one without it. Those proformas are then subsequently peer reviewed by an independent third-party financial consultant. These proformas must illustrate that the project would not be financially viable except for the tax exemption. This third-party review by PNW Economics is included as Attachment 2 of this report. The PNW Economics report found that the subject project would not be financially feasible if not for MUPTE.

If the requested tax exemption is approved and implemented at this project site, which is outside of the Core Area TIF area, the tax exemption would directly impact district property tax collections in the near term. Based on an estimated building value of \$9,503,121, the total estimated tax collection for this project between 2027 through 2037 is estimated to be \$1,200,000 for all taxing entities without the exemption, and \$60,000 with the exemption. The estimated impact of the exemption to the district over 10 years would be approximately \$112,744, or \$11,274 per year. If the project were to not move forward and the site were to remain undeveloped, the total tax collection for the 10-year period would be approximately \$67,000. However, if the project did not move forward, it is possible that an alternative project, not seeking a property tax exemption, could move forward at the site.

The collective scale of these impacts on the district's finances as a result of the MUPTE Program is undetermined, since it depends upon the location and quantity of MUPTE applications received by the city. The implementing [ordinance \(NS-2447\)](#) for the MUPTE program requires that city staff re-evaluate the program annually to evaluate whether the program is still needed to support the financial feasibility of urban-scale multi-unit housing in the core and transit-oriented area of Bend. These findings and any associated recommendation will be presented to the city council annually, and may include additional details about projected financial implications for all taxing districts. Per the BMC, the MUPTE program will sunset on February 1, 2030.

System Development Charges (SDCs) would be collected for the project. The City's online project portal includes estimated SDCs for the project based upon fiscal year 2021/2022 fees, which district staff has escalated based upon fiscal year 2022/2023 fees. Total estimated SDCs are included below:

<b>SDC Type</b>	<b>Fee (FY 22/23)</b>	<b>Total</b>
Water	\$33,681.00 for a 2" meter	\$33,681.00
Sewer	\$5,667.00 per 4 units * (10)	\$56,670.00
Street	\$9,269.00 per 4 units * (10)	\$92,690.00
<b>Parks</b>	<b>\$4,207.00/unit</b>	<b>\$168,280.00</b>
		\$351,321.00

As is illustrated in the table, the district is estimated to receive approximately \$168,280 in SDCs from the project. SDCs are one-time fees charged on new development to help pay for the purchase of land and construction of new parks, trail and recreation facilities. Unlike general fund monies, which are largely comprised of property tax monies, SDCs cannot be used for maintenance and operations.

### **STAFF RECOMMENDATION**

Staff recommends that the board support the applicant's request for a ten-year tax abatement for a 40-unit residential development at 445 Penn Avenue as part of the City of Bend's MUPTE program.

### **MOTION**

*I move to support the applicant's request for a ten-year tax abatement for a 40-unit residential development at 445 Penn Avenue as part of the City of Bend's MUPTE program.*

### **ATTACHMENTS**

1. Draft City Council Report for the May 17, 2023 meeting
2. 445 Penn Avenue Proforma Peer Review



**STAFF REPORT FOR  
MULTIPLE UNIT PROPERTY TAX EXEMPTION**



**CITY OF BEND**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

**PROJECT NUMBER:** PRTX202300065

**CITY COUNCIL DATE:** May 17, 2023

**APPLICANT/  
OWNER:** Hiatus Homes  
Jesse Russell  
740 NE 3<sup>rd</sup> Street 3-314  
Bend, OR 97703

**OWNER:** Hiatus Capital Fund LLC  
20856 SE Sotra Loop  
Bend, OR 97702

**APPLICANT'S  
REPRESENTATIVE:** n/a

**LOCATION:** 445 NE Penn Avenue Bend, OR; Tax Lot 171233BB00200  
Between Revere and Olney Avenues and NE 4<sup>th</sup> & NE 5<sup>th</sup> Street

**REQUEST:** Multiple Unit Property Tax Exemption, 10-year tax abatement on  
residential improvements

**STAFF REVIEWER:** Allison Platt, Core Area Project Manager

**RECOMMENATION:** Approval

**DATE:** March 21, 2023

**PROJECT & SITE OVERVIEW:**

The project site is located at 445 NE Penn Ave in the High Density Residential (RH) zone, outside the Core Tax Increment Finance (TIF) Area. The project proposes (1) 3-story, 43,485 square foot (sf) building of 40 micro housing units. Thirty percent (12 units) will be designated middle income housing and rented at levels affordable to those making 120% Area Median Income (AMI) or less. The project will include three (3) community rooms and a gym of approximately 260 sf and a rooftop deck of approximately 4,349 sf. 18 parking spaces will be provided on site and will serve the tenant and common area uses of the project. Six of these spaces will be served with Electric Vehicle (EV) charging infrastructure. There will also be five (5) covered parking spaces. The property is currently raw land with no buildings, so there is no residential or commercial displacement associated with this project.

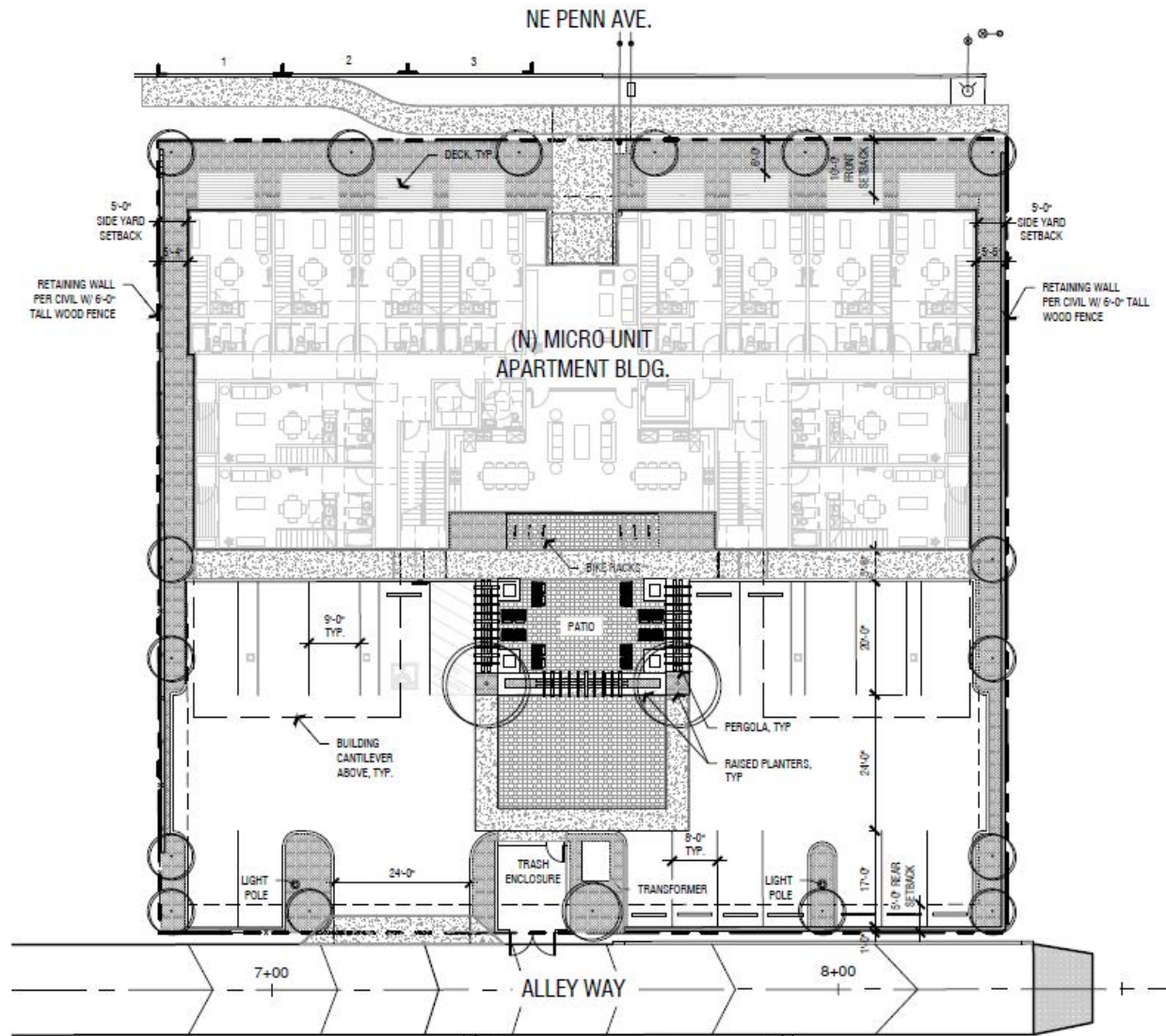
A land use decision was approved by the City for this project in September of 2022 (PLSPRE20210456).



**Figure 1. Site Location**



**Figure 2. Project Rendering**



**Figure 3. Site Plan**

## INFRASTRUCUTURE NEEDED TO SERVE THE SITE

The project will be required to upsize an existing 2-inch water main located within Penn Street to an 8-inch water main to serve the site. In addition, the developer is required to improve the alley to provide access to the development. Infrastructure improvements are permitted under permit number PRINF202108539, demonstrating that the site will be served with the necessary infrastructure to serve the development. The applicant received a letter from City of Bend Private Engineering Division confirming this as part of their application.

## **ELIGIBILITY CRITERIA**

### **APPLICATION OF THE CRITERIA:**

#### **LOCATION/ELIGIBLE ZONE REQUIREMENTS**

This project is located within the High Density Residential (RH) zone between NE 4<sup>th</sup> Street and NE 5<sup>th</sup> Street which is an eligible zone for the MUPTE Program per BMC 12.35.015D(3).

#### **MULTI-STORY REQUIREMENTS**

Projects on lots that are greater than 10,000 sf are required to be three (3) or more stories in height to be eligible for the MUPTE Program per BMC 12.35.015(C). The proposed project is located on a 20,999 square foot lot and is proposed to be 3 or more stories and therefore satisfies this requirement.

#### **HOTELS, MOTELS, SHORT TERM VACATION RENTALS ON SITE**

The MUPTE Program requires that projects include a restriction on transient occupancy uses, including use by any person or group of persons entitled to occupy for rent for a period of less than 30 consecutive days (including bed and breakfast inns, hotels, motels, and short-term rentals). If Council approves this project, the applicant will need to demonstrate a restriction of uses on the property for the period of the exemption satisfactory to the City before staff certifies the exemption with the County Assessor's office.

#### **DEMONSTRATION OF FINANCIAL NEED**

The applicant submitted a proforma income statement both with and without the tax exemption to demonstrate that the project would not be financially viable but for the property tax exemption. These proforma were then reviewed by a City-hired third party independent financial consultant.

PNW Economics completed a review of the proformas in March of 2023. A summary of their findings is included as Attachment A. The review confirms that the Penn Avenue project, including 12 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), is not financially feasible on its own.

Based on the findings of the proforma review, the applicant was asked to clarify the basis for their rental rates compared to current market averages. The applicant noted that their project rental rates were establishing by combining average rental values of 1-bedroom apartments (\$1,750) in Bend and added the value of typical "drop in co-working" amenity spaces (\$320) as well as rental appreciation (5.5%) to account for their future rental prices in 2024-2025. They believe their project will attract remote workers and offer unique and valuable amenities (more consistent with 1-bedrooms than studios) on site to attract these rental levels and target market. Their assumptions are further clarified in Attachment B.

#### **JUSTIFICATION FOR ELIMINATION OF ANY EXISTING HOUSING AND BUSINESSES ON THE PROJECT SITE**

The existing site is vacant and therefore there is no anticipated displacement of housing or businesses by the project and therefore no mitigation is proposed. This meets the requirements of the MUPTE Program.



## **PUBLIC BENEFIT REQUIREMENTS**

MUPTE requires that applicants provide three public benefits including one priority public benefit to qualify for the MUPTE program, per BMC 12.35.025.

### ***Priority Public Benefit***

The applicant plans to provide Middle Income Housing as their Priority Public Benefit. This requires the applicant to record a deed restriction limiting 30% of the units as only available to those making 120% Area Median Income (AMI) or less. The project includes 40 residential units, therefore 12 units are required to be deed restricted to middle income levels. The applicant has met with City of Bend Housing Department staff and if the applicant receives approval for the exemption, they will need to demonstrate compliance with this public benefit in a form satisfactory to the City before staff certifies the exemption with the County Assessor's office.

### ***Additional Public Benefits***

In addition to the Priority Public Benefit, the applicant is required to provide two additional public benefits. The applicant plans to utilize the following benefits to meet those requirements: 1) Stormwater; and 2) Electric Vehicle (EV) Charging.

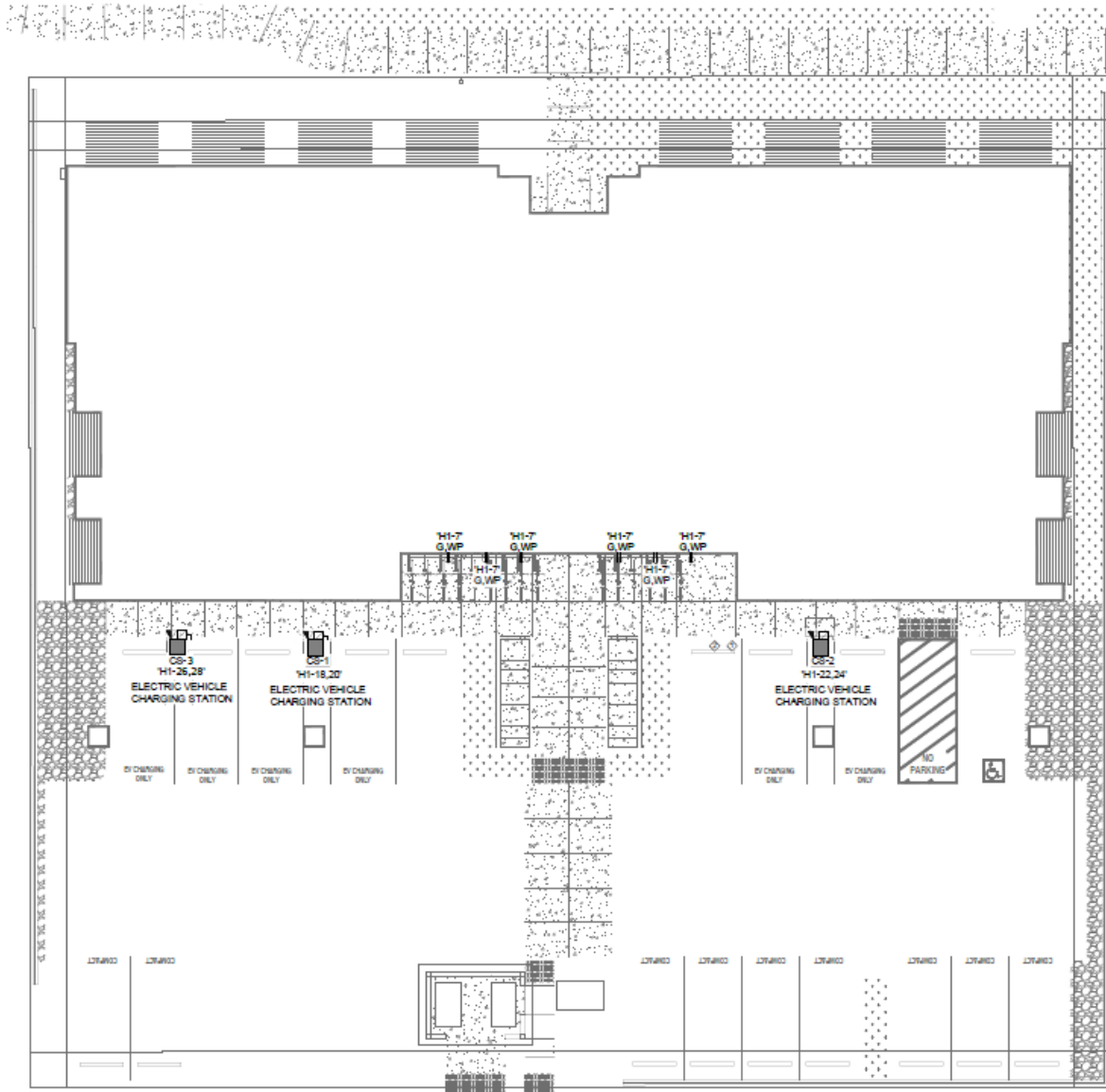
*Stormwater:* The applicant is required to develop the site to retain and treat stormwater from more than a 25-year storm water event by qualifying for the City's Stormwater Credit program. City of Bend Utility Department staff have reviewed the stormwater materials provided by the applicant and have confirmed that the project meets the requirements of the stormwater credit program and that the stormwater facilities will be designed to treat a 100-year stormwater event.

*Electric Vehicle (EV) Charging:* Applicant is required to provide at least 10 percent more parking spaces with EV charging infrastructure, conduit for future electric vehicle charging stations, than the minimum required. Currently Oregon Building Codes require that multifamily projects provide 20% of provided parking spaces with EV charging infrastructure. Therefore, the applicant is required to provide at least 30% of parking spaces with EV infrastructure. The



applicant plans to provide 18 onsite parking spaces and therefore six (6) of these spaces must be provided with EV charging infrastructure.

The applicant provided a power plan for the site as part of their application that demonstrates the required six (6) spaces that will be served with EV charging infrastructure.



1 SITE - POWER PLAN  
SCALE: 1/8" = 1'-0"

Figure 4. EV Charging Locations

**ESTIMATED EXEMPTION:** This project is estimated to receive a total 10-year tax exemption of approximately **\$1,140,000**.

Based on an estimated building value of \$9,503,121, the total estimated tax collection for this project between 2027 through 2037 is estimated to be \$1,200,000 without the exemption and \$60,000 with the exemption. If the project were to not move forward, total tax collection for the 10-year period of the site would be approximately \$67,000.

The estimated impact to each taxing district is shown below in Table 1.

<b>Taxing District</b>	<b>% of Tax Levy</b>	<b>Total 10-year Exemption</b>	<b>Average Annual Impact</b>
Bend La Pine School District*	41.3%	\$ 470,335	\$ 47,033
City of Bend	22.0%	\$ 250,542	\$ 25,054
Deschutes County (All)	14.2%	\$ 161,941	\$ 16,194
<i>Deschutes County</i>	<i>7.6%</i>	<i>\$ 86,095</i>	<i>\$ 8,610</i>
<i>Countywide Law Enforcement</i>	<i>6.5%</i>	<i>\$ 74,251</i>	<i>\$ 7,425</i>
<i>Countywide Extension</i>	<i>0.1%</i>	<i>\$ 1,594</i>	<i>\$ 159</i>
911 Service District	2.2%	\$ 25,054	\$ 2,505
Bend Park and Recreation District	9.9%	\$ 112,744	\$ 11,274
Central Oregon Community College	4.3%	\$ 48,969	\$ 4,897
Library District	5.5%	\$ 62,635	\$ 6,264
High Desert Education Service District*	0.6%	\$ 6,833	\$ 683
<b>Total</b>	<b>100%</b>	<b>\$ 1,140,000</b>	<b>\$ 114,000</b>

*\* The Bend/La Pine School District and the High Desert Education Service District are funded through per pupil allocations from the State School Fund which is comprised of many sources, including property tax revenues. The State Legislature sets the per pupil allocations and funds the State School Fund accordingly. Therefore, tax exemptions have an "indirect" impact on the funding for those districts. Tax exemptions throughout the state all have an impact on the State School Fund.*

## **TAXING DISTRICT REVIEW PROCESS**

In order for the tax exemption to apply to the full taxable amount, approval by taxing district agency boards that comprise at least 50% of the combined tax levy is required. Since the City and School District tax rates combine equate to 63.3% of the combined tax levy for the 2022-23 assessment year, if the project is approved by those two districts, the project would be exempt from all taxes on residential and parking improvements. All of the Taxing District agencies will be provided with a 45-day comment period to review the application materials and this staff report beginning on March 21, 2023 through May 5, 2023. The following district reviews are scheduled for this project:

- April 4, 2023: Applicant Presentation to Bend Park and Recreation District Board
- April 12, 2023: Applicant Presentation to Deschutes County Board of County Commissioners
- May 9: Bend La Pine School District Board Review and Decision on Application

- May 17: City Council Review and Decision on Application

**CONCLUSION:** Based on the application materials submitted by the applicant, and these findings, the proposed project meets all applicable criteria for City Council approval.

**CONDITONS TO BE MET IF APPROVED, IN ADVANCE OF EXEMPTION CERTIFICATION WITH TAX ASSESSOR’S OFFICE:**

1. Applicant must provide proof of a deed restriction that prohibits the use of hotels, motels, and short-term vacation rentals on the site for the period of the exemption.
2. Applicant must provide proof of a deed that restricts income levels for 30% of the units at 120% Area Median Income or less for the period of the exemption.
3. Applicant must demonstrate that EV Charging infrastructure and stormwater facilities are provided as approved for the MUPTE Program in future inspections prior to Certificate of Occupancy.

**ATTACHMENTS**

- **Attachment A:** Review of Financial Feasibility Penn Avenue Project Hiatus Development, PNW Economics
- **Attachment B:** Project and Rental Information provided by applicant.
- **Attachment C:** Application Materials

# REVIEW OF FINANCIAL FEASIBILITY PENN AVENUE PROJECT HIATUS DEVELOPMENT MUPTE PROGRAM APPLICATION

Prepared for: City of Bend, Oregon

Prepared by: PNW Economics, LLC

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**Contents**

1. Executive Summary..... 1

    Introduction..... 1

    Summary of Findings..... 1

2. Financial Feasibility Analysis .....3

    Financial Feasibility (“Pro Forma”) Assumptions .....3

        Debt vs. Equity & Project Financing .....3

        Development Costs .....4

        Assumed Rents & Escalation .....4

        Non-Rent Revenues .....6

        Operating Expenses .....6

Financial Feasibility Analysis of the Penn Avenue Project .....7

    Introduction to Terms.....7

    Penn Avenue Project Pro Forma Without MUPTE.....9

    Penn Avenue Project Pro Forma WITH MUPTE .....11



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# 1. Executive Summary

## Introduction

PNW ECONOMICS, LLC was retained by the City of Bend to review the Hiatus Development Penn Avenue Project Multi-Unit Property Tax Exemption (“MUPTE”) program application as part of City review of the project application. Specifically, PNW ECONOMICS was tasked with:

- Reviewing project application assumptions including rent income, non-rent income, operating expenses, bank underwriting assumptions, and other pertinent assumptions;
- Evaluating projected return on investment for the project without MUPTE and with MUPTE, which grants a ten-year property tax exemption for the project in order to incentivize its financial performance such that investment and development is possible and positively contributes to the Bend economy in place of property underutilization; and
- Communicating all analysis and findings appropriately for review by community members and elected officials.

This document represents completion of these tasks for review by the City of Bend and its partners and stakeholders.

## Summary of Findings

An independent pro forma analysis was conducted by PNW ECONOMICS for the proposed Penn Avenue project in midtown Bend. The following table provides a concise summary of the outcome of not awarding and awarding a MUPTE to the project, which comprises 40 apartment units.

**Table 1 – Penn Avenue Project Measures of Return With & Without MUPTE: 40 Units**

40 One-Bed Units	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
12 Units at 120% of AMI	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>NO MUPTE</b>										
+ MUPTE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Extended Internal Rate of Return	-7.3%	6.5%	6.6%	6.7%	6.8%	6.9%	6.9%	6.9%	7.0%	7.0%
Cash-on-Cash Return	-5.1%	4.8%	5.3%	5.9%	6.4%	7.0%	7.6%	8.3%	8.9%	9.6%
<b>YES MUPTE</b>										
+ MUPTE	\$92,713	\$95,494	\$98,359	\$101,310	\$104,349	\$107,480	\$110,704	\$114,025	\$117,446	\$120,969
Extended Internal Rate of Return	1.7%	11.7%	10.7%	10.1%	9.7%	9.4%	9.2%	9.1%	8.9%	8.8%
Cash-on-Cash Return	-1.9%	4.8%	5.4%	6.0%	6.6%	7.2%	7.8%	8.4%	9.1%	9.8%

**Without MUPTE Conclusion:** The Penn Avenue project, including 12 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), is not financially feasible on its own.

- 30% of available units would earn below-market rents, reducing potential project Net Operating Income.

- The project would cost the same to build with or without income-restricted units and have similar terms of finance.
- Less rent revenue and no reduction in development costs or project financing costs translates into a lower Cash Flow project with too-low measures of rate of return, starting with Extended Internal Rate of Return (XIRR).
- Being unable to offer a competitive rate of return for the risk, the project would be highly unlikely to attract the necessary equity to make up the total cost of the project that cannot be debt financed (35%).

**With MUPTE Conclusion: The Penn Avenue project, including 12 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), approaches financial feasibility with the MUPTE and only with the tax exemption compared to the No MUPTE scenario.**

- 10.1% to 11.7% Extended Internal Rate of Return (XIRR) with a MUPTE exceeds the 10% benchmark to attract equity investment;
- XIRR with the MUPTE exceeds the long-term stock portfolio average of 8% annually; and
- XIRR with the MUPTE certainly exceeds the 6.5% to 7.0% XIRR without the MUPTE.

In final completion of this analysis, both the second-largest and third-largest bank failures in US History happened over the same March 2023 weekend. Over the next two years, economic turbulence and lending standards are likely to be affected by these large bank failures: <sup>1</sup>

- Lending standards will likely tighten beyond already experienced. In other words, projects are likely to be able to borrow even less of their total cost and will need to seek a greater share of financing through equity investment. Accordingly, the affirmative findings of MUPTE need in this analysis may prove even more pronounced should the Penn Avenue's lending situation constrict and the project requires even more equity investment share.
- The Penn Avenue project's sole focus on Studio units, though only 40 total units, places it in some economic risk as in the rental market, households will tend to double-up/roommate in larger units vs. solo rent studio units when economic circumstances are unfavorable or uncertain. The entire mix of Penn Avenue are Studio units and may see more difficult lending circumstances due to this factor.

Review of all development and financial assumptions in the MUPTE Application for the Penn Avenue project yielded the following other general finds and comments:

- The Penn Avenue project has proposed unit rents that are across the board higher than any identified comparable in Bend. In fact, even the 120% of AMI rents at Penn Avenue exceed

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<sup>1</sup> PNW Economics would like to thank Greg Manning, Principal of Pioneer Project Partners, LLC for current lending market feedback and bank failure impacts upon commercial real estate lending in Oregon.

studio units and 1 bed unit rents at very new projects on the west side of Bend, where rents would be expected to be at least as high as new product in the eastside Midtown area. It would be appropriate for the City of Bend to seek clarification of rents at Penn Avenue within this context.

- Development costs of the project are seemingly consistent with current construction market conditions in Suburban Portland.

Otherwise overall, it was found that the Penn Avenue MUPTE Application financial analysis used reasonable assumptions overall and much of the independent pro forma and cash flow analysis in this report utilizes similar assumptions as the Applicant. Differences in assumptions are noted in this document.

## 2. Financial Feasibility Analysis

This report is a set of new, independent pro formas conducted by PNW ECONOMICS given review of the Penn Avenue project MUPTE application. In that application, the Applicant presents sophisticated pro forma/cash flow analysis that does not necessarily provide apples-to-apples comparison of a No MUPTE/Yes MUPTE comparison. For instance, terms of financing of the project with the income-restricted units (Yes MUPTE) is different than terms of financing without those units (No MUPTE). In practice, that would potentially be true as a project without income-restricted units will generate higher Net Operating Income, which then could potentially allow a project to borrow a higher percentage of its total development cost.

But by comparing Yes MUPTE vs. No MUPTE development scenarios that let terms of financing be dynamic depending upon the revenue generated by the project, it is difficult from a policy perspective to isolate the need of the MUPTE to achieve the intended public good: 30% of proposed units affordable to households that earn up to 120% of Area Median Income.

This report therefore conducts pro forma analysis isolating as much as reasonably possible about project development financing and other details in order to demonstrate whether or not the project can deliver the public good – 12 income-restricted units – with or without the MUPTE. This report also makes some conservative assumptions about development financing that do not necessarily identically match assumptions by the Applicant. Modified assumptions are not dramatically different, but are intended to offer fundamentally conservative and apples-to-apples analysis to help better answer the MUPTE policy question. Assumptions are outlined below.

### Financial Feasibility (“Pro Forma”) Assumptions

#### Debt vs. Equity & Project Financing

Table 2 provides a summary of project permanent financing assumptions considered in this analysis. The Applicant considered various lending scenarios, including a 72% Loan to Value scenario. But for conservative independent analysis, this report assumes the total project cost will be able to get 65%

financed with the remaining 35% of total project cost needing to come from equity investment sources.

**Table 2 – Penn Avenue Project Permanent Debt Finance Assumptions**

	<b>40 Units</b>	
	<b>65% LTV</b>	<b>72% LTV</b>
<b>Total Development Cost</b>	\$12,698,256	\$12,698,256
<b>Permanent Loan</b>	\$8,253,866	\$9,142,744
<b>Equity</b>	\$4,444,390	\$3,555,512
<b>Percent Financed</b>	65%	72%
<b>Annual Interest Rate</b>	6.00%	6.00%
<b>Amortization (Years)</b>	30	30
<b>Annual Permanent Debt Service</b>	(\$593,833)	(\$657,784)

### Development Costs

At a total development cost of \$12,698,256 for 40 units in a three-story “low-rise” structure, total cost per door for the Penn Avenue project is \$317,456. PNW Economics recently reviewed total costs per door for two 52-unit, three-story projects in suburban Washington County for context. Those projects averaged \$267,850 per door in 2022. Escalating by a modest 10% over the past twelve months translates into \$294,635 per unit in total cost.

The projects used for context were more modest construction design for underserved rural markets in Washington County. Accordingly, three-story rural apartment buildings would be expected to have a construction cost discount. Based on this comparison, total development costs and costs-per-unit at the Penn Avenue project are viewed as reasonable.

### Assumed Rents & Escalation

Table 3 provides a summary of apartment rents utilized in the pro forma analyses in this section. Rents assumed are planned rents for each of the unit types as proposed by the Applicant. Annually after 2023, rents are assumed to escalate by 3% annually.

**Table 3 – Penn Avenue Project Market Apartment Rent Assumptions – 40 Units**

<b>Unit Type</b>	<b>Unit Mix</b>		<b>Average Unit Size (Sq. Ft.)</b>	<b>Monthly Rent</b>	<b>Rent per Square Foot</b>
	<b>Units</b>	<b>Percentage</b>			
Lofted One bed	24	60%	474	\$2,050	\$4.32
Lofted One bed Deck	4	10%	474	\$2,250	\$4.75
MUPTE Units: 120% AMI	<u>12</u>	<u>30%</u>	<u>474</u>	<u>\$1,888</u>	<u>\$3.98</u>
<b>Subtotals/Averages</b>	<b>40</b>	<b>100%</b>	<b>474</b>	<b>\$2,021</b>	<b>\$4.26</b>

Rents overall appear somewhat high compared to market. During review of the Applicant pro forma, the following rents were identified for most-comparable, though not perfectly comparable units at other newest competitive projects in Bend:

- **The Nest** (1609 SW Chandler Avenue, Bend): 490 square foot Studio/1 bath for \$1,719 average (\$3.51 per square foot)
- **Solis at Petrosa** (63190 Deschutes Market Road): 620 square foot 1 bed/1 bath for \$1,850 average (\$2.98 per square foot).
- **The Eddy Apartments** (801 SW Bradbury Way): 640 square foot 1 bed/1 bath for \$1,800 average (\$2.81 per square foot).

The Penn Avenue project's unit mix most resembles The Nest's Studio/1 bath unit in terms of size (474 sq. ft. vs 490 sq. ft. at The Next). That newer unit rents for \$300 less monthly than the Penn Avenue "market rate" unit average of \$2,150 per month. In fact, The Nest's Studio unit rents cheaper than the 120% of AMI units at Penn Avenue, planned to rent at \$1,888.

The Solis at Petrosa and The Eddy both advertise available larger 1 bed/1 bath units that are not entirely comparable to Studio-sized units. But both projects larger 1 bed/1 bath units also rent cheaper than both the full market units at Penn Avenue and the 120% of AMI units planned under the MUPTE program.

The rent difference is not clearly explained, as the Penn Avenue project location should be viewed as a generally inferior location compared to the locations of the projects mentioned in this comparison. New development and redevelopment in Bend has intensely been done on the west side of the City, proximate to the river. The Penn Avenue location, located on the east side of town in the Midtown area, is less amenity-filled and is more distant from employment concentrations and amenities both downtown and generally on the west side. PNW ECONOMICS, therefore, would anticipate rents at Penn Avenue to *at most* be equal to rents or rents per square foot, but likely below project rents located on the west side.

**Conclusion: Both full market rents and income-restricted rents at the planned Penn Avenue project are higher than new market-rate rents at better-located units on the west side of Bend in newer and revitalized areas. Accordingly, it would be appropriate of the City of Bend to ask the Applicant to clarify both full market rents (\$2,150 average) as well as 120% of AMI rents (\$1,880) within this competitive context.**

Should market and restricted rents be adequately clarified, assuming higher rents in the pro forma will tend to make the need for a MUPTE less likely. That is, higher rent income will tend to increase cash flow for a project after debt service is accounted. Project rents that were inexplicably low relative to market would run the risk of overstating MUPTE need. That is certainly not the case here.



## Non-Rent Revenues

Table 4 summarizes the various sources of revenue for the project in addition to standard rent planned for the occupancy for units. All revenue categories are standard or increasingly common for new, urban-style apartment development.

**Table 4 – Penn Avenue Project Market Apartment Non-Rent Assumptions**

Income Source	Penn Avenue	Annual Income	
		Units	2023
Parking	\$180	17	\$36,720
Electric Vehicle Parking	\$300	3	\$10,800
Bike Storage Boxes	\$20	12	\$2,880
Electric Bike Charging	\$30	15	\$5,400
Utilities	\$113	40	\$54,240
<b>Total Non-Rent Revenue:</b>			<b>\$110,040</b>

## Operating Expenses

### Apartment Operating Expenses

Table 5 below provides a comparison of annual operations expenses per unit anticipated by the Applicant. For context, annual per-unit operating expenses for recent urban apartment MUPTE applicants in the City of Eugene are provided purely for context. Based upon these findings, it was assumed that operations expenses at the project are reasonable if not somewhat low.

**Table 5 –Penn Avenue Project Operating Expenses Per Unit vs. Comparable Projects**

	Per Unit Expenses Annually	
	Penn Avenue	Eugene Projects
Before Property Tax		
Expenses: Stabilized	\$4,679	\$6,700

For pro forma financial analysis in the next section of this report, PNW ECONOMICS assumes operating expenses supplied by the Applicant. While a bit lower, lower estimated expenses will tend to give more optimistic financial performance projections that would tend to reduce the importance of tax exemption on the bottom line, all things equal.

## Property Taxes

Table 6 provides estimates for property taxes that will be paid on both the land as well as expected improvements value on a “Cost of Replacement” basis – the total development cost of improvements alone if built new.

Parcel taxable assessed value (TAV) data is directly from the Deschutes County Assessor’s Office parcel database online (DIAL). Taxable assessed value estimated for the value of improvements assumes total improvement development costs as expressed by the Applicant and then converted to Measure 50 TAV via the Deschutes County 2023 Multifamily Exception Value Ratio of 0.461. Finally, the tax rate of

\$15.8378 per \$1,000 of TAV was utilized for Tax Code Area 1001 that includes the project address of 445 NE Penn Avenue in Bend, Oregon.

**Table 6 – Penn Avenue Project Estimated Property Tax: Land & Improvements in FY 23**

Cost of Replacement - Improvements				\$12,698,256		
Exception Value Ratio - Multifamily (7)				<u>0.461</u>		
<b>FY 23 Taxable Assessed Value</b>				<b>\$5,853,896</b>		
<u>Parcel</u>	<u>Account #</u>	<u>Acres</u>	<u>Zoning</u>	<u>Taxable Assessed Value (FY 23)</u>		
				<u>Land</u>	<u>Improvements</u>	<u>Total</u>
445 NE Penn	105177	0.48	RH High Density Residential	\$128,880	\$0	\$128,880
			Tax Code Area 1001 (per \$1,000 TAV)	<u>15.8378</u>	<u>15.8378</u>	<u>15.8378</u>
			<b>Total Property Tax - Land Only</b>	<b>\$2,041</b>	<b>\$0</b>	<b>\$2,041</b>
445 NE Penn	105177	0.48	RH High Density Residential	\$128,880	\$5,853,896	\$5,982,776
			Tax Code Area 1001 (per \$1,000 TAV)	<u>15.8378</u>	<u>15.8378</u>	<u>15.8378</u>
			<b>Total Property Tax - Combined</b>	<b>\$2,041</b>	<b>\$92,713</b>	<b>\$94,754</b>

## Financial Feasibility Analysis of the Penn Avenue Project

### Introduction to Terms

To evaluate whether or not a project is financially feasible, that is whether or not the project meets investment rates of return benchmarks, a pro forma analysis is conducted. A pro forma is simply a financial modeling exercise to examine how a development project performs as a business investment over a specified period of time.

Variables that are modeled, or estimated, in this report are as follows:

Apartment Rent Income: The annual rent income if all apartment units in a project were occupied and charging full, assumed market rent. This grows by 3% each year.

Gross Project Income: The sum of Apartment Rent Income, Retail Lease Income (not present in this project), and Other Income streams such as parking, storage fees, electric vehicle parking fees, bike storage fees, electric bike charging fees, and utility revenue that represent utilities paid by the development and reimbursed with charges to units as part of rent.

Vacancy: 5% of apartment space and retail space is assumed to always be vacant and represent income loss.

Lease-Up Vacancy & Concessions: This category of expense reflects different sources of loss to revenue as a result of project vacancy and discounts to apartment rents to realize and keep an average 5% vacancy rate.

- In year 1 of the project only, PNW Economics assumes a standard 20% loss in potential rent income will occur due to new units being vacant prior to first occupancy (“absorption”) as it leases up to at least 95% occupancy.

Effective Gross Income: Gross Project Income less Vacancy and Lease-Up Vacancy & Concessions.

Apartment Operating Expense: Annual operating expenses of \$4,679 per apartment unit starting in year 1 and growing by 3% annually thereafter. In year 1 only, apartment operating expenses are reduced by the 20% absorption vacancy described in the Lease-Up Vacancy & Concessions definition.

Retail Operating Expense: The Penn Avenue project does not include retail space and, therefore, retail space operating expense.

MUPTE: When included, MUPTE is a 10-year exemption from local property taxes levied on the value of the improvement constructed in place, in this case the Penn Avenue project. Based on an estimated cost-of-replacement of \$12.7 million in 2023 dollars and a local, existing total property tax rate of \$0.0158378 (Tax Code Area 1001), the estimated MUPTE exemption beginning in year 1 would be \$95,494. This would increase by an assumed 3% annually, consistent with the annual maximum under Oregon property tax law.

Net Operating Income (NOI): Effective Gross Income less Apartment Operating Expense plus the MUPTE (if assumed).

Construction Loan Interest: The interest (assumed to be 10.0%) paid on a construction loan for development of the property that is “taken out” or paid off by permanent, long-term debt financing. Such interest is only paid during the duration of construction activity until permanent financing is secured.

Equity: The share of total development cost that is funded by invested dollar assets rather than by debt.

Debt Service: The annual, fixed debt service payment made by the developer for permanent debt financing of the project.

Before Tax Cash Flow: Net Operating Income Less Debt Service.

Cash-on-Cash Return: Before Tax Cash Flow divided by development equity (\$4.44 million in this analysis). Cash-on-Cash Return is also known as Return on Equity and usually needs to be at least 6%-7% in early years of a project to be a satisfactory investment for equity partners in a project. This can vary depending upon developer and equity partners, however.

Loan-To-Cost (LTC): The amount of debt a project can take on as a percentage of its cost to develop. This analysis assumes a 65% LTC ratio. In the current lending environment, commercial lenders have required at least 35% equity share of total project cost, for maximum LTC of 65%. In the current environment, LTC will likely continue to decrease through 2023-24.

Capitalization (“Cap”) Rate: The percentage rate factor utilized to translate capitalize the Net Operating Income of an asset into its market value. The better an asset and/or the stronger the market for that asset, lower the cap rate tends to be. The weaker the asset and/or the worse the market for that asset, the higher the cap rate tends to be.

Value (Market Value): Net Operating Income divided by the Cap Rate. The market value of the real estate asset when potentially sold on the commercial real estate market, or purely for appraisal purposes.

Net Proceeds: (Market) Value in any particular year less cumulative payments of principal on the permanent loan.

Project Profit: In any particular year, Net Proceeds less Initial Equity invested by equity sources.

(Equity) Investor Distribution: One half of Project Profit in any particular year.

Yield: The rate of return in any specific year that factors initial equity investment outflow, investor distributions inflow, and number of years the investor(s) has committed equity including pre-development years.

Extended Internal Rate of Return (XIRR): The total rate of return on equity invested when factoring in the cumulative time investors have held interest in a project during development and during project operations, as well as investor cash-out of their initial investment. XIRR is calculated when inflows and outflows occur at some monthly basis rather than cumulative annual basis. When transactions are more simply accounted on an annual basis, Internal Rate of Return calculation is more standard. A 10% XIRR (IRR) is considered a minimum rate of return to make the risk of a real estate development attractive to the equity investment required for a project to be financed.

## Penn Avenue Project Pro Forma Without MUPTE

Table 7 reports the cash flow analysis of the pro forma for the Penn Avenue project without a MUPTE.

**Table 7 – Penn Avenue Project Net Operating Income & Cash Flow Without MUPTE**

	Ann. Esc.	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028	Year 6 2029	Year 7 2030	Year 8 2031	Year 9 2032	Year 10 2033
<b>Apartment Rent Income</b>	3%	\$999,380	\$1,029,362	\$1,060,242	\$1,092,050	\$1,124,811	\$1,158,556	\$1,193,312	\$1,229,112	\$1,265,985	\$1,303,964
<i>Other - Parking</i>	3%	\$30,257	\$38,956	\$40,125	\$41,329	\$42,569	\$43,846	\$45,161	\$46,516	\$47,911	\$49,349
<i>Other - EV Parking</i>	3%	\$8,899	\$11,458	\$11,801	\$12,155	\$12,520	\$12,896	\$13,283	\$13,681	\$14,092	\$14,514
<i>Other - Bike Storage</i>	3%	\$2,373	\$3,055	\$3,147	\$3,241	\$3,339	\$3,439	\$3,542	\$3,648	\$3,758	\$3,870
<i>Other - Electric Bike Charging</i>	3%	\$4,450	\$5,729	\$5,901	\$6,078	\$6,260	\$6,448	\$6,641	\$6,841	\$7,046	\$7,257
<i>Other - Utilities Revenue</i>	3%	<u>\$44,694</u>	<u>\$57,543</u>	<u>\$59,270</u>	<u>\$61,048</u>	<u>\$62,879</u>	<u>\$64,765</u>	<u>\$66,708</u>	<u>\$68,710</u>	<u>\$70,771</u>	<u>\$72,894</u>
<b>Other Income</b>		\$90,673	\$116,741	\$120,244	\$123,851	\$127,567	\$131,394	\$135,335	\$139,395	\$143,577	\$147,885
<b>Gross Project Income</b>		<b>\$1,090,053</b>	<b>\$1,146,103</b>	<b>\$1,180,486</b>	<b>\$1,215,901</b>	<b>\$1,252,378</b>	<b>\$1,289,949</b>	<b>\$1,328,647</b>	<b>\$1,368,507</b>	<b>\$1,409,562</b>	<b>\$1,451,849</b>
- Stabilized Vacancy	5%	(\$54,503)	(\$57,305)	(\$59,024)	(\$60,795)	(\$62,619)	(\$64,497)	(\$66,432)	(\$68,425)	(\$70,478)	(\$72,592)
- Lease-Up Vacancy & Concessions	-20%	(\$163,508)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>= Effective Gross Income (EGI)</b>		<b>\$872,042</b>	<b>\$1,088,798</b>	<b>\$1,121,462</b>	<b>\$1,155,106</b>	<b>\$1,189,759</b>	<b>\$1,225,452</b>	<b>\$1,262,215</b>	<b>\$1,300,082</b>	<b>\$1,339,084</b>	<b>\$1,379,257</b>
<i>Apartment Operating Expense</i>	3%	(\$149,722)	(\$183,128)	(\$188,622)	(\$194,281)	(\$200,109)	(\$206,112)	(\$212,296)	(\$218,665)	(\$225,225)	(\$231,981)
<i>Property Tax (Land)</i>	3%	(\$2,102)	(\$2,165)	(\$2,230)	(\$2,297)	(\$2,366)	(\$2,437)	(\$2,510)	(\$2,586)	(\$2,663)	(\$2,743)
<i>Property Tax (Improvements)</i>	3%	(\$95,494)	(\$98,359)	(\$101,310)	(\$104,349)	(\$107,480)	(\$110,704)	(\$114,025)	(\$117,446)	(\$120,969)	(\$124,598)
<b>- Operating Expenses</b>		<b>(\$247,318)</b>	<b>(\$283,653)</b>	<b>(\$292,162)</b>	<b>(\$300,927)</b>	<b>(\$309,955)</b>	<b>(\$319,254)</b>	<b>(\$328,831)</b>	<b>(\$338,696)</b>	<b>(\$348,857)</b>	<b>(\$359,323)</b>
<b>+ MUPTE</b>		<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>= Net Operating Income (NOI)</b>		<b>\$624,724</b>	<b>\$805,145</b>	<b>\$829,299</b>	<b>\$854,178</b>	<b>\$879,804</b>	<b>\$906,198</b>	<b>\$933,384</b>	<b>\$961,385</b>	<b>\$990,227</b>	<b>\$1,019,934</b>
- Construction Loan Interest (10.0%)		(\$556,182)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Debt Service (65% Loan-to-Cost)		(\$296,917)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)
<b>= Before Tax Cash Flow</b>		<b>(\$228,374)</b>	<b>\$211,312</b>	<b>\$235,466</b>	<b>\$260,345</b>	<b>\$285,971</b>	<b>\$312,365</b>	<b>\$339,551</b>	<b>\$367,552</b>	<b>\$396,394</b>	<b>\$426,101</b>

Analysis finds the following:

- Lease-up vacancy and collections loss (assumed to average 20%) costs the project roughly \$220,000 in Effective Gross Income (EGI) in the analysis, reflecting that the project will take some time in its first year to fill up.

- Operating expenses are estimated to grow from roughly \$150,000 in Year 1 to almost \$232,000 annually by project Year 10.
- The property tax bill for improvements put in place is estimated to grow from roughly \$95,500 in Year 1 to almost \$125,000 by Year 10. Property tax bill growth is due solely to the Measure 50 3% taxable assessed value growth rate cap.
- Net Operating Income (NOI), calculated as EGI less Operating Expenses (which include property taxes), is estimated to grow from nearly \$625,000 in Year 1 to roughly \$1.02 million by Year 10.
- Except for the first year, when the project is assumed to only be 80% occupied due to active lease-up and construction loan interest is attributed, Cash Flow is positive and grows from roughly \$211,000 in Year 2 to approximately \$426,000 by Year 10. Again, Cash Flow is calculated as that year's NOI less any debt service payments. Debt service for the project is significant, estimated to be roughly \$600,000 annually.

Given the above cash flow findings, Figure 8 provides Measures of Return for the Penn Avenue project without a MUPTE. Two measures of return are displayed at the bottom of Table 8: Extended Internal Rate of Return (XIRR – utilized by the Applicant) and Cash-on-Cash Return, another measure of attractiveness of a project to equity investors for context.

**Table 8 – Penn Avenue Project Measures of Return Without MUPTE**

<b>Value - 5.5% Cap Rate</b>	5.5%	\$11,358,623	\$14,639,002	\$15,078,172	\$15,530,517	\$15,996,432	\$16,476,325	\$16,970,615	\$17,479,734	\$18,004,126	\$18,544,249
<b>Equity Holding Period (Year)</b>	1	2	3	4	5	6	7	8	9	10	
<b>Interest Payment</b>	(\$495,232)	(\$488,968)	(\$482,328)	(\$475,289)	(\$467,829)	(\$459,920)	(\$451,538)	(\$442,652)	(\$433,233)	(\$423,249)	
<b>Principal Payment</b>	(\$98,601)	(\$104,865)	(\$111,505)	(\$118,544)	(\$126,004)	(\$133,913)	(\$142,296)	(\$151,181)	(\$160,600)	(\$170,584)	
<b>Net Proceeds</b>	\$3,203,358	\$6,588,602	\$7,139,277	\$7,710,166	\$8,302,086	\$8,915,892	\$9,552,477	\$10,212,777	\$10,897,769	\$11,608,478	
<b>Less: Initial Equity</b>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>
<b>Project Profit</b>	(\$1,241,032)	\$2,144,212	\$2,694,888	\$3,265,776	\$3,857,696	\$4,471,502	\$5,108,088	\$5,768,387	\$6,453,380	\$7,164,088	
<b>Investor Distribution</b>	(\$620,516)	\$1,072,106	\$1,347,444	\$1,632,888	\$1,928,848	\$2,235,751	\$2,554,044	\$2,884,194	\$3,226,690	\$3,582,044	
<b>Yield</b>	-3.0%	3.7%	3.9%	4.0%	4.1%	4.2%	4.2%	4.3%	4.3%	4.3%	
<b>Equity Holding Period (Years)</b>											
<b>Equity + Investor Distribution</b>	\$3,823,874	\$5,516,496	\$5,791,833	\$6,077,278	\$6,373,238	\$6,680,141	\$6,998,433	\$7,328,583	\$7,671,080	\$8,026,434	
<b>50% of Cash Flow</b>	(\$114,187)	\$105,656	\$117,733	\$130,173	\$142,985	\$156,182	\$169,775	\$183,776	\$198,197	\$213,050	
<b>Extended Internal Rate of Return (XIRR)</b>	-7.3%	6.5%	6.6%	6.7%	6.8%	6.9%	6.9%	6.9%	7.0%	7.0%	
<b>Cash-on-Cash Return</b>	-5.1%	4.8%	5.3%	5.9%	6.4%	7.0%	7.6%	8.3%	8.9%	9.6%	

Without a MUPTE, the 40-unit Penn Avenue project, including 12 units with rents restricted to 30% of 120% of AMI, is estimated to have a **maximum Extended Internal Rate of Return (XIRR) of 7.0%** for any equity holding period in the first ten years.

In other words, when investors place their own equity into this project, no matter how quickly after the project fills up or how long after they hold and receive cash disbursements as return before they ultimately cash out, those investors considering this project are estimated to never earn more than 7.0% on their money.

7.0% maximum XIRR, or equivalently Internal Rate of Return (IRR), is insufficiently low because they have choices that will be far better. Investors weigh different opportunities for best choice, their risk, and the relative return for that risk. Considering that a balanced, traditional stock portfolio will tend to average 8% growth annually, a 7.0% XIRR is below that and an investor would be better off simply investing in traditional stock funds or finding another equity investment opportunity with measurably better XIRR/IRR.

Given that real estate development is significantly riskier than traditionally stock portfolios, particularly a project that is unprecedented in the market area where it will be located, XIRR/IRR needs to be higher than just 8% to pay higher return for the higher risk taken. PNW ECONOMICS agrees with the Applicant that a 10% XIRR/IRR minimum is a reasonable benchmark of whether equity investment will be interested in a real estate development project. 10% would reflect a 2% risk premium over lower effort, lower risk traditional stock portfolio rate of return.

**Conclusion: The Penn Avenue project, including 12 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), is not financially feasible on its own.**

- 30% of available units would earn below-market rents, reducing potential project Net Operating Income.
- The project would cost the same to build with or without income-restricted units, and cost the same to finance making the same annual debt service payments.
- Less rent revenue and no reduction in development costs or project financing costs translates into a lower Cash Flow project with too-low measures of rate of return, starting with Extended Internal Rate of Return (XIRR).
- Being unable to offer a competitive rate of return for the risk, the project would be highly unlikely to attract the necessary equity to make up the total cost of the project that cannot be financed (35%).

#### **Penn Avenue Project Pro Forma WITH MUPTE**

Table 9 reports the cash flow analysis of the pro forma for the Penn Avenue project with a MUPTE. All operations findings are the same as the Without MUPTE scenario, except for the addition of the property tax exemption each year equal to the value of the property taxes paid on improvements put in place.



**Table 9 – Penn Avenue Project Net Operating Income & Cash Flow WITH MUPTE**

	Ann. Esc.	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028	Year 6 2029	Year 7 2030	Year 8 2031	Year 9 2032	Year 10 2033
<b>Apartment Rent Income</b>	3%	\$999,380	\$1,029,362	\$1,060,242	\$1,092,050	\$1,124,811	\$1,158,556	\$1,193,312	\$1,229,112	\$1,265,985	\$1,303,964
<i>Other - Parking</i>	3%	\$30,257	\$38,956	\$40,125	\$41,329	\$42,569	\$43,846	\$45,161	\$46,516	\$47,911	\$49,349
<i>Other - EV Parking</i>	3%	\$8,899	\$11,458	\$11,801	\$12,155	\$12,520	\$12,896	\$13,283	\$13,681	\$14,092	\$14,514
<i>Other - Bike Storage</i>	3%	\$2,373	\$3,055	\$3,147	\$3,241	\$3,339	\$3,439	\$3,542	\$3,648	\$3,758	\$3,870
<i>Other - Electric Bike Charging</i>	3%	\$4,450	\$5,729	\$5,901	\$6,078	\$6,260	\$6,448	\$6,641	\$6,841	\$7,046	\$7,257
<i>Other - Utilities Revenue</i>	3%	<u>\$44,694</u>	<u>\$57,543</u>	<u>\$59,270</u>	<u>\$61,048</u>	<u>\$62,879</u>	<u>\$64,765</u>	<u>\$66,708</u>	<u>\$68,710</u>	<u>\$70,771</u>	<u>\$72,894</u>
<b>Other Income</b>		\$90,673	\$116,741	\$120,244	\$123,851	\$127,567	\$131,394	\$135,335	\$139,395	\$143,577	\$147,885
<b>Gross Project Income</b>		<b>\$1,090,053</b>	<b>\$1,146,103</b>	<b>\$1,180,486</b>	<b>\$1,215,901</b>	<b>\$1,252,378</b>	<b>\$1,289,949</b>	<b>\$1,328,647</b>	<b>\$1,368,507</b>	<b>\$1,409,562</b>	<b>\$1,451,849</b>
- Stabilized Vacancy	5%	(\$54,503)	(\$57,305)	(\$59,024)	(\$60,795)	(\$62,619)	(\$64,497)	(\$66,432)	(\$68,425)	(\$70,478)	(\$72,592)
- Lease-Up Vacancy & Concessions	-20%	(\$163,508)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>= Effective Gross Income (EGI)</b>		<b>\$872,042</b>	<b>\$1,088,798</b>	<b>\$1,121,462</b>	<b>\$1,155,106</b>	<b>\$1,189,759</b>	<b>\$1,225,452</b>	<b>\$1,262,215</b>	<b>\$1,300,082</b>	<b>\$1,339,084</b>	<b>\$1,379,257</b>
<i>Apartment Operating Expense</i>	3%	(\$149,722)	(\$183,128)	(\$188,622)	(\$194,281)	(\$200,109)	(\$206,112)	(\$212,296)	(\$218,665)	(\$225,225)	(\$231,981)
<i>Property Tax (Land)</i>	3%	(\$2,102)	(\$2,165)	(\$2,230)	(\$2,297)	(\$2,366)	(\$2,437)	(\$2,510)	(\$2,586)	(\$2,663)	(\$2,743)
<i>Property Tax (Improvements)</i>	3%	(\$95,494)	(\$98,359)	(\$101,310)	(\$104,349)	(\$107,480)	(\$110,704)	(\$114,025)	(\$117,446)	(\$120,969)	(\$124,598)
<b>- Operating Expenses</b>		<b>(\$247,318)</b>	<b>(\$283,653)</b>	<b>(\$292,162)</b>	<b>(\$300,927)</b>	<b>(\$309,955)</b>	<b>(\$319,254)</b>	<b>(\$328,831)</b>	<b>(\$338,696)</b>	<b>(\$348,857)</b>	<b>(\$359,323)</b>
<b>+ MUPTE</b>		<b>\$95,494</b>	<b>\$98,359</b>	<b>\$101,310</b>	<b>\$104,349</b>	<b>\$107,480</b>	<b>\$110,704</b>	<b>\$114,025</b>	<b>\$117,446</b>	<b>\$120,969</b>	<b>\$124,598</b>
<b>= Net Operating Income (NOI)</b>		<b>\$720,218</b>	<b>\$903,504</b>	<b>\$930,609</b>	<b>\$958,528</b>	<b>\$987,283</b>	<b>\$1,016,902</b>	<b>\$1,047,409</b>	<b>\$1,078,831</b>	<b>\$1,111,196</b>	<b>\$1,144,532</b>
- Construction Loan Interest (10.0%)		(\$556,182)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
- Debt Service (65% Loan-to-Cost)		(\$296,917)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)	(\$593,833)
<b>= Before Tax Cash Flow</b>		<b>(\$132,880)</b>	<b>\$309,671</b>	<b>\$336,776</b>	<b>\$364,694</b>	<b>\$393,450</b>	<b>\$423,069</b>	<b>\$453,576</b>	<b>\$484,998</b>	<b>\$517,363</b>	<b>\$550,699</b>

Analysis finds the following:

- Effective Gross Income for the project under this scenario is identical to the No MUPTE scenario. That is, after a first year of reduced revenue due to units being vacant prior to full lease-up, EGI is positive in Year 2 and grows to \$1.452 million by Year 10 in this analysis.
- Identically to the No MUPTE scenario, operating expenses are estimated to grow from roughly \$150,000 in Year 1 to almost \$232,000 annually by project Year 10.
- **Value of the MUPTE:** The 10-year property tax exemption for this project (based on the value of property tax on improvements), if awarded, is estimated to **grow from roughly \$95,500 in Year 1 to almost \$125,000 by Year 10.**
- Net Operating Income (NOI), calculated as EGI less Operating Expenses (which include property taxes, but exempted in the With MUPTE scenario), is estimated to grow from roughly \$720,000 in Year 1 to almost \$1.145 million by Year 10 due to the enhancement of the MUPTE.
- After the project is entirely leased up (by 2025), Cash Flow is positive and grows from roughly \$310,000 in Year 2 to approximately \$551,000 by Year 10.

Given the above cash flow findings, Figure 10 provides Measures of Return for the Penn Avenue project WITH a MUPTE. The same two measures of return are displayed at the bottom of Table 9: Extended Internal Rate of Return (XIRR – utilized by the Applicant) and Cash-on-Cash Return

With a MUPTE, the 40-unit Penn Avenue project, including 12 units with rents restricted to 30% of 120% of AMI, is estimated to have a **maximum Extended Internal Rate of Return (XIRR) of 11.7%**, with XIRR calculated to exceed the benchmark of 10% through the fourth year of the project.

**Table 10 – Penn Avenue Project Measures of Return WITH MUPTE**

<b>Value - 5.5% Cap Rate</b>	5.5%	\$13,094,882	\$16,427,348	\$16,920,168	\$17,427,773	\$17,950,607	\$18,489,125	\$19,043,799	\$19,615,113	\$20,203,566	\$20,809,673
<b>Equity Holding Period (Year)</b>	1	2	3	4	5	6	7	8	9	10	
<b>Interest Payment</b>	(\$495,232)	(\$488,968)	(\$482,328)	(\$475,289)	(\$467,829)	(\$459,920)	(\$451,538)	(\$442,652)	(\$433,233)	(\$423,249)	
<b>Principal Payment</b>	(\$98,601)	(\$104,865)	(\$111,505)	(\$118,544)	(\$126,004)	(\$133,913)	(\$142,296)	(\$151,181)	(\$160,600)	(\$170,584)	
<b>Net Proceeds</b>	\$4,939,616	\$8,376,948	\$8,981,274	\$9,607,423	\$10,256,260	\$10,928,691	\$11,625,661	\$12,348,156	\$13,097,210	\$13,873,901	
<b>Less: Initial Equity</b>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>	<u>\$4,444,390</u>
<b>Project Profit</b>	\$495,227	\$3,932,558	\$4,536,884	\$5,163,033	\$5,811,871	\$6,484,302	\$7,181,271	\$7,903,766	\$8,652,820	\$9,429,512	
<b>Investor Distribution</b>	\$247,613	\$1,966,279	\$2,268,442	\$2,581,517	\$2,905,935	\$3,242,151	\$3,590,636	\$3,951,883	\$4,326,410	\$4,714,756	
<b>Yield</b>	1.1%	6.3%	6.1%	5.9%	5.7%	5.6%	5.5%	5.4%	5.4%	5.3%	
<b>Equity Holding Period (Years)</b>											
<b>Equity + Inventory Distribution</b>	\$4,692,003	\$6,410,669	\$6,712,832	\$7,025,906	\$7,350,325	\$7,686,540	\$8,035,025	\$8,396,273	\$8,770,800	\$9,159,145	
<b>50% of Cash Flow</b>	(\$66,440)	\$154,835	\$168,388	\$182,347	\$196,725	\$211,534	\$226,788	\$242,499	\$258,681	\$275,349	
<b>Extended Internal Rate of Return (XIRR)</b>	1.7%	11.7%	10.7%	10.1%	9.7%	9.4%	9.2%	9.1%	8.9%	8.8%	
<b>Cash-on-Cash Return</b>	-3.0%	7.0%	7.6%	8.2%	8.9%	9.5%	10.2%	10.9%	11.6%	12.4%	

In other words, the annual exemption of property tax payments, which are calculated to grow from roughly \$95,400 in Year 1 to \$124,600 by Year 10, make a significant difference to the rate of return for investors who will be needed to make this project happen under known market conditions.

- 10.1% to 11.7% XIRR (IRR) with a MUPTE exceeds the 10% benchmark to attract equity investment;
- XIRR with the MUPTE exceeds the long-term stock portfolio average of 8% annually; and
- XIRR with the MUPTE certainly exceeds the 6.5% to 7.0% XIRR without the MUPTE.

**Conclusion: The Penn Avenue project, including 12 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), approaches financial feasibility with the MUPTE and only with compared to the No MUPTE scenario.**

**April 4, 2023**

**District Office Building | 799 SW Columbia | Bend, Oregon**

<https://www.bendparksandrec.org/about/board-meeting-videos/>

Deb Schoen  
Nathan Hovekamp  
Jodie Barram  
Donna Owens

## Zavier Borja

**Don Horton, Executive Director (virtual)**  
**Michelle Healy, Deputy Executive Director**  
**Julie Brown, Manager of Communications and Community Relations**  
**Kristin Donald, Administrative Services Director**  
**Matt Mercer, Director of Recreation**  
**Sheila Reed, Assistant to the Executive Director**  
**Brian Hudspeth, Development Manager**  
**Kim Johnson, Community Engagement Supervisor**  
**Rachel Colton, Planner**  
**Justin Sweet, Business Analyst**  
**Bronwen Mastro, Landscape Architect**  
**Sue Boettner, Recreation Manager**  
**Jeff Hagler, Park Stewardship Manager**

## None

## 1. Volunteer and Community Engagement Report Update – *Kim Johnson*

62

Ms. Johnson shared that volunteers to the district support recreation programs, park and trail maintenance, special events, projects and fundraising. The majority of the district volunteers are in youth sports. Teen volunteers work in aquatics, preschool, youth art and camps.

## **2. Needs Based Assistance Report for Fiscal Year 22-23 – *Matt Mercer***

Mr. Mercer reviewed the Needs-based Assistance program. He explained that scholarship use has continued to go up with outreach efforts and is projected to be just over \$700,00 from \$200,000 in 2018-19. More households are applying and qualifying for scholarships, some are individuals and some are households. High need vs. moderate need is also increasing in the applications.

Mr. Mercer said last summer, 299 households (144 Spanish speaking) and 1,251 individuals (594 Spanish speaking) were issued free summer family passes. This resulted in 3,643 visits.

Mr. Mercer added that scholarships are funded by grants, tax support, cell tower leases, sponsorships and donations.

### **CONSENT AGENDA**

1. Minutes: 3/21/2023
2. Extend Deadline for Bend FC Timbers Phase 2 Development

***Director Hovekamp made a motion to approve the consent agenda. Director Barram seconded. The motion was approved unanimously, 4-0.***

### **BUSINESS SESSION**

1. 445 NE Penn Avenue Multiple Unit Property Tax Exemption (MUPTE) – *Michelle Healy and Rachel Colton*

Ms. Platt reviewed the Multiple Unit Property Tax Exemption (MUPTE) program, including eligibility and application requirements, public benefit requirements, and other program considerations. She said the Penn Ave. project is the first MUPTE application; the program sunsets in 2030.

Mr. Russell and Mr. Andrews from Hiatus Homes gave an overview of their company and explained the microunit developments they build. The target market for the Penn Project is remote workers, and Bend has the highest percentage of remote workers in the US at 12%. The development will have some parking and EV stations and 12 of the 40 units could be deed-restricted. The developers stated that due to the interest rate hikes, it is difficult to make multi-unit projects to pencil out and need the MUPTE to make this work.

Ms. Colton explained that this project is not eligible for SDC waivers and can only qualify for the MUPTE exemption. This project waives \$112,000 and more projects are coming, making it challenging for the district to plan ahead for the amounts that will be requested for waiver. Ms. Healy said that BPRD staff are not housing experts, and these projects impact the tax collections of the district; she added that the district does not have other means to make up for the loss of revenue.

The board shared their appreciation for the project and expressed concerns about the financial impact to the district. Ms. Platt added that if this project does not go through, the board is just deferring tax revenue as the lot sits empty.

***Director Hovekamp made a motion to support the applicant's request for a ten-year tax abatement for a 40-unit residential development at 445 Penn Avenue as part of the City of Bend's MUPTE program. Director Owens seconded. Director Schoen voted in favor and Directors Hovekamp, Barram and Owens voted against. The motion failed, 1-3***

**2. Award Professional Services Contract for Pine Nursery Park Phase 5 Project – Bronwen Mastro**

Ms. Mastro explained some of the improvements that staff is considering for phase 5. She said staff issued a request for proposal (RFP), and using the new process she reported that five strong proposals were received, three were invited to provide more information and staff ultimately chose Cameron McCarthy. She said they have extensive experience in turf fields. Ms. Mastro noted that the design for phase five will be brought back to the board at a later date.

***Director Owens made a motion to authorize the executive director to negotiate and execute a professional services agreement for Pine Nursery Park Phase 5 to Cameron McCarthy with a cost not to exceed \$593,165, and to approve an additional 10% contingency of \$59,316.50, for a total design budget not to exceed \$652,481.50. Director Hovekamp seconded. The motion was approved unanimously, 4-0.***

**3. Approve Needs Based Assistance Plan for Fiscal Year 23-24 – Matt Mercer**

Mr. Mercer shared with the board the changes to the Needs-based Assistance Plan from the prior year:

- Priority registration of high need, vulnerable youth. Eliminate holding spots back and filling some with the listed populations prior to opening registration.
- No-cost access to recreation facilities for mentor programs serving vulnerable youth.
- Change in scholarship level and contribution for programs offered through contractors.
- Addition of outreach and communication.
- Potential changes with grant funding.

He said he is anticipating the scholarship use to go down due to funding, since the district will not have the grant funding received last year and shared the regular funding sources:

- Tax Support
- Cell tower leases
- Sponsorships
- Donations
- Grants
- Other (Opdycke Fund, BPR Foundation Gap Fund and partner contributions)

Mr. Mercer explained the potential strategies for sustainability of the assistance program as the following:

- Reduce assistance levels
- Cap the amount of assistance provided per individual/household
- Provide scholarship assistance for core programs only
- Eliminate adult assistance on passes

***Director Hovekamp made a motion to approve the Needs-Based Assistance Plan for Fiscal Year 2023-24 and include funding resources to support the plan in the 2023-24 Budget Proposal. Director Owens seconded. The motion was approved unanimously, 4-0.***

#### **EXECUTIVE DIRECTOR'S REPORT**

Deputy Executive Director Healy said she is amazed at what this district does for Needs-based assistance and reminded the board about the Budget Tour next Wednesday at 8:30 am.

#### **PROJECT REPORT**

#### **BOARD MEETINGS CALENDAR**

#### **GOOD OF THE ORDER**

- Director Hovekamp said it was a difficult discussion on the agenda tonight, he acknowledged the board and suggested that they will hear from others about the decision. He appreciated the robust discussion on a difficult topic and remarked that he is confident in the decision made.
- Director Owens acknowledged a discussion at the last board meeting that she missed and said in her absence she should have created an out of office notice while on vacation and hopes that people that have emailed understand.
- Director Barram said she is looking forward to the Budget Tour and said it will be educational.
- Director Schoen said she appreciates how thoughtful the board is with difficult decisions.


**ADJOURN** 8:33 pm

♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦ ♦


Prepared by,


Sheila Reed  
Executive Assistant

  
Deb Schoen, Chair

  
Donna Owens

  
Jodie Barram

  
Nathan Hovekamp, Vice-Chair

  
Xavier Borja



**CITY OF BEND**  
COMMUNITY AND  
ECONOMIC DEVELOPMENT

## **STAFF REPORT FOR MULTIPLE UNIT PROPERTY TAX EXEMPTION**

**PROJECT NUMBER:** PRTX202300065  
**CITY COUNCIL DATE:** April 17, 2024  
**APPLICANT/  
OWNER:** Hiatus Homes  
Jesse Russell  
740 NE 3<sup>rd</sup> Street 3-314  
Bend, OR 97703

**OWNER:** Hiatus Capital Fund LLC  
20856 SE Sotra Loop  
Bend, OR 97702

**APPLICANT'S  
REPRESENTATIVE:** n/a

**LOCATION:** 445 NE Penn Avenue Bend, OR; Tax Lot 171233BB00200  
Between Revere and Olney Avenues and NE 4<sup>th</sup> & NE 5<sup>th</sup> Street

**REQUEST:** Multiple Unit Property Tax Exemption, 10-year tax abatement on residential improvements

**STAFF REVIEWER:** Allison Platt, Economic Development

**RECOMMENATION:** Approval

**DATE:** February 20, 2024

### **PROJECT & SITE OVERVIEW:**

The project site is at 445 NE Penn Ave in the High Density Residential (RH) zone, outside the Core Tax Increment Finance (TIF) Area. This application, submitted in January 2024, is a revision from an initial Multiple Unit Property Tax Exemption (MUPTE) application submitted by the same applicant in February of 2023. The project, subject to this MUPTE application proposes one (1) 3-story micro-unit building with 59 dwelling units. Thirty percent (30%) - 18 units - will be designated middle income housing and rented at levels affordable to those making 120% Area Median Income (AMI) or less. While the applicant will be required to deed-restrict 18 of the units to middle income levels for the 10-year exemption period, the project's proforma indicates a total of 27 units will likely meet middle-income rental levels (\$1,998 per month or less). In addition, two of the units will be dedicated as units accessible under Americans with Disabilities Act (ADA) standards. The project emphasizes community interaction and will include: three community spaces, one on each floor; a south-facing deck on the third floor; a community kitchen; and co-working spaces. Nine parking spaces will be provided on site and serve the project's tenant and common area uses. Five of these spaces will be served with Electric Vehicle (EV) charging infrastructure. In addition, the project includes



77 total bicycle parking spaces (18 more than is required by the Bend Development Code) as well as e-bike charging stations.

The previous MUPTE application submitted by this applicant was for a micro-unit building that would consist of 40 units utilizing the same public benefits. The primary differences between this application in comparison to the initial application include the following:

- Addition of 19 residential units
  - 6 additional units to be deed restricted to those making 120% AMI or less
- 50% reduction of total parking spaces
  - One less space to be served with EV charging infrastructure

The property is currently vacant land with no buildings, so there is no residential or commercial displacement associated with this project.

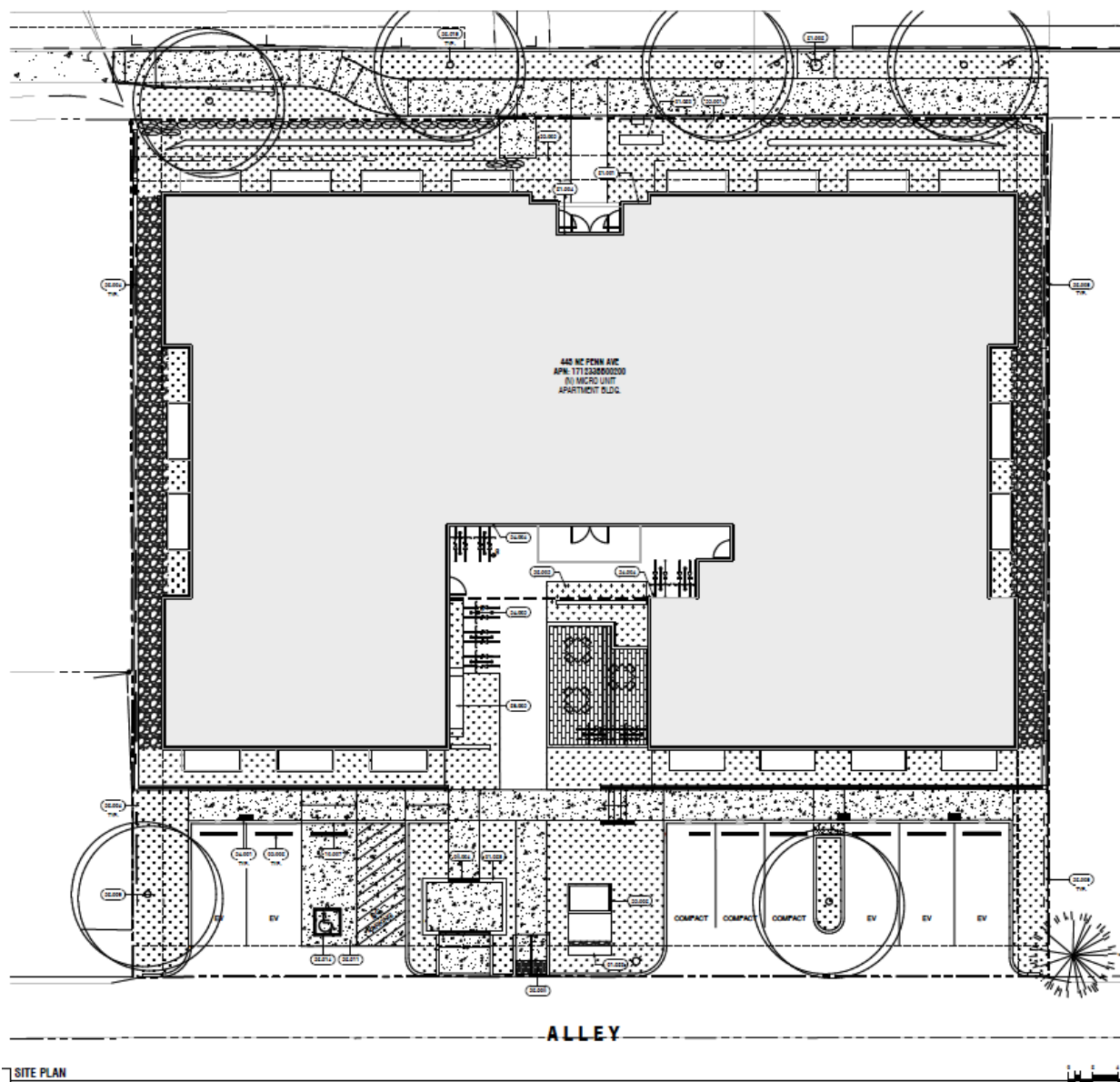
A land use decision was approved by the City for this project in September of 2022 (PLSPR20210456) and a modification of approval (PLMOD20230480) to increase the unit count was approved in November of 2023 to increase the total number of units to 59, as proposed in this revised Multiple Unit Property Tax Exemption (MUPTE) application. Building permits for the project (PRNC202202626) were issued in October of 2023 and a building permit revision was submitted to the City on October 31, 2023, for the proposed revisions to the project that are being considered as part of this MUPTE application. The building permit revisions are still under review by the City. The applicant has not begun construction and has communicated to the City that they can't proceed with construction of this revised site plan without this tax exemption. Proceeding with a building permit revision will allow the applicant some administrative efficiencies in moving this project forward if approved for MUPTE.



**Figure 1. Site Location**



**Figure 2. Project Rendering**



**Figure 3. Site Plan**

## INFRASTRUCTURE NEEDED TO SERVE THE SITE

The project will be required to upsize an existing 2-inch water main located within Penn Street to an 8-inch water main to serve the site and improve the alley providing access to the development. Infrastructure improvements, currently being reviewed by the City under permit number PRINF202108539, demonstrate that the site will be served with the necessary infrastructure to serve the development. The applicant received a letter from City of Bend Private Engineering Division confirming this as part of their application.



## **ELIGIBILITY CRITERIA**

### **APPLICATION OF THE CRITERIA:**

#### **LOCATION/ELIGIBLE ZONE REQUIREMENTS**

This project is located within the High Density Residential (RH) zone between NE 4<sup>th</sup> Street and NE 5<sup>th</sup> Street, which is an eligible zone for the MUPTE Program per BMC 12.35.015D(3).

#### **MULTI-STORY REQUIREMENTS**

Projects on lots greater than 10,000 sf must be three (3) or more stories high to be eligible for the MUPTE Program per BMC 12.35.015(C). The proposed project is on a 20,999 square foot lot and is proposed to be 3 stories and satisfies this requirement.

#### **HOTELS, MOTELS, SHORT TERM VACATION RENTALS ON SITE**

The MUPTE Program requires that projects include a restriction on transient occupancy uses, including use by any person or group of persons entitled to occupy for rent for a period of less than 30 consecutive days (including bed and breakfast inns, hotels, motels, and short-term rentals). Applicant will be required to demonstrate a restriction of uses on the property for the period of the exemption satisfactory to the City before staff certifies the exemption with the County Assessor's office.

#### **JUSTIFICATION FOR ELIMINATION OF ANY EXISTING HOUSING AND BUSINESSES ON THE PROJECT SITE**

The existing site is vacant and therefore there is no anticipated displacement of housing or businesses by the project and therefore no mitigation is proposed. This meets the requirements of the MUPTE Program.

#### **PUBLIC BENEFIT REQUIREMENTS**

MUPTE requires that applicants provide three public benefits as defined in the MUPTE code, including one priority public benefit to qualify for the MUPTE program, per BMC 12.35.025.

##### ***Priority Public Benefit***

The applicant plans to provide Middle Income Housing as their Priority Public Benefit. This requires the applicant to record a deed restriction limiting 30% of the units as only available to those making 120% Area Median Income (AMI) or less. Based on 2023 Department of Housing and Urban Development's Income Limits for the Community Development Block Grants (CDBG), 120% AMI in the Bend area is \$79,950 for a family of one (\$91,400 for a household of 2) and therefore rent must be below \$1,998 per month for a studio and \$2,142 for a 1 bedroom including all utilities and other costs of renting. The project includes 59 residential units; therefore 18 units are required to be deed restricted to middle income levels. The applicant has met with City of Bend Housing Department staff and will be required to demonstrate compliance with this public benefit in a form satisfactory to the City before staff certifies the exemption with the County Assessor's office.

***Additional Public Benefits***

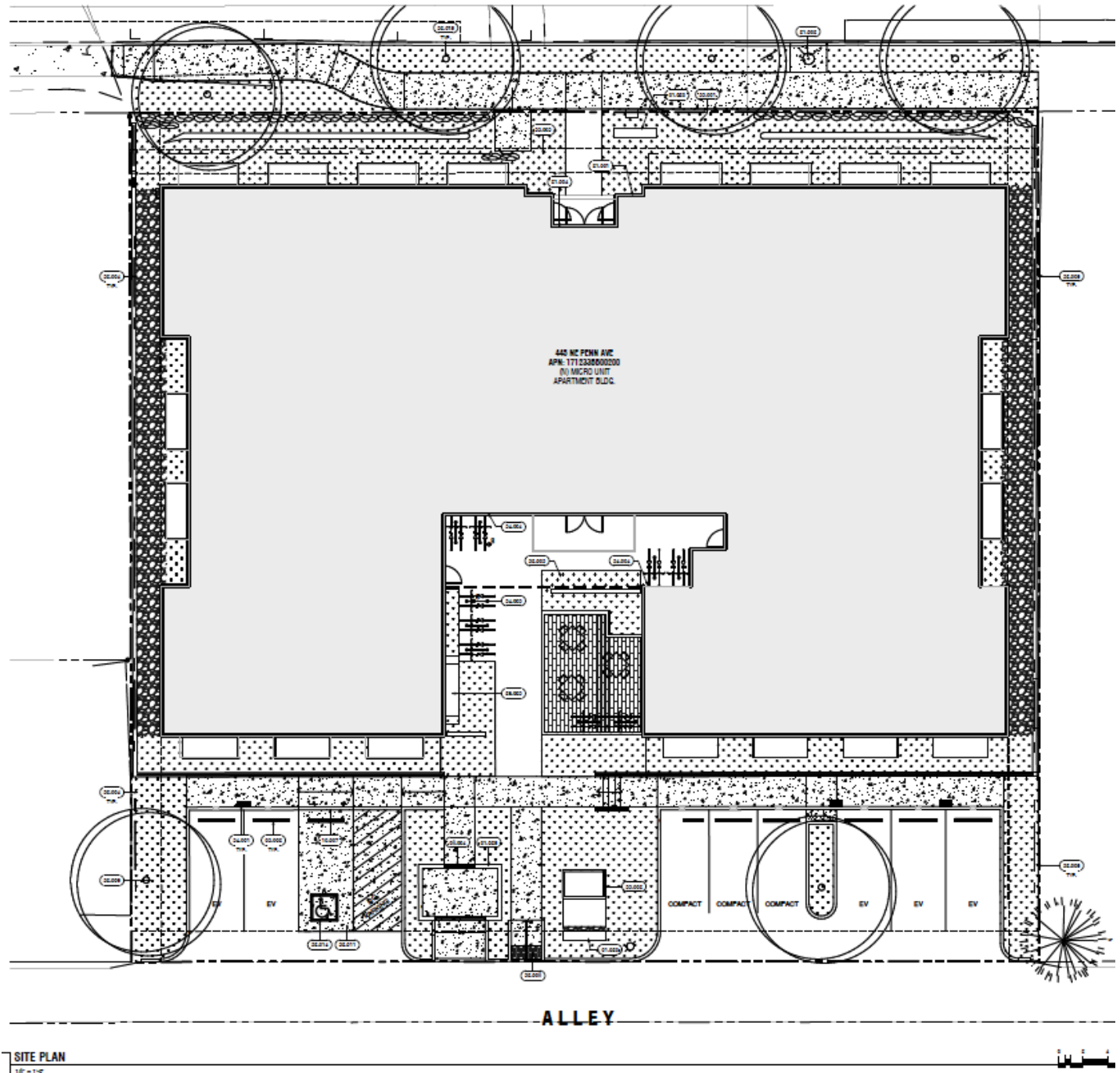
In addition to the Priority Public Benefit, the applicant must provide two additional public benefits as defined in the MUPTE code. The applicant plans to provide the following to meet those requirements: 1) Stormwater; and 2) Electric Vehicle (EV) Charging.

*Stormwater:* The stormwater public benefit requires the applicant to develop the site to retain and treat stormwater from more than a 25-year storm water event by qualifying for the City's Stormwater Credit program. Qualification for this program is not a minimum requirement of the Bend Development Code; this must be an enhanced stormwater retention and treatment system. City of Bend Utility Department staff have reviewed the Penn Avenue Micro-Apartments Private Site Improvements Stormwater Design Report prepared by Adam Erlandson, PE provided by the applicant and have confirmed that the project meets the requirements of the stormwater credit program. The planned stormwater facilities will be designed to treat a 100-year stormwater event, exceeding the minimum requirements of this public benefit.

*Electric Vehicle (EV) Charging:* The EV charging public benefit requires the applicant to provide at least 10% more parking spaces with EV charging infrastructure (conduit for future electric vehicle charging stations) than the minimum required. Currently Oregon Building Codes require that multifamily projects provide 40% of provided parking spaces with EV charging infrastructure. Therefore, the applicant is required to provide at least 50% of parking spaces

with EV infrastructure. The applicant plans to provide 9 onsite parking spaces and therefore five (5) of these spaces must be provided with EV charging infrastructure.

The applicant provided a power plan for the site as part of their application that demonstrates the required five (5) spaces that will be served with EV charging infrastructure.



**Figure 4. EV Ready Parking Space Locations as indicated on Site Plan (5 EV spaces are designated on Site Plan)**

## DEMONSTRATION OF FINANCIAL NEED

The applicant submitted a proforma income statement both with and without the tax exemption to demonstrate that the project would not be financially viable but for the property tax exemption. These proforma were reviewed by a City-hired third party independent financial consultant.

PNW Economics completed a review of the proformas in February of 2024. A summary of their findings is included as Attachment A. The review confirms that the project, including 18 of 40 units rent-restricted to be affordable to households earning not more than 120% of Area Median Income (AM), is not financially feasible without the MUPTE.

Without MUPTE, the Penn Avenue project's Internal Rate of Return (IRR)<sup>1</sup> begins at negative 3.6% and grows over time to no more than 5%, well below a rule of thumb minimum IRR of 10%<sup>2</sup>. With MUPTE, the project's financial feasibility is improved beginning at 5.5% IRR with a maximum IRR of 8.5% achieved, which still never reaches the 10% minimum IRR benchmark.

The financial review suggested that staff should clarify with the developer the rationale for anticipated rental rates of the non-deed restricted units, and their assumed financing interest rates. The item and the applicant's response are included below:

### ***Basis for high rental levels for non-middle-income units***

The applicant clarified that assumed rents, which were detailed in the proforma, were valued based on specific amenities for each unit (building floor, unit size, deck square footage, orientation within the building and view) as opposed to picking an average price for a generic unit.

Staff further evaluated the assumed rental levels and found that rental levels for the 59 units vary between \$1,350 to \$1,958 with an average price of \$1,772 per unit for the 27 units that will be priced under \$1999 which is the affordability benchmark for those making 120% Area Median Income or less. The remaining units range between \$2,002 and \$2,997 with an average price of \$2,480 per unit. Units that were estimated to achieve higher rents were on the 2<sup>nd</sup> and 3<sup>rd</sup> floors, had larger deck square footage, and included mountain, butte or hill views as opposed to alley, street, or neighborhood views. Square footage between units did not vary significantly; units projected for higher rents were typically between 452-495 square feet and lower priced units between 466 and 476 square feet.

If not awarded for the tax exemption, the project with these anticipated rents is not feasible. Only if awarded for the tax exemption, can the applicant commit to deed restricting 18 of the units to remain within middle income levels for the exemption period otherwise rental levels for all units would float with the market.

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<sup>1</sup> IRR is calculated as the total rate of return for all combined inflows and outflows of equity investment dollars from predevelopment through a hypothetical sale date of the development at its full market value that year.

<sup>2</sup> It should be noted that the rule of thumb minimum of 10% for Internal Rate of Return (IRR) measurement is higher than a rule of thumb minimum of 6% for a Return on Investment (ROI) measurement which has been used to evaluate other MUPTE applicants.



**Financing interest rates (the assumed 8% rate was observed to be on the high side)**

The applicant clarified that when the application was prepared in December, interest rates were at an all-time high and the applicant anticipated 8% interest rates based on a review of multiple Multifamily Commercial Mortgager summary documents. Interest rates have been moving up and down since December, and 8% is conservative in the current environment. The applicant noted that the financial consultant can use their proforma to model the impact of lower interest rates (which staff asked the financial consultant to do as part of a sensitivity analysis). The financial consultant found that it would take an interest rate well below 7% to make a measurable difference to the rate of return.

**ADDITIONAL PUBLIC FUNDS SUPPORTING THIS PROJECT**

On October 4, 2023, the Bend City Council awarded \$225,000 from the 2023 Middle-Income Pilot Program supported by General Fund dollars to this project. The award was contingent on the applicant agreeing to record a deed restriction to restrict rents of at least 18 units to households making up to 120% area median income (AMI) for 10 years. The applicant has stated they will only record the deed restriction if awarded the MUPTE, so they will not receive the Middle-Income grant funds if they do not receive the MUPTE. Council has allowed the applicant until June 4, 2024, to agree to record a deed restriction to receive the Middle-Income grant funds.

**ESTIMATED EXEMPTION & FINANCIAL IMPACT**

This project is estimated to receive a total 10-year tax exemption of approximately **\$1.28 million on residential and parking improvements** based on an estimated building value of \$15,424,128. The project is expected to be completed and certified for MUPTE, if approved, beginning in the 2027 tax year. Because the project is not financially possible without the exemption, the project will not be built, and those tax payments will not happen, unless the project receives MUPTE and therefore the exemption does not represent an actual loss of tax revenue to taxing districts.

Total tax collection for the 10-year exemption period of the site will be about \$46,350 if the project is not constructed and if it is constructed and approved for the tax exemption.

Table 1 demonstrates the tax collection that would take place on the site in year 11, after the the exemption period in both a no build and build scenario of the project. The data shows that in Year 11, total tax collection for the site would increase by 4,998% when the exemption expires. The table demonstrates the tax benefits to all districts starting in Year 11 if this project is approved for MUPTE and moves forward.

**Table 1. Forecasted Tax Collection by Taxing District in Year 11 (2037)**

Taxing District	% of Tax Levy*	No Project is Built	Proposed Project is Built
Bend La Pine School District**	40.5%	\$1,262	\$63,076
City of Bend	21.6%	\$670	\$33,485
Deschutes County (All)	17.9%	\$558	\$27,878
Deschutes County	7.9%	\$246	\$12,304

<b>Taxing District</b>	<b>% of Tax Levy*</b>	<b>No Project is Built</b>	<b>Proposed Project is Built</b>
<i>Countywide Law Enforcement</i>	7.7%	\$240	\$11,992
<i>Countywide Extension</i>	0.1%	\$3	\$156
<i>911 Service District</i>	2.2%	\$69	\$3,426
Bend Park and Recreation District	9.8%	\$305	\$15,263
Central Oregon Community College	4.3%	\$134	\$6,697
Library District	5.3%	\$168	\$8,410
High Desert Education Service District*	0.6%	\$19	\$934
<b>Total</b>	<b>100%</b>	<b>\$3,116</b>	<b>\$155,744</b>

\* These tax collection percentages include division of taxes and local levies.

*\*\*The Bend/La Pine School District and the High Desert Education Service District are funded through per pupil allocations from the State School Fund which is comprised of many sources, including property tax revenues. The State Legislature sets the per pupil allocations and funds the State School Fund accordingly. Therefore, tax exemptions have an “indirect” impact on the funding for local districts. Tax exemptions throughout the state all have an impact on the State School Fund.*

## **TAXING DISTRICT REVIEW PROCESS**

For the tax exemption to apply to the full taxable amount, approval by taxing district agency boards that comprise at least 51% of the combined tax levy is required. Since the City and School District tax rates combine equate to 62.1% of the combined tax levy for the 2023-24 assessment year, if the project is approved by those two districts, the project would be exempt from all taxes on residential and parking improvements. All the Taxing District agencies will be provided a 45-day comment period to review the application materials and this staff report from February 20, 2024, through Council consideration on April 17, 2024.

The following district reviews are scheduled for this project:

- March 19, 2024: Applicant Presentation to Bend Park and Recreation District Board
- April 17, 2024: City Council Review and Decision on Application
- April 24, 2024: Applicant Presentation to Deschutes County Board of County Commissioners
- May 14, 2024: Bend La Pine School District Board Review and Decision on Application

Because the applicant will not have 51% approval before City Council considers the application, the proposed action for City Council will be to approve the exemption for the City’s ad valorem taxes only, and for the total tax levy if 51% approval is reached before the tax exemption is certified to the Deschutes County assessor.

**CONCLUSION:** Based on the application materials submitted by the applicant, and these findings, the proposed project meets all applicable criteria for City Council approval.

**CONDITONS TO BE MET IF APPROVED, IN ADVANCE OF EXEMPTION CERTIFICATION WITH TAX ASSESSOR'S OFFICE:**

1. Applicant must record a deed restriction that prohibits the use of hotels, motels, and short-term vacation rentals on the site for the period of the exemption.
2. Applicant must record a deed that restricts income levels for 30% of the units at 120% Area Median Income or less for the period of the exemption.
3. Applicant must provide EV charging infrastructure and stormwater facilities as approved for the MUPTE Program in future inspections prior to Certificate of Occupancy. Applicant must record an approved maintenance agreement for stormwater facilities.

**ATTACHMENTS**

- **Attachment A:** Review of Financial Feasibility Penn Avenue Project Hiatus Development, PNW Economics
- **Attachment B:** Application Materials



March 8, 2024

Bend Parks and Recreation District Board  
799 SW Columbia St.  
Bend, OR 97702

SUBJECT: Penn Avenue MUPTE Request

Dear Bend Parks and Recreation District Board Members,

Thank you for considering our request for the Multiple Unit Property Tax Exemption (MUPTE) for the Penn Avenue MicroUnit Project at 445 NE Penn Avenue. Hiatus Homes is a local real estate development company that specializes in creating 'missing middle' housing solutions for the Bend community. Founded in Bend, Oregon, in 2015, Hiatus began by building tiny homes on wheels and has since grown into a real estate development company that has built 36 residential homes, with another 8 under construction. We are excited about the potential to provide our unique type of middle-income housing in Bend's Midtown with the Penn Avenue project. However, the project is not feasible without the MUPTE exemption.

If we are approved for MUPTE, **we will guarantee that 18 units will be affordable for tenants earning between 80-120% of the Area Median Income level for 10 years.** As a local company providing housing for our Bend workforce and residents, offering affordable housing is one of the most significant public benefits we can provide. In addition, we are installing electric vehicle (EV) charging stations in half of our parking spaces, which is ten percent more than what the code requires. We are also providing stormwater mitigation capable of handling a 100-year storm event, even though the code only requires mitigation for a 25-year event. This effort significantly reduces the burden on our public stormwater infrastructure.

This letter is intended to address Items D-H of the Bend Park and Recreation District's criteria and process for considering requests for tax exemptions and fee waivers, and to provide additional insight into the necessity of this exemption for our project.

**D. How the proposed decision supports the District's mission of providing park and recreation services:**

- This project will provide essential housing for Bend's workforce, including Bend Park and Recreation District staff who may be seeking housing in Bend.
- The project will contribute over \$275,000 in System Development Charges (SDCs) to the Bend Park and Recreation District alone, which will support park development in Bend.
- Without this project, property tax collection for this site will remain very low. If this project moves forward, property tax collection in Year 11 will be over 50 times higher for all districts, including the Park District, which can use these funds to support park and recreation services.
- While the project does not include publicly accessible park and recreation facilities, it will feature a south-facing landscaped outdoor patio as well as over 2,000 square feet of interior community spaces serving the residents and their guests.

**E. Whether the decision has a one-time financial impact, or a cumulative impact due multiple requests within any given year, or over multiple years.**

- This project is requesting a one-time, 10-year exemption and is not seeking any other fee waivers, such as SDC exemptions.

**F. The type and size of a project, and if future phases may come with a request for tax exemption, SDC waivers or both.**

- The entirety of this project will be completed in one phase. We expect this investment to remain in place for the life of the building, which is estimated to be 40+ years. We do not anticipate making additional requests to support this project beyond the one-time multiple-unit property tax exemption.

**G. Whether the requesting entity offers a means upon which to account for any lost revenue that otherwise would have been used for the provision of park and recreation services.**

- This tax exemption will not result in a loss of revenue for the district, as the site is currently vacant and generates minimal property taxes. The land will continue to be taxed, even throughout the 10-year MUPTE exemption period, if approved. If no project moves forward, in 2037 the site will generate \$305 for the Park District. However, if this project moves forward, in 2037 the site will generate \$15,263 for the Park District, funds that can be used to support park and recreation services.
- Furthermore, as the owners of this site, we do not foresee an alternative project moving forward here because we plan to hold onto the site until it becomes developable. Otherwise, the site might be sold, and the opportunity to provide middle-income housing in Midtown Bend could be lost.

**H. Degree to which the foregone funds from a waiver or exemption would be reinvested into the local economy.**

- First, this tax exemption will not result in "foregone funds" since the site currently generates minimal property taxes due to its vacant status. If approved, this project will generate significant benefits to the local economy, including:
  - Guaranteed reduced rental rates for tenants making between 80-120% AMI for ten years for 18 units.
  - Throughout all stages of development and construction, between 100-130 local jobs will be supported by this project. This number does not include city workers, power company employees, etc.
- While many large developers receive financing from Wall Street, our funding comes almost entirely from local investors. This means that when a project is successful, the returns are redistributed to the community members who invested their capital. The money stays within the community, unlike what might happen if this building were constructed by a large, out-of-area developer. Over 75% of our capital comes from local 'mom-and-pop' investors who are deeply committed to helping solve our local housing crisis. These investors are passionate and are far more likely to reinvest their returns into other local projects and businesses than out-of-area developers.

Lastly, as the board considers supporting our application, we ask for your understanding of the challenging economic climate and the hurdles we face in bringing new middle-income housing to the market. It is often believed that developers reap excessive profits from programs like MUPTE, but the reality for a project like ours is quite different.

The housing development industry has always been volatile, but we have faced significant obstacles over the past two years. Rapid inflation has led to soaring construction costs, rendering many projects unfeasible and forcing developers, investors, and lenders to halt progress. Additionally, interest rates on construction loans have surged from 4% to over 10% in less than 18 months as the Federal Reserve sought to combat inflation.

Building apartments nowadays is tough because loans to start construction are too expensive. This problem is similar to how soaring interest rates are preventing many people from being able to afford their own homes. Without this tax exemption, our project barely makes financial sense. The financial analyst expert hired by the city to review our project determined that without MUPTE, our project would result in a loss for our investors.

Even with a ten-year projection, we'd only see a modest profit of about 5%. With such minimal potential gains, investors and builders are reluctant to take the risk of starting new construction. This isn't just a problem for us in Bend; it's a nationwide issue, putting many planned apartment projects on pause.

MUPTE offers a unique opportunity for Bend to continue building affordable homes for the middle class at a time when high costs would otherwise halt construction. Even with this exemption, the profits from our project are modest, starting at 5.5% and potentially increasing to 8% over time, which is below the typical 10% target in the building industry. Hence, these returns are often too low to attract most investors and developers.

The Penn Apartment is different in that it has a group of local investors who are motivated by more than just profit. Being local, they are eager to see the project succeed and provide middle-income housing, even with lower-than-expected returns. But they're not willing to lose money.

The tax break is the key to making our project financially feasible. And it's not just about the money—if we go ahead, it means homes that people can afford, more jobs for local businesses, and money for public infrastructure from SDC fees. The community will only glean these benefits if this project moves forward.

Thank you again for your consideration,



Jesse Russell  
Owner, Hiatus Homes

## MEMORANDUM

To: Allison Platt  
Core Area Project Manager  
CITY OF BEND, OREGON

From: Bill Reid, Principal  
PNW ECONOMICS, LLC

Subject: Revised MUPTE Return on Investment Findings: Hiatus Penn Avenue Project

Date: February 5, 2024

This memorandum summarized revised return on investment calculations for the Hiatus Penn Avenue project in Bend, Oregon for the purposes of Mixed-Use Property Tax Exemption (MUPTE) benefit consideration by the City of Bend and its partners.

In March of 2023, PNW Economics submitted to the City of Bend a review of the Penn Avenue development MUPTE application financial pro formas required by City ordinance for the MUPTE incentive program. Since that time, Hiatus Development has submitted a revised development plan that does the following:

- Increases the number of planned units at the project to 59 (from 40);
- Provides all units with a loft and deck except two ADA units; and
- Provides 27 units affordable to households earning 120% of Area Median Income, 18 of which would be deed restricted as middle-income units (up from 12 in the prior design).

The project does have updated economics along with the updated development program, thus this memorandum is a summary of updated information about the project and a review in the context of required MUPTE pro forma review.

## Project Design Update & Rents

Table 1 below provides a summary the new, larger project's economics.

**Table 1 – Updated Penn Avenue Development Program (Hiatus Development) & 2026 Rents**

Unit Type	Unit Mix Units	Percentage	Average Unit Size (Sq. Ft.)	Monthly Rent	Rent per Square Foot
Lofted One bed	31	53%	502	\$2,476	\$4.93
One bed ADA (No loft, no deck)	1	2%	450	\$2,250	\$5.00
MUPTE Units: 120% AMI	<u>27</u>	<u>46%</u>	<u>492</u>	<u>\$1,772</u>	<u>\$3.60</u>
<b>Subtotals/Averages</b>	<b>59</b>	<b>100%</b>	<b>497</b>	<b>\$2,150</b>	<b>\$4.33</b>

Note: 27 units are planned to rent affordably to households earning no more than 120% of AMI, 18 of which will be deed restricted as "middle income" units.



# PNW Economics

Overall, units have generally gotten slightly larger and planned monthly rent for standard Lofted one-bed units increased (to \$2,476 on average compared to \$2,050 monthly before). Planned average rent for the 120% of AMI “MUPTE Units” are slightly lower at \$1,772 (compared to \$1,888 on average before). Since almost a year has passed, it is worth reviewing how those rents compare to market presently as context for what rents might be in two years. Published rents at comparable projects are found on the following page.

- **The Current** (954 SW Emkay Drive, Bend) – the newest project to delivery identified in the city:
  - 416 average square foot Studio units for \$1,649 average (\$3.98 per square foot).
  - 548 square foot 1 bed units for \$1,809 average (\$3.30 per square foot).
- **The Nest** (1609 SW Chandler Avenue, Bend):
  - 481 average square foot Studio units for \$1,890 average (\$3.93 per square foot).
- **Solis at Petrosa** (63190 Deschutes Market Road):
  - 620 square foot 1 beds for \$1,805 average (\$2.91 per square foot).
- **The Eddy Apartments** (801 SW Bradbury Way): 678 square foot 1 bed for \$1,913 average (\$2.82 per square foot).
- **Outpost 44 Apartments** (643 NE Ross Road) – located more distantly from the river, central commercial district amenities and east of Highway 97 thus reflecting lower rents than the rest of the peer group.
  - 734 square foot 1 beds for \$1,770 average (\$2.41 per square foot).
- **Jackstraw (Planned)** - The MUPTE-approved Jackstraw project has declared market rents as follows:
  - 483 average square foot Studio units for \$1,824 average (\$3.78 per square foot).
  - 669 average square foot 1 bed units for \$2,167 average (\$3.24 per square foot).
- **Timber Yards A/1 (Planned)** - This project currently has a MUPTE application under review by the City. Its declared rents are as follows:
  - 530 average square foot Studio units for \$1,805 average (\$3.41 per square foot).
  - 744 average square foot 1 bed units for \$2,139 average (\$2.88 per square foot).

**Conclusion: Two years of current market rent growth can plausibly reach planned 2026 rents at the Penn Avenue project. However, what is not clear is how much of a discount by 2026 declared rents for the 120% of AMI units will be. Clarification of 120% of AMI rent levels in 2026 given current rent level context would be appropriate elaboration to ask of the Applicant.**

Should restricted rents be adequately clarified, higher realized rents in the pro forma will tend to make the need for a MUPTE less likely – higher rents covering the same operating expenses will increase cash flow in a manner that helps the project approach financial feasibility without incentives. Should rents materialize lower than documented, the opposite will be true: the Penn Avenue project will have a more challenging path to financial feasibility and so a MUPTE would be more crucial to viability of the new housing units to reach market.

## Project Financing Assumptions

Table 2 on the following page provides a summary of revised development costs and project permanent financing assumptions compared to the original application in 2023. Overall, with 19 additional units and a year of significant construction industry cost increases, the project is expected to cost \$21.286 million, up from \$12.7 million before. The project on a per-unit basis continues to be significantly lower than other projects recently reviewed by the City of Bend; Penn Avenue's total cost per unit is \$360,774 compared to \$475,415 for Timber Yards A/1 and \$546,956 for the Jackstraw. At only three stories and having no concrete structured parking element, the Penn Avenue project can build with wood frame ("stick built"), which is the least expensive construction method for multi-story structures.

**Table 2 – Revised Project Development Costs and Permanent Financing Assumptions**

	<b>40 Units</b>	<b>59 Units</b>
	<b>Prior Plan</b>	<b>Revised Plan</b>
<b>Total Development Cost</b>	\$12,698,256	\$21,285,691
<b>Permanent Loan</b>	\$8,253,866	\$9,148,485
<b>Equity</b>	\$4,444,390	\$12,137,206
<b>Percent Financed</b>	65%	43%
<b>Annual Interest Rate</b>	6.00%	8.00%
<b>Amortization (Years)</b>	30	30
<b>Annual Permanent Debt Service</b>	(\$593,833)	(\$805,540)

Permanent financing has changed somewhat, with the project now assumed to be only 43% debt financed, the remaining 57% coming from equity investment. The prior program assumed 65% of the project cost would be financed and the remaining 35% would be equity investment. The change seems in line with lending market as higher risk lending environment generally has led to higher equity investment shares of the total capital stack.

Somewhat unexpectedly, the 30-year interest rate on the planned loan is up to 8.00%. While every developer has different lending and equity investment relationships, an 8.00% interest rate on permanent financing seems somewhat high based on review of other recent projects. The City of Bend may want to have that assumption clarified. Even so, sensitivity analysis conducted by PNW Economics indicates that it would take an interest rate well below 7% to make a measurable difference to the rate of return for the project.

## Property Tax & MUPTE Calculation

With a larger project and higher cost of replacement-based value for property tax assessment, the total potential MUPTE for the Penn Avenue project has been updated for Fiscal Year 24 Deschutes County tax information. Results are found in Table 3 on the following page. The larger, more expensive project has resulted in the following Year 1 (2026) property tax estimates for analysis purposes:

- **FY 24 Taxable Assessed Value of Improvements:** \$8.391 million (compared to only \$5.854 million prior).

Page 3

Prepared for: City of Bend, Oregon

Prepared by: PNW Economics, LLC

Updated MUPTE Award and Return on Investment Calculations for the Hiatus Penn Avenue Project

- Year 1 Property Tax on Land Only: \$2,122 (compared to \$2,041 prior).
- Year 1 Property Tax on Improvements Only: \$134,159 (compared to \$92,713 prior). *Property tax for improvements only would be the value of a MUPTE starting in Year 1 if awarded.*
- Year 1 Total Combined Property Tax: \$136,281 (compared to \$94,754 prior).

**Table 3 – Revised Penn Avenue Project Property Tax & MUPTE Calculations for FY24**

				Cost of Replacement - Improvements	\$20,823,539	
				Exception Value Ratio - Multifamily (7)	<u>0.403</u>	
				<b>FY 24 Taxable Assessed Value</b>	<b>\$8,391,886</b>	
				<b><u>Taxable Assessed Value (FY 24)</u></b>		
<b><u>Parcel</u></b>	<b><u>Account #</u></b>	<b><u>Acres</u></b>	<b><u>Zoning</u></b>	<b>Land</b>	<b>Improvements</b>	<b>Total</b>
445 NE Penn	105177	0.48	RH High Density Residential	\$132,740	\$0	\$132,740
Tax Code Area 1001 (per \$1,000 TAV)				<u>15.9868</u>	<u>15.9868</u>	<u>15.9868</u>
<b>Total Property Tax - Land Only</b>				<b>\$2,122</b>	<b>\$0</b>	<b>\$2,122</b>
445 NE Penn	105177	0.48	RH High Density Residential	\$132,740	\$8,391,886	\$8,524,626
Tax Code Area 1001 (per \$1,000 TAV)				<u>15.9868</u>	<u>15.9868</u>	<u>15.9868</u>
<b>Total Property Tax - Combined</b>				<b>\$2,122</b>	<b>\$134,159</b>	<b>\$136,281</b>

## Updated Internal Rate of Return (IRR) Results: No MUPTE and Yes MUPTE

Table 4 provides annual estimates of Internal Rate of Return (IRR) for the Penn Avenue project assuming no MUPTE is awarded as well as assuming a MUPTE is awarded, for necessary comparisons. It should be noted that Hiatus Development has chosen to express rate of return utilizing IRR, when in the original application for the smaller project design, Extended Internal Rate of Return (XIRR) was the chosen measure of return.

IRR is the total rate of return on equity invested when factoring in the cumulative time investors have held interest in a project during development and during project operations, as well as investor cash-out of their initial investment. IRR utilizes cumulative, annual income and expense performance measures, while XIRR allows for different revenues and expenses in different months during the course of a year and over the course of several years. In other words, XIRR is a more complicated model. Still, we evaluate the IRR for the project assuming 10% is the generally recognized minimum rate of return to make the risk of a real estate development attractive to the equity investment required for a project to be financed.

**Table 4 – Updated Internal Rate of Return (IRR) – 59 Unit Penn Avenue Project: No MUPTE and Yes MUPTE**

59 One-Bed Units 27 Units at 120% of AMI	Year 1 2026	Year 2 2027	Year 3 2028	Year 4 2029	Year 5 2030	Year 6 2031	Year 7 2032	Year 8 2033	Year 9 2034	Year 10 2035
<b>NO MUPTE</b>										
<b>+ MUPTE</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Internal Rate of Return</b>	-3.6%	3.3%	3.8%	4.2%	4.4%	4.6%	4.7%	4.8%	4.9%	5.0%
<b>YES MUPTE</b>										
<b>+ MUPTE</b>	\$134,159	\$138,184	\$142,330	\$146,600	\$150,998	\$155,528	\$160,193	\$164,999	\$169,949	\$175,048
<b>Internal Rate of Return</b>	5.5%	8.5%	7.7%	7.3%	7.0%	6.9%	6.8%	6.7%	6.7%	6.6%

Overall, we find the following:

- **Without a MUPTE**, the Penn Avenue project is assured to be a financially hamstrung development as both an investment and a lending opportunity. IRR is measured to begin at -3.6% and growing over time to no more than 5.0%, always well below the rule-of-thumb minimum IRR of 10%.
- **With a MUPTE**, the Penn Avenue project is enhanced significantly in its financial feasibility to both attract investment and lending in order to be a viable project. However, a MUPTE award of \$134,159 starting in Year 1 never helps the project reach the 10% minimum IRR benchmark. In other words, the project should still be considered a financially-challenged project by general standards.

It should be noted that Internal Rate of Return IRR (and Extended Internal Rate of Return - XIRR) are measures of return uniquely utilized by the Penn Avenue applicant. Therefore the 10% rule-of-thumb minimum IRR in this review will look different (higher) than rule-of-thumb criteria for reviewing other projects that have applied for a MUPTE. Those projects, including the Jackstraw, utilized Return on Investment (ROI) rather than IRR, and so review information about those projects will look different. Each measure of return are standard for such development and individual developers will choose to evaluate their own projects with different, standard measures.

Rapidly increasing construction costs and the increased cost of financing such a project are among the contributors to challenging feasibility for this project. These factors have dragged down Internal Rate of Return estimated in the previous version of this project. But in the current market, those challenges are difficult but far from unique. Given some of the updated findings about the project's information, we'd offer these observations that are "sensitivity analysis" in nature:

- If project rents – potentially high compared to market in 2026 – do not materialize as projected, the project's feasibility will be even more challenged than documented and a MUPTE will be even more crucial.
- If permanent (and construction) financing interest rates come down compared to planned by the Applicant – 8% annual interest on permanent financing in the Applicant pro forma – the project will perform better in terms of cash flow and resulting Internal Rate of Return. 8% was observed to be on the high side compared to other recent projects.



**BOARD AGENDA COMMUNICATION**

<b>AGENDA DATE:</b>	March 19, 2024
<b>SUBJECT:</b>	Pine Nursery Park Phase 5 Preferred Concept Design
<b>STAFF RESOURCE:</b>	Bronwen Mastro, Landscape Architect
<b>PREVIOUS BOARD ACTION:</b>	February 21, 2006 Approved Plan for Pine Nursery Development; June 7, 2022 Approved Capital Improvement Plan; April 4, 2023 Award Professional Services Contract for Pine Nursery Park Phase 5 Project
<b>ACTION PROPOSED:</b>	Approve Preferred Concept Design for Pine Nursery Park Phase 5
<b>STRATEGIC PLAN:</b>	
<b>Pillar:</b>	Operations & Management Practices
<b>Outcome:</b>	A balance between caring for existing infrastructure and new development
<b>Strategy:</b>	Ensure the district is maintaining its adopted level of service targets

**BACKGROUND**

Pine Nursery Park is a 159-acre community park that has been built in several phases since 2006. This project will construct features identified in the approved development plan for the park.

The district's 2018 Comprehensive Plan identifies Phase 5 at Pine Nursery to be a high priority project. This project is included in the district's 2024-28 Capital Improvement Plan (CIP) for implementation.

On April 4, 2023, the Board of Directors awarded a professional design services contract to Cameron McCarthy. Concept design for the project started summer 2023. The development of new athletic fields and related amenities, athletic field lighting, artificial turf infields, pickleball courts, full-court basketball, off-leash area improvements, pedestrian trail lighting, access improvements, maintenance and infrastructure improvements, irrigation and landscaping were all evaluated in the conceptual design process.

The first preliminary concept level cost estimate was significantly over budget. After considering the results of the most recent needs assessment survey, the two new athletic fields originally proposed were removed from the phase 5 scope of work in order to reduce the cost of the project (see more under Budget Impact.) In place of constructing the two new fields, the concept design includes renovation of the four existing baseball/softball fields by adding all-weather turf infields and sports field lighting. Lighting the sports fields will increase field capacity by extending the hours of operation allowing for more games to be played each day. All-weather turf will also increase

available hours and will reduce the need for infield maintenance (i.e. dragging) between games and practices.

Three other features of the scope include pedestrian trail lighting, concrete pickleball courts (as an alternate to the asphalt courts that are in the plans) and full-court basketball are proposed to be bid as add alternates to the contract, and only constructed if funding allows.

The current scope includes collaboration with Oregon Adaptive Sports (OAS) and the Bend Pickleball Club (BPC). There have been preliminary conversations with OAS for access improvements to a park storage building, which would establish a hub for their adaptive biking program that is currently offered at the park. OAS has a facility use agreement with the district and has two storage trailers in the park to keep the necessary equipment for the program. OAS will improve the interior of the storage building to accommodate their use (e.g., shelving), and potentially help the district with costs to improve outside access to the building (such as, pathways leading to the building). The details of an agreement will be determined as design and costs are refined.

The district has an established partnership with the BPC to construct, maintain and operate the existing pickleball courts in the park. BPC has agreed to assist with funding to help construct eight new courts. The new courts will provide additional courts for use by the general public on a daily basis, and provide BPC with more courts for organized club play and tournaments. Details of an agreement with BPC will evolve as the design and costs are refined.

Other key stakeholders have also been engaged through the concept design process and will continue to be at regular intervals through completion of design. Because this project is continuation of a previously approved plan, public outreach will focus on providing information about planned improvements and sharing impacts to park use during construction. Construction documents are anticipated to be complete in fall 2024 with construction to follow in 2025.

### **BUDGETARY IMPACT**

The 2024-2028 Capital Improvement Plan (CIP) allocates \$5,000,000 for the project, all system development charge funds. To date, \$168,977 has been spent on the project leaving \$4,831,023 allocated to complete the project. To date, the total allocation for the design contract to Cameron McCarthy is \$593,165. The remaining funding is designated for permitting, construction and other miscellaneous costs.

The preferred concept design is estimated to have a construction cost of \$6,394,391 for the base bid. Including the add alternates the total construction cost is estimated at \$7,495,003.

Base Bid	\$6,394,391
Alternate #1 (Perimeter Path Trail Lighting)	\$831,121
Alternate #2 (Pickleball Court – change to concrete base from AC pavement)	\$149,175
Alternate #3 (1 full court basketball court)	\$120,317
Total with all alternates	\$7,495,003

The draft 2025-2029 CIP that was shared with the board at the budget workshop on February 2, 2025 includes a funding allocation \$8,350,000. Combining the current cost estimate, including the alternates, with the funds encumbered to date for design, permitting and other costs, the project

exceeds the allocation. However, due to the low level of design at this stage in the project, there is a significant amount of contingency included in the cost estimate. Further cost estimating will be conducted throughout the different stages of design.

**STAFF RECOMMENDATION**

Staff recommends that the board approve the Pine Nursery Park Phase 5 Preferred Concept Design. Once approved, staff will move forward to complete the design and construction of the park.

**MOTION**

***I move to approve the Pine Nursery Park Phase 5 Preferred Concept Design.***

**ATTACHMENT**

Attachment A – Pine Nursery Park Phase 5 Preferred Concept Design



PINE NURSERY PARK  
BEND PARK AND RECREATION DISTRICT

BEND PARK AND RECREATION DISTRICT  
3750 NE Purcell Blvd. Bend, OR 97701

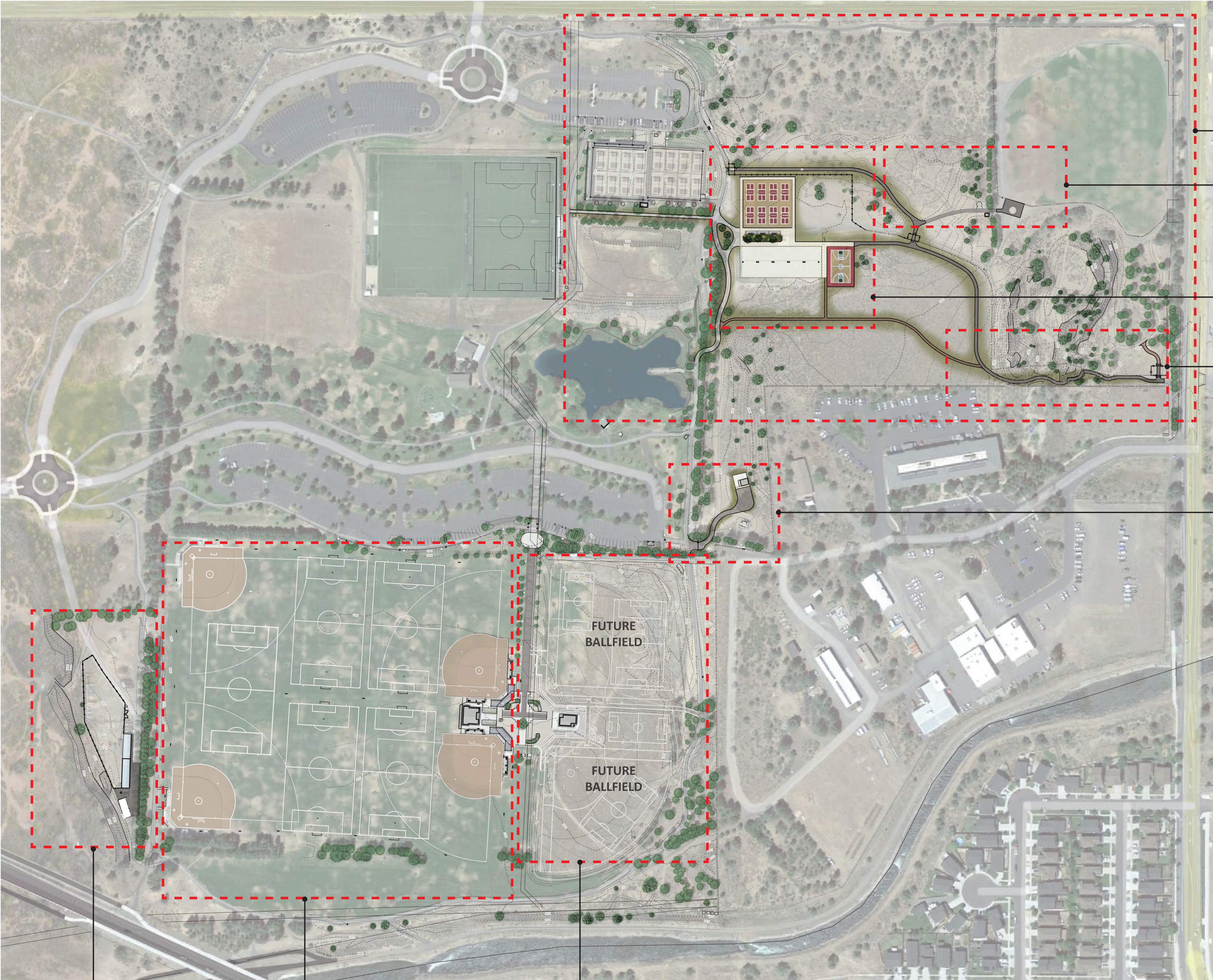
Drawn By: AS  
Checked: MK  
Project #: 23.006  
Date: Feb. 23, 2024

SHEET TITLE

OVERALL  
DIAGRAM

SHEET #

L001



MAINTENANCE AREA  
IMPROVEMENTS

ARTIFICIAL TURF  
INFIELDS AND SPORTS  
FIELD LIGHTING

FUTURE ATHLETIC  
FIELDS - NOT  
INCLUDED IN PHASE 5

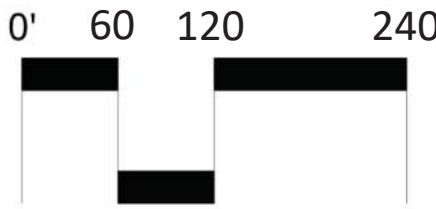
OFF-LEASH AREA  
IMPROVEMENTS

PICKLEBALL AND  
BASKETBALL  
COURTS

ACCESS FROM  
DESCHUTES  
MARKET ROAD

ACCESS  
IMPROVEMENTS

1" = 120'-0"





**BOARD AGENDA COMMUNICATION**

<b>AGENDA DATE:</b>	March 19, 2024
<b>SUBJECT:</b>	River Concessions
<b>STAFF RESOURCE:</b>	Michael Egging, Recreation Business Manager Justin Sweet, Contracts and Risk Administrator
<b>PREVIOUS BOARD ACTION:</b>	None
<b>ACTION PROPOSED:</b>	Award Public Contract
<b>STRATEGIC PLAN:</b>	
<b>Pillar:</b>	Community Relationships
<b>Outcome:</b>	The district is strategic about partnerships
<b>Strategy:</b>	Partner when there is shared mission and broad community benefit.

**BACKGROUND**

Since Spring 2018 the district has contracted with Tumalo Creek Kayak & Canoe to operate the ride-the-river concession program, which primarily includes safe and effective river float tube rentals, loaner PFDs (Personal Flotation Devices), transportation, and related concessions and services. Tumalo Creek has performed well over that time. The contract with Tumalo Creek expired at the end of the season in 2023.

On January 3, 2024 staff issued a formal Request for Proposals (RFP) to select the organization to operate the ride-the-river concession program for the next five to ten years. Public advertisements were published and three local organizations were specifically notified. In response to the RFP, one proposal was received from Tumalo Creek Kayak & Canoe which included improvements to the program and offered commission of 25%. An evaluation committee of three district staff members reviewed the proposal and unanimously recommended it for award. On February 16, 2024 a Notice of Intent to Award was published, no protests were received in response. Staff anticipates entering into a concession agreement with Tumalo Creek Kayak & Canoe for an initial five-year term followed by five annual renewal options

Staff will present a brief overview of the ride-the-river concession program, detailing its core purpose and how it aligns with the district's mission to enhance community engagement, river safety and environmental stewardship. This presentation will include the program's objectives, aimed at ensuring accessibility, safety, and enjoyment of river activities for community members. Staff will also share historical usage data, offering insights into the program's growth, impact, and success over the years.

**BUDGETARY IMPACT**

Revenue and expenses generated from this contract are in the Facility Rental Fund. The budgeted revenue for FY 23-24 is \$140,000. Expenses in this budget include \$3,000 for maintenance of the Park & Float location and \$20,000 for public communication and marketing of the program.

**STAFF RECOMMENDATION**

Staff recommends authorizing the Executive Director to negotiate and execute an agreement with Central Oregon Canoe & Kayak Supply, Inc. dba Tumalo Creek Kayak & Canoe to operate the ride-the-river concession program for up to five-years through June 30, 2029 and authorize the Executive Director to approve up to five annual renewal options of one-year each.

**MOTION**

*I move to authorize the Executive Director to negotiate and execute an agreement with Central Oregon Canoe & Kayak Supply, Inc. for a period of five-years through June 30, 2029 and authorize the Executive Director to approve up to five annual renewal options.*

**ATTACHMENT**

None



**BOARD AGENDA COMMUNICATION**

<b>AGENDA DATE:</b>	March 19, 2024
<b>SUBJECT:</b>	Financial Audit Services
<b>STAFF RESOURCE:</b>	Kristin Toney, Administrative Services Director Justin Sweet, Contracts and Risk Administrator
<b>PREVIOUS BOARD ACTION:</b>	None
<b>ACTION PROPOSED:</b>	Award Public Contract

**BACKGROUND**

Oregon Municipal Audit Law requires an annual financial report audit of all municipal corporations. Audits must be conducted in accordance with the “Minimum Standards for Reviews of Oregon Municipal Corporations” adopted by the Secretary of State Audits Division. These rules prescribe the financial statements that must be included in audit reports, minimum procedures and the standards that must be followed in an audit.

As required, the external auditor expresses an opinion on whether the district's financial statements are free from material misstatement. They assess the district's financial statements, taken as a whole, at the end of each fiscal year. Financial Statements and financial statement audits are important matters of compliance and their results are key components in maintaining the district’s credit rating and providing transparency for district stakeholders. The auditor will also:

- Comment on the compliance of the district’s financial affairs with applicable laws and budget requirements.
- Assist the district in revising its accounting system to increase efficiency and ease of function.
- Help the district institute procedures that will increase accuracy of record keeping and strengthen internal controls.

The district, must contract with an accountant licensed as a municipal auditor by the Oregon Board of Accountancy. The district used the services of Sensiba LLP (previously Sensiba San Filippo, LLP and SGA Certified Public Accountants and Consultants, LLP) to audit fiscal years 2016-17 and 2022-23. Sensiba performed the services to the district’s satisfaction each year. The agreement with Sensiba expired after completion of the fiscal year 2022-23 audit on good terms.

One of the main fiduciary duties the board has is to select the district’s independent municipal auditor and annually approve the audit report. The board delegated the process to staff to conduct a request for proposals and to recommend a preferred firm for board consideration.

On January 11, 2024 staff issued a formal Request for Proposals (RFP) seeking proposals from qualified firms interested in providing a financial and compliance audit. Public advertisements were published in print and digitally. In response to the RFP, one proposal was received from Aldrich CPAs + Advisors LLP (Aldrich). An evaluation committee of three district staff reviewed Aldrich's proposal and unanimously recommended them to perform the annual audit for the next three to five years.

On February 23, 2024 a Notice of Intent to Award was published, no protests were received in response. Upon board approval, staff will enter into a personal services agreement with Aldrich for an initial three-year term (covering three years' audits) followed by two annual renewal options.

#### **BUDGETARY IMPACT**

Sensiba provided audit services for \$33,350 for the fiscal year 2022-23, which was higher than prior years due to a Single Audit (a special audit required when federal funded expenditures exceed \$750,000 in any one fiscal year) being performed. Aldrich's proposed fee for the audit of fiscal year 2023-24 is \$43,170 without a Single Audit (staff do not anticipate being subject to a Single Audit in fiscal year 2023-24). Further, Aldrich proposes an annual increase of approximately 5% to its rates.

#### **STAFF RECOMMENDATION**

Staff recommends authorizing the Executive Director to negotiate and execute an agreement with Aldrich CPAs + Advisors LLP to provide financial and compliance audit services for an amount not-to-exceed \$136,095 for an initial fixed term of three-years through January 31, 2027 and authorize the Executive Director to approve up to two annual renewal options of one-year each.

#### **MOTION**

***I move to authorize the Executive Director to negotiate and execute an agreement with Aldrich CPAs + Advisors LLP for an amount not-to-exceed \$136,095 for a period of three-years through January 31, 2027 and authorize the Executive Director to approve up to two annual renewal options.***

#### **ATTACHMENT**

None

## Board Calendar 2024

*\*This working calendar of goals/projects is intended as a guide for the board and subject to change.*

### **April 2**

#### **STAFF INTRODUCTIONS**

Matt Mercer

- Cathi Ellis, Recreation and Inclusion Manager

Jeff Hagler – Park Stewardship Manager

- Andre Dickey – Park Steward

Zara Hickman – Natural Resources and Trails Manager

- Scott Schmidt – Park Maintenance II-Trails Division
- Steve Truelson – Trails Coordinator

Mike Duarte – Landscape Manager

- Jim Stinger – Park Maintenance II
- Sean Ansberry – Park Maintenance II

#### **WORK SESSION**

- Central Oregon Sportsplex Alliance – Derek Berry (20 min)

#### **CONSENT AGENDA**

- Archive Policy
- Definitions Policy

#### **BUSINESS SESSION**

- Needs-based Assistance Annual Report and Approve Needs-based Assistance Plan for 2024-2025 – Matt Mercer (30 min)
- Determine Board Member Appointment Finalists

### **April 16**

#### **WORK SESSION**

- Board Member Appointment Finalists Presentations and Interviews (90 min)

#### **CONSENT AGENDA**

- Approve Fiscal Policies

#### **BUSINESS SESSION**

- Appoint Board Member (15 min)
- Approve Boyd Acres Shop project design consultant – Bronwen Mastro (15 min)

### **April 26**

Budget Committee Tour

### **May 7**

#### **STAFF INTRODUCTIONS**

Clare Gordon

- Aly Roozee, Recreation Supervisor
- Tim Stumpf, FSL/Program Assistant



Katy Aceto

- Erica Pereda, Rentals and Events Specialist

**WORK SESSION**

- BPRD 50<sup>th</sup> Anniversary Proclamation – *Julie Brown (10 min)*
- SDC Annual Index – *Kristin Toney (10 min)*
- Strategic Plan Update – *Rachel Colton, Michelle Healy, Kristin Toney (75 min)*

**May 14 and May 16**

**BUDGET COMMITTEE MEETING**

**May 21**

**WORK SESSION**

**BUSINESS SESSION**

**Future Topics**

Approve MUPT Resolution and IGA – *Michelle Healy and Rachel Colton (20 min)*

SDC Waivers

IGA with the City for Mirror Pond Silt Removal – *Don Horton (30 min)*

Park Services Report: Hardsurface Program – *Alan Adams and Jason Monaghan (15 min)*

City of Bend Tree Code Update – *Sara Anselment*

Update on Bi-lingual Communications – *Julie Brown and Kathya Avila Choquez (20 min)*

Website Update/Data Sharing – *Julie Brown*

IGA with NUID for canal trail – *Henry Stroud*

Approve SE Neighborhood Park Purchase and Sale Agreement – *Henry Stroud (20 min)*

Drake Park bank and trail improvement CMGC contract review – *Brian Hudspeth*

DEI Update – *Bronwen Mastro*

Approve easement acquisition NUC Trail

Trails count and River Use report

Hold a Public Hearing and Adopt Resolution No. 2024-XX approving the use of alternate contracting method for JSFC Outdoor Pool Cover – *Justin Sweet (30 min)*

Approve Exclusion Policy – *Jeff Hagler (30 min)*

Comprehensive Plan Draft Review– *Sara Anselment*

Comprehensive Plan Adoption – *Sara Anselment*

SDC Project List Update – *Sara Anselment and Michelle Healy*

South UGB Bridge – *Henry Stroud (60 min)*

Art Station Concept review – *Jason Powell (30 min)*