

GRACE

GRACE MEMORIAL EPISCOPAL CHURCH

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To the attention of Karl Dinkenspiel
Housing Investment and Preservation Programs
Portland Housing Bureau
421 SW Sixth Avenue
Portland Oregon 97204

April 6, 2018

GRACE MEMORIAL SITE REDEVELOPMENT

Dear Karl:

Following up from our March 2 meeting at PHB about your interest in our site, this letter outlines Grace Memorial's vision for redeveloping our campus to produce affordable housing in a mixed use project using City of Portland Housing Bond resources. For the purpose of this letter we will refer to the redevelopment as *Grace Commons*.

This letter is provided as a starting point for discussion and is not intended as an offer or other legally binding commitment.

STATEMENT OF QUALIFICATIONS AND CAPACITY

Grace Memorial Episcopal Church (GMEC) is acutely aware of the affordable housing crisis in the Portland metropolitan area. As a mission-driven organization, "we seek to effect transformational change in individuals, in our Portland neighborhoods, and in other communities near and far." We are pleased and indeed excited to present this proposal to the City of Portland as a practical contribution to the City's commitment to ALL who need affordable housing.

GMEC offers the following qualifications, resources and capacities for the City's consideration:

- **Land:** GMEC owns an entire city block, in a neighborhood offering relevant services and amenities for a variety of populations. It offers enormous development potential.
- **A commitment to equity:** GMEC's tag line is "A parish for **all** people in the heart of the city." We seek to live out that commitment to equity, and we seek partners who do so too.

- **Extended experience in successful partnerships:** For well over a decade GMEC has collaborated with other local NGOs, notably PHAME, serving adults with disabilities; and Grace Institute which offers arts programs to children throughout the neighborhood and beyond. We understand that strength comes with teamwork.
- **A strong, enduring “good neighbor” record:** for years GMEC has provided free lunches and dinner programs for local residents; meeting rooms for numerous AA groups; we began a refugee sponsorship relationship with refugees from Liberia over 20 years ago; and much more....
- **An abiding, growing commitment to “art for all”:** for over two decades we have provided access to the arts to ALL people, regardless of age, ability or economic circumstances.
- **An openness to affordable housing opportunities for ALL those in need:** we understand that affordable housing is not a “one-size-fits-all” proposition. We appreciate that different projects lend themselves to different programmatic mixes. We look forward to participating in a community-wide exploration to determine the housing mix that is best suited to the assets, opportunities and constraints of this site and the existing community. Ultimately, we support an approach that aims to “screen in,” not “screen out.”
- **Recognition of the importance of community outreach:** GMEC will work hard with PHB to reach out to our neighbors, to listen, solve problems and engage the full range of community assets around us.
- **Respect for due diligence and a sense of urgency:** GMEC and our partners are committed to the timely, carefully prepared turnaround of information as the project proceeds.
- **Engaged parish members with strong experience in relevant professional fields:** including affordable housing policy, management and development; urban planning; architecture; construction; a wide variety of social service programs; non-profit management; and the law. We believe we have a reasonable understanding of the opportunities and challenges that this project presents.

The following sections specify elements of our proposal that we hope will inform further discussion.

1. COMMUNITY BENEFITS

Grace Memorial, in partnership with Grace Institute and PHAME, envisions the formation of *Grace Commons*, a community hub for affordable housing, arts and culture, food for the hungry, and other services for our neighbors, with particular care for people who may have been denied equal opportunity in general.

Grace Commons will embody our combined commitment to our neighbors by constructing up to 130 units of low income housing through the Portland Housing Bond. In addition to housing, the rebuilt campus will include new, fully accessible spaces for two thriving non-profit arts institutions (Grace Institute and PHAME), for Grace’s numerous community partners, and for the worshipping community at Grace itself.

Grace Commons will serve Portland by:

- 1) Providing affordable housing and appropriate service support to those in need.
- 2) Offering Grace Commons residents opportunities to participate in the on-site arts and service programs.
- 3) Providing multi-generational opportunities for arts engagement, education, and performance in a state-of-the-art facility to the wider community, most especially children of all socio-economic backgrounds, adults with developmental disabilities, and seniors.
- 4) Creating accessible studio, rehearsal and performance spaces for local arts organizations, as well as creating a thriving community for arts engagement and performance to the Sullivan's Gulch/Lloyd neighborhoods.
- 5) Providing affordable and accessible meeting space for 12-step groups, not-for-profits, and neighborhood associations.
- 6) Nurturing a place of quiet reflection and renewal, by building a place for all people to find healing, belonging, and meaning in the heart of the city.

Our three organizations have thrived together under one roof for over 10 years. We all share a deep commitment for building community while tending to the needs of people who have been denied equal opportunity in general. Grace Commons will continue that tradition into the future.

Grace Memorial, Grace Institute and PHAME: Three Non-Profits Working Together.

Grace Memorial: Founded in 1908, Grace Memorial Episcopal Church is a parish for all people in the heart of the city. Following in the way of Jesus, we seek to effect transformational change in individuals, in our Portland neighborhoods, and in other communities near and far. To do this we engage our spiritual, human and financial resources in creative partnerships with people and organizations to further God's work in our world. Learn more at grace-memorial.org.

Grace Institute: Founded 23 years ago by parish members of Grace Memorial, Grace Institute nurtures the human spirit through the arts, fostering intercultural appreciation and understanding in an open and inclusive community. Guided by the principle that all people are inherently creative, and that the arts have a universal capacity to transform individuals and communities, Grace Institute is committed to developing programs and opportunities that involve the leadership and collaboration of people from all backgrounds, ages, and abilities where we celebrate our connections and honor the differences. Grace Institute's much-loved Grace Art Camp engages over 1300 children annually and continues to build a vibrant scholarship and equity program. Learn more at [Grace Institute – Grace Institute – Home of Grace Art Camps](#)

PHAME: PHAME Academy has been serving adults with developmental disabilities for 33 years, offering over 25 unique arts classes per term as well as performance opportunities. PHAME seeks to increase the number and diversity of adults it serves, as well as create more opportunities for children with disabilities, in partnership with Grace Institute. Some of our more popular classes include videography, musical theater, dance, drumming and digital photography. We have also performed at Tedx, on the stage with Pink Martini, at Edgefield and at the Oregon Shakespeare Festival. PHAME seeks to increase the number and diversity of adults it serves, as well as create more opportunities for children with disabilities. We envision a community that champions opportunities and possibilities for all artists. Grace Commons can help us meet that vision with our community partners. Learn more at <http://phamepdx.org>

2. THE GRACE TEAM

The Grace Team recognizes the need for expediency and timely decision-making in order to implement this project. Accordingly, the Grace Team has organized as follows:

Grace Memorial's structure of Governance – the Vestry and Campus Development Committee:

The GMEC Vestry, consisting of the Rector, the Reverend Martin Elfert, and lay members elected by the parish, is the legal representative of Grace Memorial authorized to manage parish finances and buildings. (“Rector” and “Vestry” are approximately equivalent to “Executive Director” and “Board of Directors.”)

The Vestry has appointed the Grace Campus Development Committee (GCDC), including representatives from Grace Institute and PHAME, to gather information and advise the Vestry on possible redevelopment of the Grace campus. The Vestry and the GCDC are responsible for getting feedback from all members of the Grace community about redevelopment in a timely manner.

The Vestry has contracted with Ross Cornelius of Walsh Construction Co. to serve as a consultant to the GCDC and the Vestry. Ross will also provide negotiating services. His recommendations will be given to both the GCDC and the Vestry for their consideration.

Decision-Making Processes, Expediency and Parish membership input

As a membership organization, GMEC makes a practice of seeking the views of the parish as a part of the decision-making process. On two occasions this year the GCDC has collaborated with the Vestry to seek parish input on relatively short notice. In both cases, parish members have responded in strong numbers and enthusiastically to the redevelopment possibilities presented to them, a level of support that has allowed Vestry to move confidently in support of the GCDC's recommendations. Seeking such wide input will not always be appropriate, but we have demonstrated that when needed, it can be done expeditiously.

Finally, as evidenced by the signatures to this letter, GMEC, Grace Institute, and PHAME are committed to coordinating their efforts throughout the life of the project.

3. RESIDENTS OF GRACE COMMONS

GMEC looks forward to welcoming a variety of residents to Grace Commons. Our community already includes many seniors, immigrant families and artists. Given our strengths in working with children through Grace Institute and Grace Institute's desire to expand into more after-school programs, we believe that families with young children would also find this a particularly supportive place to live. With ongoing funding from the residential project GMEC hopes to offer expanded programs for children as well as enlarging our current sack-lunch and weekly dinner services to those in need.

Building on this foundation, we believe that Grace Commons lends itself well to a mix of income levels and residential unit types. We understand that Permanent Supportive Housing is one priority of the City and we look forward to exploring with PHB an appropriate proportional allocation of units designated for this purpose. We anticipate that discussions would include provision of service support by qualified agencies.

PHB has given considerable thought to the question of resident screening, and we concur that principles of equity and inclusivity should drive the process. The presence of large numbers of young children (Grace Institute) and young adults with developmental disabilities (PHAME) on our campus is a "given." We look forward to working with PHB to insure that the final "mix" of new housing insures the safety and security of all members of the Grace community, including the new residents.

Grace Commons will require skilled professional property management. GMEC will not, of course, manage the residential project, but we will need to work closely together to manage a shared building. It is therefore desirable that GMEC participates in the selection of the property management agency.

4. ARCHITECTURE AND DESIGN

We envision a mixed-use podium and wood-frame project with Bond-financed affordable housing above and new programming for our partners below, along with housing common areas and lobby.

It is possible, given the site FAR and height capacity, to include some of the programming space (i.e. offices, meeting rooms) above the podium if required.

Some of the Grace-Space may also extend to the North from the SE corner of the *Grace Commons* building along NE 17th Ave, pending budget and design outcomes.

The profile of the *Grace Commons* building and the Grace Church, as seen from Weidler, are important considerations in the design and deserve further discussion.

The project would surround a common courtyard anchored by the Grace Church on the NE corner and the mixed use building to the SW.

The housing would be developed using principles of Cost Effective Design and Construction (CEDC) to minimize per unit costs and deliver the most units for the budget. An initial, very preliminary CEDC concept plan for the site is attached as Figure 1.

Grace is working with PHAME and Grace Institute to identify shared use of arts and program spaces to produce efficiencies, including configurations which allow appropriate connection and participation by housing residents in the arts and outreach programs offered.

Grace will prioritize its space needs and aspirations to conform to budget availability, while planning for future facilities on the site to support arts and performance program growth. PHAME and Grace Institute are reviewing capabilities for capital fundraising to support the vision of sustainable arts facilities, as described in the section above.

Grace anticipates eventual demolition of the existing and dated parish hall building, and will work with PHB's development consultant to evaluate potential scheduling and budget requirements allowing its use during construction.

If use of the parish hall during construction is not practical, Grace Memorial will negotiate with PHB for funding to relocate to temporary facilities during construction. PHAME and Grace Institute will require relocation as they currently occupy the single family houses which would be removed at the onset of construction.

5. SITE CONTROL

Grace Memorial is willing to provide site control to PHB through a ground lease, with a term long enough to satisfy Housing Bond requirements, and not to exceed 99 years.

Grace Memorial will retain fee simple title to the land involved in the redevelopment project.

The site control agreement will include a transfer of development rights from the unused portion of the Grace Memorial site, including the development rights above the existing Church building.

The existing Church will remain in place, will not be demolished, and will not be included in the redevelopment project.

A valuation of the ground lease and transferred development rights will be conducted through a third-party appraisal initiated by PHB. The appraisal will be performed by an MAI appraiser acceptable to Grace Memorial, under appraisal instructions subject to review and approval by Grace Memorial.

PHB and Grace Memorial will agree on the final valuation of the ground lease as a component of the negotiation process.

Grace Memorial will retain an option to purchase the Housing Condominium once the Housing Bond has been repaid (anticipated to be 20 years after stabilization), subject to terms and conditions to be negotiated.

If Grace Memorial does not execute its purchase option, and PHB still elects to sell the Housing Condominium after the Housing Bond has been fully repaid. Grace Memorial's consent to the sale will be required and will not be unreasonably withheld.

6. PREDEVELOPMENT - Schedule and Funding

Concurrent Construction: Phasing and schedule can be determined when design concepts for building massing have been completed. For cost efficiency, it is anticipated that both the housing and Grace-Space will be constructed concurrently, though phased build-out of some Grace-Space is a possibility.

We recognize the need to separate costs to insure housing bond proceeds apply only to housing related programming, and will cooperate with PHB and Home Forward in determining the most expeditious way to do so.

Condominium Ownership: At this stage a condominium ownership structure of the mixed-use components is assumed. Separate ownership spaces are anticipated for:

1. The Housing component including units, common areas, circulation, egress and support spaces.
2. The Grace Memorial component, including parish hall and operations space.
3. Arts and Performance Spaces, owned by the independent non-profits PHAME and Grace Institute respectively, in support of the community arts program.

It is assumed that, upon completion, the entities will assume condominium ownership of their spaces within the joint development project to the specifications and scope agreed to (see architectural/design section above). The individual entities will then assume responsibility for furnishing and maintaining their own spaces. An agreement on shared operation and maintenance costs will be negotiated as part of the condominium structure.

Architecture and Construction Contracts: As the Development Consultant for PHB, Home Forward's role would typically be to select the architect and general contractor. However, in the interest of this mixed-use project, Grace Memorial proposes that a single architectural firm be selected with demonstrated abilities to design both the housing and Grace-Space. Grace Memorial proposes that selection of the architect be made jointly by Home Forward and Grace Memorial.

Recognizing the importance of a coordinated effort between design, functionality, constructability and costs, Grace Memorial urges inclusion of a general contractor early in the design and predevelopment process. Because of the mixed-use nature of the project and eventual separated ownership of the spaces, Grace Memorial proposes that selection of the contractor also be made jointly by Home Forward and Grace Memorial.

Reimbursement of Pre-Development Costs: Recognizing that predevelopment costs unrelated to the housing will need to be borne by Grace Memorial, we propose to repay

Home Forward/PHB for our portion of pre-development costs from Grace Memorial's share of ground-lease proceeds.

7. PARKING

Grace Memorial has recognized that parking patterns will change over time, and is exploring parking alternatives in the neighborhood to accommodate peak demand during Sunday services. We are anticipating these options will also be applicable to other large gatherings at *Grace Commons*, including summer art camp and PHAME performances. Weekly parking needs on site for staff during the week continue to be explored, but are anticipated to be minimal.

8. ROLES AND RESPONSIBILITIES

One thing to consider, should PHB agree to move forward with us, is that the mixed-use nature of this project may be beyond other sites and models under consideration. Grace Memorial will continue to own the land, will reside and actively operate as part of the mixed-use development, and will be explicitly linked to the housing through the programs offered. We encourage an agreement which provides Grace Memorial a greater role reflecting the unique nature of this project.

9. CONSTITUTIONAL AMENDMENT

Should the amendment pass, it is expected that the salient provisions of any agreement for the Grace Memorial site would continue, subject to provisions of Low Income Housing Tax Credit or other funding that might then be eligible for the project.

We will be glad to provide further information and look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read 'Martin Elfert', with a long horizontal flourish extending to the right.

Martin Elfert, Rector

On behalf of the Vestry

A handwritten signature in black ink, appearing to read 'Ashley Smith', with a long horizontal flourish extending to the right.

Ashley Smith

On behalf of Grace Institute

A handwritten signature in black ink, appearing to read 'Jenny Stadler', with a long horizontal flourish extending to the right.

Jenny Stadler

On behalf of PHAME