TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING

a. It is the policy of the City of Portland that through June 30, 2015 a minimum of 30% of Tax Increment Financing (TIF) shall be dedicated to the development, preservation and rehabilitation of housing affordable to households with incomes below 100% median family income in accordance with the policy Implementation Plan and Income Guidelines across all past, current, and future urban renewal areas. Beyond July 1, 2015 a minimum of 45% of Tax Increment Financing (TIF) shall be dedicated to the development, preservation and rehabilitation of housing affordable to households with incomes below 100% median family income in accordance with the policy Implementation Plan and Income Guidelines across all past, current, and future urban renewal areas.

b. This Tax Increment Financing for Affordable Housing Set Aside Policy shall allow funds to also be used for the development of, or homebuyer assistance to, units with three bedrooms or more which are restricted to 100% MFI and below. The purpose and intention of this amendment is to provide financing for programs that encourage homeownership within the City of Portland for families with children to the extent permitted under federal, state, and local Fair Housing Laws. For these units PHB will require binding long term affordability calculated, in part, based on purchaser household size.

c. This policy shall apply to all new urban renewal districts and substantial amendments to existing renewal districts after November 1, 2007.

d. In approving the Urban Renewal Plan for a new district or a substantial amendment to the Urban Renewal Plan for an existing district, City Council will consider whether the Plan meets this Set Aside policy, and if not, explain the exception to this policy.

e. This policy shall apply to existing urban renewal districts in the manner outlined in Tax Increment Financing Set Aside Implementation Plan and the Tax Increment Financing Set Aside Income Guidelines.

f. PHB will report affordable housing expenditures by tenure (rental and homeownership), by income level, by unit size (number of bedrooms) and by urban renewal district annually to City Council and, if necessary, recommend changes to income guidelines to achieve maximum public benefit in housing projects.

g. City Council, PHB and PDC will review the implementation of this policy and its impacts on other city policies and priorities in the annual budget process.

h. By June 30, 2021 the City Council and PHB will conduct a thorough review of this policy and its impact on tax increment revenues, city housing and other goals. At that time they will consider changes to program, if necessary.

i. The Tax Increment Financing for Affordable Housing Policy and the supplementary Implementation Plan and Income Guidelines are binding City Policy under Section 1.07.020 A of the City Code.

TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING

<u>POLICY IMPLEMENTATION PLAN</u>

OVERVIEW:

A. Policy will be applied to TIF debt proceeds using the blended methodology (see Section 2.B.iv.) beginning July 1, 2006.

B. Policy Implementation Plan will establish individual urban renewal targets that equate to an aggregate citywide minimum of 30% from July 1, 2006 to June 30, 2015, and an aggregate citywide minimum of 45% after July 1, 2015 of tax increment resources over all existing and newly formed urban renewal areas, with the exception of Airport Way, Willamette Industrial, and the Neighborhood Prosperity Initiative Districts that will be available to be spent on Affordable Housing. [1] See Summary of Impact of Implementation Plan Table in Section 1. H.

C. The Policy will apply to any newly formed urban renewal area. Portland Housing Bureau (PHB) and Portland Development Commission (PDC) will jointly recommend individual urban renewal targets for new districts that are appropriate to the purpose of those districts, but will not impact the aggregate citywide minimum 30% (from July 1, 2006 to June 30, 2015), and the aggregate citywide minimum 45% (after July 1, 2015) Set Aside across current and future urban renewal areas, excluding Airport Way, Willamette

[1] Total aggregate affordable housing set aside from July 1, 2006 to June 30, 2025 equal to 40%. The 30% aggregate affordable housing set aside calculation applies to resources allocated between July 1, 2006 and June 30, 2015. The 45% aggregate affordable housing set aside calculation applies to resources allocated in the fiscal year beginning July 1, 2015 and subsequent fiscal years into the future.

Industrial, and the Neighborhood Prosperity Initiative District Urban Renewal Areas; and PHB will work with the Office of Management and Finance and PDC to develop provisions that allow new districts to establish a timeline for which the Set Aside will be implemented in instances where there is limited bonding capacity and taxable investments are necessary before tax increment is available sufficient to invest in affordable housing.

D. Any changes to the established individual urban renewal targets shall be made through a joint recommendation by Portland Housing Bureau and PDC Board to City Council through the annual budgeting process or budget amendment.

E. The Tax Increment Financing Affordable Housing Policy will continue to be implemented as part of the annual PHB budgeting process.

  i. The Affordable Housing allocation will occur as part of PHB's current budget process in concert with PDC.

  ii. PHB will report to the City Council annually on Set Aside Affordable Housing expenditures as well as the resulting housing and community facilities production.

F. Community Facilities with programs primarily intended to serve low income people and homeless populations in support of adopted City policy (such as youth shelters, homeless day center, drug and alcohol treatment, social services, congregate meal programs, etc.) will be considered Set Aside expenditures as part of the Affordable Housing funding.

G. The adopted Income Guidelines shall guide investment of tax increment financing for affordable housing.

H. Using the tax increment debt proceeds blended methodology (see Section 2.B.iv.) the table below outlines the individual urban renewal targets that add up to the aggregate citywide minimum 30% from July 1, 2006 to June 30, 2015, and the aggregate citywide minimum 45% after July 1, 2015 Set Aside requirement.[2] The individual urban renewal area targets are consistent with the targets set at the time the Set Aside Policy was adopted in 2006, and are reaffirmed. The individual targets are based on the following method:

  i. Urban renewal areas with bonding authority beyond June 30, 2013 (Gateway Regional Center, Interstate Corridor, Lents Town Center, North Macadam, and

[2] Total aggregate affordable housing set aside from July 1, 2006 to June 30, 2025 equal to 40%. The 30% aggregate affordable housing set aside calculation applies to resources allocated between July 1, 2006 and June 30, 2015. The 45% aggregate affordable housing set aside calculation applies to resources allocated in the fiscal year beginning July 1, 2015 and subsequent fiscal years into the future.

River District) are anticipated to spend at a minimum 30% of tax increment resources on Affordable Housing with the exception of “industrial districts”.

ii. Urban renewal areas that do not have bonding authority beyond June 30, 2013 (Downtown Waterfront, Oregon Convention Center, and South Park Blocks) have specific targets based on factors including Affordable Housing expenditures prior to 2006, Set Aside expenditures from 2006 to 2010-11, urban renewal plans, and committed tax increment resources to non-Affordable Housing projects and programs.

iii. Urban renewal areas located in “industrial districts” (Airport Way, Central Eastside, and Willamette Industrial) have specific targets below 30% of tax increment resources based on factors including zoning, Affordable Housing expenditures prior to 2006, Set Aside expenditures from 2006 to 2010-11, urban renewal plans and committed tax increment resources to non-Affordable Housing projects and programs. Airport Way and Willamette Industrial Urban Renewal Areas are not included in the Set-Aside Policy given the zoning requirements and the exclusion of housing in those districts. Central Eastside Urban Renewal Area’s target is based on a target of 15% on the first $35,000,000 in tax increment resources and at a minimum 30% of tax increment resources thereafter are dedicated to Affordable Housing.

iv. Neighborhood Prosperity Initiative district urban renewal areas are not included in the Set-Aside Policy.

Summary of Impact of Implementation Plan

July 1, 2006 – June 30, 2015[3]

Urban Renewal Area	Amount Available	% of Total URA TIF
Central Eastside	$5,383,182	14%
Downtown Waterfront	$17,314,207	19%
Gateway	$9,681,807	42%
Interstate	$32,933,067	34%
Lents Town Center	$23,918,676	33%
North Macadam	$28,697,717	40%
Oregon Convention Center	$8,899,293	11%
River District	$74,932,778	41%
South Park Blocks	$31,626,131	52%
Total	**$233,386,859**	**32%**

July 1, 2015 – June 30, 2025[3]

Inactive Districts	Amount Available	% of Total URA TIF
Downtown Waterfront	$1,971,910	No New TIF Debt Proceeds
Oregon Convention Center	$11,850,000	No New TIF Debt Proceeds
South Park Blocks	$5,860,500	No New TIF Debt Proceeds
Total	**$19,682,410**	**No New TIF Debt Proceeds**
Active Districts	**Amount Available**	**% of Total URA TIF**
Central Eastside	$9,840,270	32%
Gateway	$12,644,013	33%
Interstate	$95,653,046	70%
Lents Town Center	$39,137,259	42%
North Macadam	$65,000,000[4]	46%
River District	$46,507,340	31%
Total	**$268,781,928**	**45%**

July 1, 2006 – June 30, 2025[3]

Urban Renewal Area	Amount Available	% of Total URA TIF
Central Eastside	$15,223,452	22%
Downtown Waterfront	$19,286,117	21%
Gateway	$22,325,820	33%
Interstate	$128,586,113	55%
Lents Town Center	$63,055,935	38%
North Macadam	$93,697,717	44%
Oregon Convention Center	$20,749,293	26%
River District	$121,440,118	36%
South Park Blocks	$37,486,631	61%
Total	**$521,851,196**	**40%**

[3] This calculation involves a blended methodology (see Section 2.B.iv.) given the policy change to shift Set Aside budgeting from expenditure-based to revenue-based. The amount available is based on actual allocations between 2006 and 2015 and projected amounts based on forecasted tax increment debt proceeds between 2015 and 2025. Amount between 2015 and 2025 based on 45% of aggregate total of new debt proceeds.

[4] $65,000,000 in North Macadam is a forecast based on a complete build out of the area as outlined in the ZRZ agreement.

1. METHODOLOGY:

A. Program income generated from investment of TIF funds should remain with the agency which created it. Program income will not be considered in calculation of the 30% beginning July 1, 2011.

i. All program income will be retained by the agency that owns the asset generating the program income. Assets include real property, outstanding loan principal, and cash held during the fiscal year.

B. Beginning on July 1, 2012, The respective 30% and 45% for affordable housing calculation will be applied toward total annual tax increment debt proceed revenue net of four percent (4%) which PDC will retain as compensation for overhead and staffing necessary for the issuance and management of tax increment debt and urban renewal area management .

i. The new methodology will reserve 4% of TIF debt proceeds to cover TIF and URA management expenses and then split the remainder between affordable housing (PHB) and non affordable housing (PDC) purposes.

ii. The amount required for staffing and overhead costs not associated with TIF and URA management will come from out of the remaining resources split between PDC and PHB.

iii. PDC and PHB will annually update the budget and five-year forecast to take into account changes in project timing and updates to the TIF resource assumptions, and resulting impact to the TIF forecast.

iv. To recognize cumulative progress in meeting affordable housing goals since the beginning of the policy, cumulative affordable housing spending since FY 2006-07 through FY 2011-12 (expenditure based methodology) will be taken into account in determining how much of total TIF Debt Proceeds will be split for the remainder of the current five-year forecast, FY2012-13 through FY 2015-16 (revenue based methodology). This, in effect, will result in a **blended methodology** to reach cumulative affordable housing goals by district by FY 2015-16.

v. Airport Way and the Willamette Industrial Urban Renewal Areas will continue to have no requirement for budgeting or spending on Affordable Housing expenditures and will not be included in the Set Aside methodology.

vi. The respective 30% and 45% set aside for affordable housing will be an aggregate citywide minimum across all applicable urban renewal districts.

Cumulative progress to meet the Set Aside will be based on the blended methodology.

C. Beginning on July 1, 2015, the % for affordable housing calculation in the River District Urban renewal area includes $20 million in either TIF debt proceeds, a $20 million ownership interest in the Broadway Corridor/USPS acquisition, or a combination of TIF debt proceeds and ownership interest in the Broadway Corridor/USPS acquisition equal to $20 million. If the acquisition has not been executed prior to June 30, 2020, the option of $20 million in TIF debt proceeds will be executed.[5]

[5] The City of Portland will have first claim on all sales proceeds or other revenue associated with the Broadway Corridor/USPS acquisition to repay interim financing costs, in advance of any allocation to PDC or PHB

TAX INCREMENT FINANCING FOR AFFORDABLE HOUSING

Income Guidelines

1. **Neighborhood Urban Renewal Areas**: The neighborhood urban renewal areas include:

- Interstate Corridor Urban Renewal Area (ICURA)
- Lents Town Center Urban Renewal Area (LTCURA)
- Gateway Regional Center Urban Renewal Area (GWURA)
- Oregon Convention Center Urban Renewal Area (OCCURA)

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	35% - 50%
31-60% MFI Rental & 0-60% MFI Homeownership	20% - 45%
61-100% Homeownership[1]	20% - 40%
Low Income Community Facilities	0% - 10%

[1] Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

2. **River District and North Macadam Urban Renewal Areas**: The following guidelines apply to the River District Urban Renewal Area (RDURA) and North Macadam Urban Renewal Area (NMURA).

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	50% - 70%
31-60% MFI Rental & 0-60% MFI Homeownership[2]	20% - 40%
61-100% Homeownership[3]	0% - 20%
Low Income Community Facilities[4]	0% - 10%

[2] It is not anticipated that 0-60% MFI Homeownership will be achieved in the Central City due to the cost, but the Income Guidelines do not preclude this investment if new innovative models are developed.

[3] Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

[4] In North Macadam, if spending levels allowed in this category are not spent, they can be reallocated to the other spending categories resulting in excess spending above the allowed maximums.

3. Central Eastside Urban Renewal Area: The following guidelines will apply to the Central Eastside Urban Renewal Area (CESURA)

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	35% - 50%
31-60% MFI Rental & 0-60% MFI Homeownership[5]	20% - 50%
61-100% Homeownership[6]	10% - 30%
Low Income Community Facilities	0% - 25%

[5] It is not anticipated that 0-60% MFI Homeownership will be achieved in the Central City due to the cost, but the Income Guidelines do not preclude this investment if new innovative models are developed.

[6] Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

4. Downtown Waterfront Urban Renewal Area: The following income guidelines will apply to the Downtown Waterfront Urban Renewal Area DTWURA:

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	50% - 70%

31-60% MFI Rental & 0-60% MFI Homeownership[5]	20% - 40%
61-100% Homeownership[6]	0% - 20%
Low Income Community Facilities	0% - 25%

5. South Park Blocks Urban Renewal Area: The following income guidelines will apply to the South Park Blocks Urban Renewal Area (SPBURA):

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	75% - 90%
31-60% MFI Rental & 0-60% MFI Homeownership[5]	10% - 25%
61-100% Homeownership[6]	0% - 10%
Low Income Community Facilities	0% - 10%