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Council to consider reforming housing guidelines

By Jim Redden

The City Council will consider an ordinance Wednesday to clarify the conditions under which the Portland Housing Bureau can lend and grant money for housing projects.

The ordinance, introduced by Commissioner Dan Saltzman, would require council approval of more loans and grants. Saltzman is in charge of the bureau.

According to the ordinance, it is intended is to better align the bureau's guidelines for its loan and grant programs with its goal of maintaining and increasing affordable housing.

Among other things, the ordinance would reduce the amount of an Equity Gap Contribution grant that must be approved by the bureau director from \$2 million to \$500,000. The amount that must be approved by the commissioner in charge of the bureau would be reduced from up to \$3 million to up to \$1 million. And the amount that must be approved by the council would be reduced from over \$3 million to over \$1 million.

Saltzman's ordinance is in response to a city audit of the bureau released in March. It revealed that in many cases the bureau has no idea if it is spending its money wisely or cost-effectively.

In addition, the audit notes that the bureau frequently makes loans to support housing that it knows will never be repaid.

The cost of loaning money to support even well intended housing projects, if that money never will be repaid, could be future low-income housing, according to the audit. "This will limit funds available in future years to finance new projects," the audit says.

The audit reports that the bureau has \$357 million in outstanding loans. The bureau estimates that only about 15 percent will ever be repaid.

"Most loan funds — more than \$300 million — will be spent once rather than loaned, recovered and used again for additional future projects," according to the audit.

Most of the bureau's loans are given to projects that build or rehabilitate apartment buildings to house those who need lower rent than the marketplace provides. A Portland Tribune series three months ago revealed that when public money was used to finance apartment buildings, the overall cost of the projects skyrocketed. Most publicly funded buildings cost \$200,000 or more per apartment to build.

Meanwhile, some local private developers are pushing the city for code variances and waivers of some development fees, which would allow them to build much lower cost low-income housing. A few projects that did not accept public money have been able to offer apartments built as inexpensively as \$70,000 per unit.

The audit notes that fiscal responsibility from the bureau is especially important as funding from the federal government and Portland urban renewal funds are expected to decline during the next five years.

"In a time of declining revenues, it is important for the city to ensure that limited funds are spent in a cost effective manner, meeting the city's housing goals at the lowest cost," according to the audit.

In response to the audit, Saltzman noted the "often conflicting expectation" placed upon the Housing Bureau, which has a primary goal of ending homelessness while at the same time hoping to generate revenue from its housing loans.

At the time, Saltzman said that going forward, the bureau would, "work with the community to quantify the benefits and outcomes the public is receiving for the investment of their dollars, and review with the community and policy makers whether they are the right outcomes."