

TAX INCREMENT FINANCING FOR AFFORDABLE HOUSING INCOME GUIDELINES

January 8, 2007

The following income guidelines are a preliminary staff recommendation from the PDC Housing Policy Manager, City of Portland Housing Policy Manager and Bureau of Housing and Community Development Housing Programs Manager.

The preliminary guidelines take into consideration the unique characteristics of each urban renewal area. The guidelines:

- Establish a threshold spending criteria for extremely low income rental housing,
- Provide the flexibility in the 31-60% MFI range for spending on either rental or ownership housing within the parameters of the guidelines.
- Cap spending on homeownership above 60% MFI homeownership, and
- Cap spending allowed from the set aside resources for community facilities.

These guidelines are not a final recommendation. Staff will be seeking input from the PDC Board, City Council and general public in January to develop a final recommendation that will be presented on February 14th to the PDC Board for consideration, and subsequently to the City Council. Planned public outreach activities:

January 3rd – Status Report to the Housing and Community Development Commission (HCDC)

January 10th – Briefing at PDC Board meeting, St. Johns Community Center, TBD

January 10th – Briefing to HCDC Executive Committee

January 8-30 – Presentation and discussion with various urban renewal advisory committees and stakeholder groups.

January 16th – Briefing to Housing Authority of Portland Board

January 18th – Presentation to the Community Development Network (tentative)

January 24th – Public Workshop, OAME 6:00-8:00 p.m.

February 7th – Housing and Community Development Commission Discussion (tentative)

February 14th – Action at PDC Board meeting

Late February – City Council meeting

It is understood that for PDC to achieve the spending targets for 0-30% MFI Rental Housing, additional resources from City, State or Federal sources will be required to provide rent or operating subsidies necessary to make this housing financially feasible and sustainable. It is also understood that projected unit production targets may be difficult to achieve given the limited availability of 9% low income housing tax credits and the financial feasibility of other tax credit models.

It is expected that the income guidelines will be reviewed in four years to determine if they provide the appropriate parameters for spending of tax increment financing (TIF) resources for affordable housing given City priorities and the availability of non-TIF resources as leverage.

If changes are made to the State legislation allowing tax increment to be spent outside of urban renewal area, then the Commission and City Council may want to review the income guidelines.

TAX INCREMENT FINANCING FOR AFFORDABLE HOUSING INCOME GUIDELINES

PRELIMINARY STAFF RECOMMENDATION

1. Neighborhood Urban Renewal Areas: The following income guidelines will apply to the urban renewal areas with boundaries that are outside the Central City:

- Interstate Corridor
- Lents Town Center
- Gateway Regional Center
- Oregon Convention Center (because of Martin Luther King Jr. Blvd.)

Income Guidelines: Resource allocations will meet the following criteria:

0-30% MFI Rental Housing:	<u>Minimum 35%</u> of all Set Aside resources (guidelines allow 35-80% of all Set Aside resources) » 6 year new and rehabbed unit potential: 140-440 units¹
31-60% MFI Rental & Homeownership:	<u>Maximum 45%</u> of all Set Aside Resources (guidelines allow 0-45% of all Set Aside resources) » 6 year new and rehabbed unit potential: 0-450 units²
61-100% Homeownership*:	<u>Minimum 20% and Maximum 30%</u> of all Set Aside resources (guidelines allow 20-30% of all Set Aside resources) » 6 year new and rehabbed unit potential: 200-300 units³
Low Income Community Facilities:	<u>Maximum 10%</u> of all Set Aside resources (0-10%) (guidelines allow 0-10% of all Set Aside resources)

* Homeownership investments will be restricted to 80% median family income (MFI) and below for units with fewer than three bedrooms and 100% MFI and below for units with three bedrooms or more.

2. River District and North Macadam Urban Renewal Areas: The following income guidelines will apply to the newer Central City Urban Renewal Areas which are focused on new development:

Income Guidelines: Resource allocations will meet the following criteria:

0-30% MFI Rental Housing:	<u>Minimum 50%</u> of all Set Aside resources (guidelines allow 50-100% of all Set Aside resources) » 6 year new unit potential: 275-550 units
31-60% MFI Rental & Homeownership:	<u>Maximum 50%</u> of all Set Aside Resources (guidelines allow 0-50% of all Set Aside resources) » 6 year new unit potential: 0-440 units
61-100% Homeownership*:	<u>Maximum 10%</u> of all Set Aside resources (guidelines allow 0-10% of all Set Aside resources) » 6 year new unit potential: 0-65 units
Low Income Community Facilities:	<u>Maximum 10%</u> of all Set Aside resources (guidelines allow 0-10% of all Set Aside resources)

3. Central Eastside Urban Renewal Area: The following income guidelines will apply to the Central Eastside Urban Renewal Area:

Income Guidelines: Resource allocations will meet the following criteria:

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|------------------------------------|---|
| 0-30% MFI Rental Housing: | <u>Minimum 35%</u> of all Set Aside resources
(guidelines allow 35-90% of all Set Aside resources)
» 6 year new unit potential: 35-90 units |
| 31-60% MFI Rental & Homeownership: | <u>Maximum 55%</u> of all Set Aside Resources
(guidelines allow 0-55% of all Set Aside resources)
» 6 year new unit potential: 0-75 units |
| 61-100% Homeownership*: | <u>Minimum 10% and Maximum 20%</u> of all Set Aside resources
(guidelines allow 10-20% of all Set Aside resources)
» 6 year new unit potential: 15-30 units |
| Low Income Community Facilities: | <u>Maximum 25%</u> of all Set Aside resources
(guidelines allow 0-25% of all Set Aside resources) |

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

Income Guidelines: Resource allocations will meet the following criteria:

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| 0-30% MFI Rental Housing: | <u>Minimum 60%</u> of all Set Aside resources
(guidelines allow 60-100% of all Set Aside resources)
» 6 year new unit potential: 250-375 units |
| 31-60% MFI Rental & Homeownership: | <u>Maximum 40%</u> of all Set Aside Resources
(guidelines allow 0-40% of all Set Aside resources)
» 6 year new unit potential: 0-100 units |
| 61-100% Homeownership*: | <u>Maximum 10%</u> of all Set Aside resources
(guidelines allow 0-10% of all Set Aside resources)
» 6 year new unit potential: 0-20 units |
| Low Income Community Facilities: | <u>Maximum 25%</u> of all Set Aside resources
(guidelines allow 0-25% of all Set Aside resources) |

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

Income Guidelines: Resource allocations will meet the following criteria:

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| 0-30% MFI Rental Housing: | <u>Minimum 75%</u> of all Set Aside resources
(guidelines allow 75-100% of all Set Aside resources)
» 6 year new unit potential: 300-400 units |
| 31-60% MFI Rental & Homeownership: | <u>Maximum 25%</u> of all Set Aside Resources
(guidelines allow 0-25% of all Set Aside resources)
» 6 year new unit potential: 60-140 units |
| 61-100% Homeownership*: | <u>Maximum 10%</u> of all Set Aside resources
(guidelines allow 0-10% of all Set Aside resources)
» 6 year new unit potential: 0-20 units |
| Low Income Community Facilities: | <u>Maximum 5%</u> of all Set Aside resources
(guidelines allow 0-5% of all Set Aside resources) |

NET IMPACT OF THE PRELIMINARY STAFF RECOMMENDATION PER 6 YEAR BUDGET PERIOD FY2006/2007 THROUGH FY 2011/2012

Based on preliminary revenue and budget projections currently under review by PDC department directors (staff recommendations for urban renewal area budgets for FY 2007/2008 – FY 2011/2012 and PDC Adopted Budget for FY 2006/2007):

Allocation of Affordable Housing Set Aside Dollars

Estimated Total Affordable Housing Set Aside	Budget Estimates from Staff Recommendations December 19, 2006			
	0-30% MFI Rental Housing	31-60% MFI Rental/Ownership Housing	61-80/100% MFI Ownership Housing	Low Income Community Facilities
\$163,850,000	\$84,200,000	\$54,200,000	\$19,850,000	\$5,600,000
% of Total Budget	51.5%	33%	12%	3.5%

Allocation of Units Produced from Affordable Housing Set Aside

Estimated Total Unit Production (units and/or homebuyers)	Budget Estimates from Staff Recommendations December 19, 2006			
	0-30% MFI Rental Housing	31-60% MFI Rental/Ownership Housing	61-80/100% MFI Ownership Housing	Low Income Community Facilities
\$163,850,000	1,000-1,350 rental units	750-900 rental units/homeowners/homebuyers	350-400 units/homeowners/homebuyers	NA
% of Total Units	45%	35%	20%	

¹ **0-30% MFI Rental Housing Subsidy and Unit Production Estimates:**

In Neighborhood URAs, assumes \$80,000 - \$120,000 per unit subsidy required. Lower subsidy for rehabbed unit and higher subsidy for family sized units. (unit range \$100,000/unit)

In River District and North Macadam URAs, assumes \$100,000 - \$140,000 per unit subsidy required for new construction. (unit range based on averaged \$120,000/unit)

In the Central Eastside URA, assumes \$60,000-120,000 per unit subsidy required. Lower subsidy for rehabbed unit and higher subsidy for new construction. (unit range based on 35% of funds at \$120,000/unit to 90% of funds at \$80,000/unit)

In the Downtown Waterfront and South Park Blocks URAs, per unit subsidy required and unit production based on actual projects in progress.

² **31-60% MFI Rental Housing or Homeownership Subsidy and Unit Production Estimates:**

In Neighborhood URAs, assumes \$25,000 - \$100,000 per unit subsidy required. Lower subsidy for homeowner home repair and higher subsidy for new construction rental and homeownership. (unit range based on averaged \$50,000/unit)

In River District and North Macadam URAs, assumes \$60,000 - \$100,000 per unit subsidy required for new construction rental. (unit range based on \$75,000/unit)

In the Central Eastside and Downtown Waterfront URAs, assumes \$50,000-100,000 per unit subsidy required. Lower subsidy for rehabbed units and higher subsidy for new construction rental or homeownership. (unit range based on \$75,000/unit)

In the South Park Blocks URA, per unit subsidy required and unit production based on actual projects in progress.

³ **61-100% MFI Homeownership Subsidy and Unit Production Estimates:**

In Neighborhood URAs, \$20,000 - \$75,000 per unit subsidy required. Lower subsidy for 100% MFI units and home repair and higher subsidy for 61-80% MFI homeownership. (unit range based on averaged \$50,000/unit)

In River District and North Macadam URAs, assumes \$75,000-\$130,000 per unit subsidy required for new homeownership. Lower subsidy for 100% MFI and higher subsidy for 61-80% MFI. (unit range based on \$100,000/unit)

In the Central Eastside URA, \$50,000-\$100,000 per unit subsidy required. Lower subsidy for 100% MFI and higher subsidy for 61-80% MFI and family sized units. (unit range based on \$75,000/unit)

In the Downtown Waterfront, and South Park Blocks URAs, assumes \$75,000-\$130,000 per unit subsidy required. Lower subsidy for 100% MFI and higher subsidy for 61-80% MFI and family sized units. (unit range based on \$100,000/unit)