

City of Portland Housing Bureau

DRAFT East Portland Rental Rehabilitation Program Guidelines

Purpose

The City of Portland Rental Rehabilitation Program is intended to prevent further displacement of low-income renters living in East Portland neighborhoods by providing owners of rental properties with forgivable loans up to \$25,000 per unit to correct property habitability and maintenance issues. Assisted properties will remain affordable for a period of 10 years.

Units must be able to be restored to decent, safe, and sanitary condition (defined below) with the maximum grant amount provided as determined by the City.

Eligible properties must be fully covered by comprehensive fire and hazard insurance as well as be current on property taxes at the time of closing the forgivable loan.

I. Geographic Requirements

[East Portland neighborhoods](#) as identified by the City of Portland Office of Neighborhoods.

III. Eligible Activities

Rehabilitation activities necessary to address outstanding or potential code violations, energy efficiency improvements, or lead hazard reduction are eligible. Limited soft costs and relocation assistance for existing occupants when absolutely necessary to complete the scope of work are also eligible.

II. Eligible Properties

Rental properties currently occupied by low-income households as defined by annual HUD income limits (see chart below). At the time of application, 80% of units in the property must be occupied by households earning 60% of area median family income (MFI). At the time of application, the remaining units may be occupied by households earning up to 80% MFI. Applicants must have determined tenant incomes at the time of application by having each tenant complete PHB’s [Tenant Income Certification \(TIC\)](#) form which must be included with the application.

IV. Eligible Applicants

For-profit property owners are eligible to apply. The property may be owned by an individual, trust, limited liability company or corporation. Applicants must be in title to the properties proposed in the applications.

V. Eligible Costs

Eligible costs include, but are not limited to expenses associated with the following:

- A. Correction of all identified or potential code violations under Title 29, the City’s Housing Maintenance Code;
- B. Reduction or elimination of any lead-based paint hazards identified by a certified risk assessor;
- C. Energy efficiency improvements that are not able to be funded by the Multnomah County Weatherization Program;

2016 HUD Median Family Income Limits		
Family Size	60% MFI	80% MFI
1	\$30,840	\$41,100
2	\$35,220	\$46,950
3	\$39,600	\$52,800
4	\$43,980	\$58,650
5	\$47,520	\$63,350
6	\$51,060	\$68,050

- D. Soft costs necessary to refine and complete the scope of work as well as required permit fees; and
- E. Relocation costs of tenants during the renovation period.

Current or potential code violations and lead-based paint hazards must be addressed before energy efficiency or other general property improvements can be considered for funding. The maximum rehab cost per unit for which PHB funds may be used is \$25,000 or \$250,000 in the aggregate. Rehab costs in excess of that amount must be contributed by the Owner into an escrow account prior to the closing of loan documents.

PHB funds will be disbursed directly to the contractor as work progresses. Progress payments will be allowed. Submission of backup documentation of expenses will be required to verify costs.

VI. Financing Requirements

A. Tenant Income

During the 10-year affordability period, any new tenant must income qualify at initial occupancy with a household income at or below 60% of Median Family Income. Once tenant income requirements (60% MFI) are met at initial occupancy, rising incomes of the same tenant will not require that tenants vacate the unit.

B. Rents

During the 10-year affordability period, landlords may charge the maximum allowable rent affordable to a household at 60% MFI as established annually by HUD.

C. Property Maintenance

Assisted properties may be subject to annual housing maintenance inspections.

D. Compliance and Enforcement

On an annual basis, owners must submit Tenant Income Certification (TIC) forms for each tenant. Requests to refinance will be evaluated on a case by case basis. Failure to meet tenant income or rent restriction requirements within 30 days of written notice from the City will result in City-imposed penalties being recorded as a lien against the property.

HUD 60% MFI Restricted Rents (including utilities)				
Bedrooms	1	2	3	4
Max Rent	\$825	\$990	\$1,143	\$1,276

VII. Regulatory Agreement

Applicants enrolling properties in the Rental Rehabilitation Program will be required to enter into a Regulatory Agreement with PHB which will detail the ongoing requirements of PHB funding during the 10-year affordability period. Failure to provide the meet the requirements for the full 10-year affordability period will result in repayment of all forgivable loan resources. The Regulatory Agreement and its affordability requirements may be assumed by subsequent property owners. Forgivable loans may be assigned upon approval of the PHB. Should owners of assisted properties wish to sell the property within the 10-year affordability period, both the City and Tenants will be provided with a 90-day notice. During the 90-day notification period, the Owner may not sell or contract to sell the property, but may engage in discussions with other interested parties. Within this period, the City or its designee may make an offer to purchase or attempt to coordinate a purchase by an owner committed to maintaining affordability.

VIII. Additional Requirements

A. Relocation

It is the intent of the Rental Rehab Program that tenant relocation will not be necessary for the completion of funded repairs. However, if an approved scope of work does require temporary relocation of tenants, Owners must work with City staff to facilitate the relocation process.

B. Tenant Protections

It is the intent of the Rental Rehab Program to prevent displacement of low-income tenants residing in East Portland. As such, the following tenant protection requirements apply for the full 10-year affordability period and will be detailed in the Regulatory Agreement:

1. All tenants occupying properties assisted by the Rental Rehab Program must be offered 12 month leases.
2. No-cause evictions are prohibited for units assisted by the Rental Rehab Program for the full 10-year affordability period. Only just cause evictions for violations of the lease are allowed during the 10-year affordability period.
3. A copy of the eviction notice issued to tenants occupying assisted units must be provided to the Portland Housing Bureau.
4. Should an assisted property be listed for sale, the City and tenants will be provided with a written 90-day notice prior to the Owner entering in a contract for sale of the property.

C. Lead-based Paint Hazards

Properties built before 1978 may contain lead-based paint hazards that can poison young children. Properties built before 1978 receiving assistance from the Rental Rehab Program will be tested for lead-based hazards that must be addressed.

IX. Rental Rehab Program Process

- A. Owner completes program application and provides current tenant and rent certification forms to PHB.
- B. Applications will be reviewed by PHB and a housing construction coordinator will schedule a site visit to develop a proposed scope of work.
- C. The proposed scope of work will be reviewed with the property owner. City staff and Owner will agree on the scope of work which will be limited to the maximum grant amount.
- D. Construction scope of work will be bid to contractors on the City's approved contractor list.
- E. Bids will be reviewed by City staff and the Owner. The lowest cost reasonable bid will be selected.
- F. Approval by the PHB Housing Investment Committee (HIC)
- G. Forgivable loan documents will be drafted by PHB and signed by the City and Owners. The City will record the Regulatory Agreement on the property.
- H. The contractor will pull permits and begin work. Construction invoices must be approved by the Owner and City staff. A progress payment schedule will be established as part of funding agreements. Payments will be made directly to the contractor.
- I. For the length of the 10-year affordability period, the Owner will provide annual reports on the occupancy, rents charged, and physical condition of the property.

For further information, contact:

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