



PORTLAND HOUSING BUREAU

Portland Housing Advisory Commission
Tuesday, November 1, 2016
 3:00 p.m. – 5:00pm
 Portland Housing Bureau, Ste. 500
 421 SW 6th Ave.
 Portland, OR 97204

✓ = PHAC public member action item
 ▶ = PHB staff member action item

November Meeting Minutes - FINAL

Members Present: Amy Anderson, Dan Steffey, Dike Dame Elisa Harrigan, Maxine Fitzpatrick, Sarah Zahn

Members Excused: Betty Dominguez, Stephen Green, Cobi Lewis, Nate McCoy, Tom Brenneke

Staff Present: Cupid Alexander, Cheyenne Sheehan

Guests Present: Andrea Matthiessen (Rental Rehab & Mortgage Assistance Program), Dory Van Bockel (MULTE), Mike Johnson (Budget)

As always, find all PHAC meeting materials archived at PHAC's website at <http://www.portlandoregon.gov/phb/phac> and click "Meeting Archives" in the gray block on the left side of the page.

Agenda Item	Discussion Highlights	Outcomes / Next Steps
Call to Order, Roll Call, Minutes	Sarah opens the meeting – quorum is not yet reached. Sarah asks for public testimony. There is no testimony offered. Sarah begins the meeting with Andrea’s presentation of the Rental Rehabilitation Program plan development. Quorum is reached by the end of the Mortgage Assistance Program presentation and the group reviews October minutes. No changes are suggested. There is a motion to approve the minutes, motion is seconded, and minutes are unanimously approved by the group.	
Public Testimony	No public testimony offered.	
Rental Rehabilitation Program	Andrea Matthiessen of PHB presents the Rental Rehabilitation Program Guidelines . This is a new program that PHB is in the process of developing and rolling out. It has been brought to the PHAC for review and discussion. The program is intended to prevent further displacement of low income renters in SE Portland. Low income renter households are being defined for this program	

at 60% Median Family Income (MFI) and below. The program is being piloted in SE Portland neighborhoods – if it is successful it will eventually become a city-wide program.

The dollars funding this program were allocated to PHB in the 2016-17 budget and are general fund dollars. The initial budget for the program is near \$500K and the funds for the program are ongoing at approximately \$1.5M annually.

QUESTION: Did PHB partner with local landlords in developing the program?

ANSWER: Andrea answers that PHB met multiple times with several private rental property owners, as well as numerous tenant advocates, and East Portland Action Plan members to develop the program.

The East Portland neighborhood boundaries for this program can be found here; <https://www.portlandoregon.gov/oni/article/60589> - only properties within these boundaries will be eligible for the program. At some point, when program effectiveness has been demonstrated, PHB would propose to expand these boundaries citywide and additional resources would be requested for the program’s expansion.

QUESTION: Has this program been used in other cities?

ANSWER: Andrea explains that very similar programs have been used in numerous other jurisdictions across the country. If you Google “rental program guidelines” you will see at least two dozen results of similar programs.

Administrative Note: Per Andrea’s suggestion I Googled “rental program guidelines” and came up with these [results](#).

QUESTION: Is there something recorded against the property itself? If someone in the program sells the property does the new owner assume the obligation?

ANSWER: If the enrolled property owner wishes to sell, they would have two options; they would either pay back the totality of the grant dollars disbursed to them, OR the new owner would agree to assume the remaining affordability period. The program obligation is recorded against the property.

QUESTION: Section 2 of the handout discusses that 80% of the units in the application property must be occupied by families earning 60% MFI or less, is that common?

ANSWER: PHB is trying to be as flexible as possible as partnerships with rental property owners are explored. PHB imagines that not all of a property owner’s tenants would be at or below 60%

MFI at the point of application, so the program allows that up to 20% of their tenants can be up to 80% MFI.

QUESTION: How much money has been allocated to this program?

ANSWER: There is \$500K allocated in the current 2016-17 fiscal year and an additional \$1.5M in annual ongoing funds.

QUESTION: The program is designed for existing property owners. Would PHB consider this program as part of an acquisition strategy? PHB may find that more property owners may be willing to comply with the program at the time of acquisition.

ANSWER: At this point with the objective of preventing tenant displacement, it makes absolute sense to consider this program in conjunction with property transfers.

QUESTION: What is the expected number of units that can be kept affordable at this level of funding?

ANSWER: If you use the \$25K per unit maximum subsidy, this fiscal year would yield about 20 units. As the funding increases, that number continues to rise over time. At this point PHB doesn't know what kinds of properties will enroll in the program. Based on conversations with the Bureau of Development Services (BDS) about the types of properties that are known to have outstanding code violations, they tend to be properties with no more than 10 or 12 units.

Andrea adds that the [Multnomah County Weatherization Program](#) is fully committed to partnering with this program. This gives PHB the opportunity to leverage resources in order to impact a greater number of units.

QUESTION: What is the funding source?

ANSWER: General Fund dollars.

QUESTION: When do you expect to implement the program?

ANSWER: Andrea expects the program will be heard at council within the next several weeks. PHB has had preliminary conversations with a handful of property owners but haven't executed a robust outreach plan as of yet. There also needs to be more work done evaluating the information provided by BDS around where properties with existing outstanding violations are located.

	<p>QUESTION: Is there any intersection between this program and PHB’s social equity and diversity goals?</p> <p>ANSWER: Andrea explains that PHB would expect to realize minority contracting outcomes through the program. PHB also knows, through the Community Needs Hearings that happen throughout the year that there are many rental households from communities of color living in properties with safety hazards and deferred maintenance. Another strategy for identifying potential properties is for PHB to have partnerships with social service providers and culturally specific organizations who work with clients living in properties with these issues. The client would give their address and owner information and PHB could proactively contact the owner.</p> <p>QUESTION: Does the program work on a first-come, first-served basis?</p> <p>ANSWER: That is a point that is yet to be determined.</p> <p>Elisa suggests that outreach to culturally specific groups includes landlords from communities of color, which might be a way to reach potential program participants. She thinks it will be interesting to see the data analysis over time to see who is participating in the program.</p> <p>Kurt adds that there used to be a federal rental rehabilitation program that he administered for King County. The only big difference between PHB’s program and the federal program is the federal program required a dollar for dollar match of funds from the owner. Even then they were spending \$3-5M per year twenty-five years ago. If there was more money available this would be a city-wide program. It’s important to look at results of the pilot before it is taken city wide. Kurt adds that in the upcoming budget year PHB expects to proffer a mandatory inspection program whereby rental properties would be inspected every three years. Gresham does this currently. More properties needing repair will be identified using a mandatory inspection program. Rather than closing units down, which would exacerbate the housing emergency, the City would like to offer financing instead of sanctions. The programs will work together in a way that will be positive and he hopes that the funding for the program will grow significantly within 3 – 5 years.</p>	
<p>Mortgage Assistance Program</p>	<p>Andrea presents the Mortgage Assistance Program Draft Program Guidelines.</p> <p>PHB primarily uses Tax Increment Financing (TIF) resources to provide down payment assistance; these are only available in Lents and the Interstate Corridor. Lents is still relatively affordable, but is quickly becoming less affordable. In Interstate the homes are essentially out of reach for the households PHB works with at 80% MFI and below.</p>	

This program is an attempt to provide better support city-wide to households in terms of the dollar amount. The current down payment assistance offered through PHB averages about \$80K per household and it needs to be paid back if the homeowner sells the property within the 30-year period.

The new program which is being implemented in partnership with private mortgage lenders, would allow first time homebuyers to pay slightly higher interest rates in return for the lender providing between 3% – 6% upfront for the down payment. The lender then amortizes the down payment amount over the life of the mortgage.

Andrea wants to be clear that these are not city funds being used. These funds come directly from the lender. The value of the down payment assistance would be forgiven by the lender after 10 years. The borrower will pay the increased interest over the life of the loan. If the borrower sells the home after 10 years, they will not need to repay the down payment to the lender. The lender will have already been paid back by the higher interest rate. If they sell prior to 10 years, they will need to repay the down payment to the lender from proceeds of the sale.

Andrea explains that her team did some analysis when trying to determine what the affordability period would be for this program. They looked at the spread between a 4% and a 4.5% example. In both cases the value of the down payment assistance wasn't met until about 10 years. This is an example, and differs based on the mortgage amount. The way the amortization schedule works, by the time the homebuyer reaches the second half of their mortgage, they will be paying less interest and more of the principal with each payment.

The buyer can refinance if they choose to, there is no limitation on that at any point in the process.

Maxine asks how long it would typically take for a buyer to pay off the down payment. She uses an example of a \$12,000 down payment on a \$200,000 mortgage. Andrea responds that it would generally take between 8 -12 years. They would continue to pay the higher interest rate for the life of the mortgage.

Dan adds that these scenarios being discussed don't count the potential income tax break the buyer would get on their mortgage interest.

Andrea adds that refinancing is allowed, and that it's anticipated that interest rates will continue to rise. She believes it's better to get into home ownership while rates are low, than to wait for them to rise. This program could assist more families while interest rates are still low, rather

than having to wait five or more years in order to save enough for a down payment and interest rates could conceivably be much higher.

Andrea clarifies the program point again by saying with this program, the mortgage company provides the down payment assistance. PHB records a lien against the property for the amount of the down payment assistance and after ten years, any remaining amount of the down payment assistance is forgiven.

Dike comments that this isn't really much different than how he thinks of Private Mortgage Insurance (PMI). With PMI the buyer makes a low down payment and pays a higher interest rate until they have paid of 20% of the loan. The difference in this program is that it encourages people with no down payment at all to buy a home. This makes sense to him because he bought his first house with no down payment – he was able to use sweat equity by painting the home. He got credit for his labor toward his FHA loan.

Dan remembers in the 1960s you could buy a house for a \$50 down payment and some paint.

Andrea goes on to say that this program is structured to be used along with some of the other homeownership programs that PHB offers such as the Mortgage Credit Certificate (MCC), the Limited Tax Exemption (LTE) and System Development Charge (SDC) programs.

QUESTION: Which lenders have expressed interest in participating?

ANSWER: The list of participating lenders is currently the same list of lenders that are approved to work with the MCC program.

ADMIN NOTE: The full list of MCC lenders can be found on PHB's website at this link;
<http://www.portlandoregon.gov/phb/article/430045>

QUESTION: Is this 3%-6% of the home price enough down payment for the homebuyer to be able to buy without additional assistance?

ANSWER: Andrea answers that it would be for some deals and maybe not for others. FHA requires only 3% down so it would work for a homebuyer using an FHA loan. It will take some time to know how successful the program will be.

QUESTION: How much resource is available for this program?

ANSWER: It is unlimited since it is lender financed.

	<p>Andrea explains that the guidelines for the program will be finalized in the next few weeks. She invites additional feedback and questions from PHAC.</p>	
<p>2016-17 Budget Process</p>	<p>Mike Johnson presents on the 2016-17 Budget Process. The slides he shows today include higher level information and are not disaggregated by race or ethnicity. It's a general view of the current City economics to give a "big picture" look at Portland's economy.</p> <p>The general budget guidance slides take into account Mayor Elect Ted Wheeler; Mike doesn't anticipate any major impact on the draft budget guidance once he takes office.</p> <p>The Housing Bureau has been asked to offer up 2% cuts to its general fund budget. 1% of that would likely be added back in. Other general fund bureaus have been asked to cut 5%. Non-general fund bureaus are asked to keep their fee and rate increases as low as possible. Last year's trend is continuing in that affordable housing related programs are a priority for the City.</p> <p>Slide 13 of the presentation shows the preliminary budget calendar and Mike reminds the PHAC that ahead of budget recommendations, PHAC will spend a couple of meetings as the Budget Advisory Committee and will make budget recommendations to the Mayor in the form of a letter as per usual.</p> <p>The final slide breaks down the preliminary budget decision packages for new and ongoing programs at PHB. Mike points out that this year will be different for PHB in that the Joint Office will be making budget asks for the homeless programs that used to operate through PHB. The Joint Office, for those who don't know is the agency that coordinates and funds all of Portland's and Multnomah County's homeless programs; it was formed last Spring. One office is coordinating all of the work on homelessness as well as disbursement of funds to contractors. The City and County are hoping to see more efficiency and benefit by combining homeless services.</p> <p>Sarah adds for those PHAC members who haven't been part of the budget cycle in the past, this creates a big change in the way the BAC will look at the PHB budget, since a large piece of it has now been administered by the Joint Office. Sarah thinks PHAC as the BAC should consider whether or not it is important to members to be able to review the Joint Office's budget ask. She also thinks it might be wise to consider having a member of the Joint Office join the PHAC as additional PHAC recruitments are considered.</p> <p>Mike agrees and he also thinks PHAC members should consider serving on the Joint Office Coordinating Board as well.</p>	

Dan asks if Mike has any idea what the rental registration fee might look like. Mike responds that there isn't a decision on that as of yet. PHB wants to look at this holistically with the proposed Tenant Protections Office.

Dan thinks rental inspections should be focused on both health and safety of the residents, and protection of the public investment in the housing itself. If an asset management inspection is not included in the properties PHB finances, then a liability is being deferred.

Mike agrees and adds that PHB is working to improve asset management group inspections. Recently BDS has shared that some of PHB's partners have outstanding code violations, which was surprising to staff. PHB is now looking at more information sharing between partners, PHB, and BDS.

Elisa wants to make sure that the fee schedule for rental registration is affordable for private landlords to ensure that hefty fees aren't passed along to the tenants. The rental registration inspections would also transition inspections from being a complaint driven process to a mandatory process which makes tenants feel much more confident and safer knowing they can have their unit inspected without fear of retaliation.

Mike answers that the registration fee structure is being thought out – there are multiple options, surcharges, per unit charges etc. as well as how often the fee would be paid; every year, two years, three years, whatever it may be. A lot will depend on the staffing level at BDS.

The discussion continues among the group on different forms the registration program will take.

Maxine asks if there is a chance that there can be sharing of the inspection process because generally for affordable housing there is more than one source of funding. Each funding agency tends to want to inspect on an annual basis. The residents will complain if there are too many agencies inspecting on a regular basis.

Mike agrees and says that is part of what they are looking at so they can avoid multiple inspections.

Discussion of inspection sharing options and inspection standards continues.

Amy asks about vector control and how those reports are shared since tenants are told to call the county regarding vermin.

Sarah says as this program develops she would like to see it back on the PHAC agenda in the coming months for additional discussion and review.

	<p>Mike thinks it would probably make sense to bring it back to PHAC at the January meeting.</p>	
<p>MULTE Application Hearing</p>	<p>Dory Van Bockel presents Holland Development’s MULTE Program application for 17th and Pettygrove. This project was approved previously, it is being brought back to PHAC because they were able to secure an additional lot adjacent to the project and are increasing the total number of units by 80 units. This means there will be additional affordable units and a change to the foregone revenue. Affordable units increase to 40 units at 80% MFI and below, from 23 units previously approved. The units will be distributed among the unit types. There is additional foregone revenue for the project of over \$100K.</p> <p>This project is going before City Council for a first reading on November 2nd, 2016 and approval on November 9th, 2016.</p> <p>Maxine notices that the majority of the units approved under the MULTE are smaller units like studios and one bedrooms – she wants to know if these small units have been identified as the most needed. She sees very few family sized units. She wants to know if this issue is considered during the application process.</p> <p>Dory explains that the MULTE program doesn’t address issues like need, area, or population served. It is strictly 20% of whichever units are being built in each project. The program isn’t specifically meant to address those issues. It is meant to incent developers to put some affordable units into their projects voluntarily using the value of the tax exemption.</p> <p>Dan shares that by his math for 271 units created at \$3,262.401.00 that pencils to about \$12,000 per unit per year which seems expensive.</p> <p>Dory agrees but adds that this is not money the Bureau has to spend getting the units, it is foregone revenue from the tax exemption. After the affordability period of ten years ends, those units go back on the tax rolls.</p> <p>Amy asks how many individuals can legally live in a studio apartment.</p> <p>Dory answers that the general occupancy standard is two people per bedroom plus one. The MULTE program itself doesn’t have a standard, this is usually set by the property owner/manager based on their calculations for wear and tear, sanitation, etc. For the inclusionary housing guidelines that are being developed, of which the MULTE will be a part of that incentive package, PHB is looking at being more proscribed whereas the MULTE program is</p>	

	<p>fairly silent on those kinds of requirements aside from an extended notification period if a tenant is no longer eligible for the affordable unit.</p> <p>Elisa would like to know if there is an opportunity at any point to provide recommendations for changes to the MULTE program, for example, having it offer deeper affordability options.</p> <p>Dory says these kinds of conversations are ongoing and the program has changed significantly since the program review in 2012. Many options were discussed including family sized units and units affordable at lower MFI's. As an elective program, developers simply chose not to use it. In 2015 the program was made more flexible and it seems the program is being used more often than ever by developers. The level of affordability has been balanced based on the benefit of the tax exemption with the effect of the discounted rents on projects – lower levels of affordability just don't pencil out for the developer. Moving forward, the program will likely not exist as a stand-alone program once inclusionary housing goes into effect.</p>	
<p>Good of the Order</p>	<p>Sarah asks if there are any other items to be addressed since all agenda items are complete.</p> <p>Cupid Alexander informs the PHAC that all City Bureaus are rolling out their required Racial Equity Plans (REP) at the end of November. PHB is the final stages of completing its REP and will be sending it to PHAC in a rough draft form in about three weeks for review. PHB has been working on a very condensed timeline due to competing bureau priorities such as inclusionary housing. The whole bureau has had an opportunity to weigh in on actions in the plan to address results of the Bureau Equity Assessment done in 2014-15. All of the City Bureaus' REPs will be presented to Council in December. There are some plans available online currently and can be found at http://www.portlandoregon.gov/oehr/70046 .</p> <p>PHB's version of the REP is very robust and he looks forward to feedback from the members of PHAC.</p> <p>Maxine asks if there is a monitoring process for the REP and if there is a remedial structure in place in case planned actions are not successful.</p> <p>Cupid explains that there is a five-year monitoring process. PHB built an additional review at the halfway point in order to look at results and reassess as necessary. The idea is to tie back into the plan if it looks like stated goals aren't being met to figure out a new strategy to improve results. Generally, actions are tied into performance review goals for those tasked with actions.</p> <p>Sarah closes the meeting and the next meeting of the PHAC will take place on December 6th, 2016.</p>	