



PHB Portland Housing Bureau

Mayor Ted Wheeler ▪ Director Kurt Creager

Affordable Housing Bond Stakeholder Advisory Group

Monday, April 17, 2017

10:00 a.m. – 1:00pm

Portland Housing Bureau, Ste. 500

421 SW 6th Ave.

Portland, OR 97204

Bond SAG Meeting 1 Summary

Participants Present: Margaret Bax, Jerome Brooks, Bob Brown, Frieda Christopher, Dike Dame, Maxine Fitzpatrick, Duncan Hwang, Jes Larson, Allan Lazo, Emily Lieb (by phone), Bev Logan, Andy Miller, Patricia Rojas, Vivian Satterfield, Felicia Tripp, Jonathan Trutt

Participants Excused: Rahaina Ansary, Tom Rinehart, Shannon Singleton, Ann Takamoto

PHB Staff Present: Jennifer Chang, Cupid Alexander, Cheyenne Sheehan, Matthew Tschabold, Kurt Creager, Javier Mena, Karl Dinkelspiel

Other City Staff Present: Andrea Valderama (Mayor Ted Wheeler’s office,) Eric Johansen (Office of Management and Finance,) Lisa Gramp (City Attorney)

Guests Present: Harvey W, Rogers (Hawkins, Delafield & Wood, LLP)

Find all Bond SAG meeting materials archived on the Bond webpage at <https://www.portlandoregon.gov/phb/73420> and click “Meeting Materials”.

Responsible Person	Action Item
SAG Representatives	Send additional comments on draft Guiding Principles to Jennifer Chang (Jennifer.Chang@portlandoregon.gov) by Monday, May 1. Comments will be incorporated into a revised version of the draft.
Jennifer Chang	Provide revised draft Guiding Principles by the next SAG meeting (May 4 th)

Agenda Item	Topic Summary
Welcome & Introductions	<p>Mayor Ted Wheeler joined the meeting by phone to welcome the SAG participants. He stressed the importance of SAG’s work and stated the City’s commitment to meaningful community engagement in developing the policy framework for the Bond. Housing is one of his top priorities and he will be closely following the work of the group. He introduced Andrea Valderama, his Senior Policy Advisor, who will be the liaison of the SAG to his office.</p> <p>PHB Assistant Director Javier Mena welcomed the group and introduced Jennifer Chang, Cupid Alexander, and Cheyenne Sheehan as the PHB staff for the Bond SAG. Javier added comments of gratitude by saying that it is thanks to many of the</p>

	<p>participants in the room that the GO Bond passed –this is not PHB’s Bond, or the City’s Bond, but everyone’s Bond and we all have to make sure that it’s successful.</p> <p>Bond SAG members introduced themselves and their affiliations and give a sentence about why they are interested in being a part of the group.</p> <p><i>For the full list of participants, including those not in attendance for the introductions, please click here.</i></p> <p>A Conference line will be available for all meetings held at PHB. The call-in information will be sent out prior to meetings. Contact Cheyenne Sheehan with questions/concerns.</p>
<p>Committee Purpose</p>	<p>Kurt arrived and gave a presentation on the SAG’s purpose (slides 2 through 4). Kurt stated the intellectual capital, passion, and energy of the Bond SAG participants is crucial to the City’s successful implementation of Bond funds.</p> <p>The SAG is an informal advisory group to the Housing Director. The SAG will advise on the development of the Framework Plan of the Bond. The Framework Plan will be finalized and adopted by PHB, and sent to the Mayor for City Council adoption for use by the Bond Oversight Committee. There may be issues that come up in the development of the framework that will need deeper analysis, so it may be necessary to engage subcommittees of the Bond SAG at some point (PSH as an example).</p>
<p>Logistics on Group Process</p>	<p>Jennifer continued with the presentation focusing on logistics (slides 5-7).</p> <ul style="list-style-type: none"> • The goal is to have a framework plan finalized by August 2017. • Some meetings will be at PHB and some will be evening meetings at community locations (see full meeting schedule here). • 90% of participants who responded to a survey would like to appoint a point person from the group to coordinate with staff on agenda development <ul style="list-style-type: none"> ○ If you have not completed the survey, please do so as soon as possible (contact Jennifer Chang if you need the link re-sent to you) • Ways information and ideas will be gathered is summarized on slide 7 of the presentation. <p>QUESTION: Can public comment time be moved to the beginning of the agenda, to accommodate attendees who may not be able to stay for the whole meeting?</p> <p>ANSWER: Jennifer said yes, we will consider this option. We will request public comment be focused on agenda topics in the meeting. Kurt mentioned the reasoning for offering testimony at the end of the meeting is to offer opportunities for attendees to hear broader information and context related to the agenda topics. PHB staff will consider timing of public testimony time based on the nature of the agenda and topics to be covered.</p>
<p>Bond Basics: Legal Framework, General Info, Goals</p>	<p>Harvey W. Rogers, the City of Portland’s Bond Attorney at Hawkins, Delafield, & Wood LLP, makes his presentation on the Legal Limits of the Use of General Obligation Bond Proceeds slide 8 through 17 of the presentation.</p> <p>QUESTION: <i>The word “whatever” is used many times in the Oregon constitution. Is it simply a declarative statement?</i></p>

ANSWER: Harvey thinks of it as an emphatic word suggesting that an evasion to the statement shouldn't be respected.

QUESTION: *Please explain the difference between the State's [LIFT program](#), which allows leveraging of Low Income Housing Tax Credits (LIHTC) with GO Bond funds and the City of Portland's Affordable Housing GO Bond.*

ANSWER: Harvey disclosed that his firm is also Bond counsel to the State of Oregon and consulted extensively with Oregon Housing and Community Services (OHCS) on the LIFT program. They can use Bond funds more flexibly because the laws are different. The lending of credit provision applying to the City of Portland is Article 11 Section 9 of the Oregon Constitution and it only applies to local governments. The State has a different provision, Article 11 Section 7. Every time the State authorizes a GO Bond program, it amends the constitution to describe that program. The LIFT Bonds are being issued under Article 11 Section 11Q of the Oregon Constitution which begins, "Notwithstanding Article 11 Section 7 of the Oregon Constitution... the State may borrow money to finance property that is owned or operated by the State." There is no lending of credit prohibition, but it is not available to the City because the State and the City operate under different laws.

QUESTION: *Welcome Home is also working with State leaders to find out what a constitutional amendment would look like to be able to make Bond funding more flexible. What would an amendment have to say to remove the limitations on the City lending its credit to artificial entities?*

ANSWER: Harvey responded that amending the Constitution is the right thing to do in the context of creating much needed affordable housing. He feels lawyers are good at telling you how to do an amendment and telling you the correct words to use, but they aren't great at knowing what the right thing is for society. In speaking with Eric Johansen, the City's debt manager, they discussed how the State Bonds can be used to finance property that is owned or operated by the State. If you agree with that you could allow cities to do the same. The only thing that ignores is there are still restrictions that OHCS is unhappy with that don't allow them to use the funds in ways they would like to use them. His sense is that the City would like to be able to provide funds to good housing projects without many restrictions. Owned or operated is a restriction that can be worked around, but maybe it makes sense to think a level higher and see if you can come up with something that would really fit the needs.

QUESTION: *The last bullet point on page 17 of the presentation is "Leverage the limited Bond proceeds to finance as many projects as is reasonable". Should that be read to mean the framework this body provides should only consider developing the maximum number of units without other considerations?*

ANSWER: Harvey fielded the question to PHB Staff because it is not a legal requirement of the Bond, but a policy directive of the City that the Bond funds not be spent on one project.

QUESTION: *What other funds can the Bond funds be combined with?*

ANSWER: Harvey answered that it doesn't easily work with LIHTC because they are a Federal credit that is given to the owners of a property that is eligible. For the tax credit to do any good, the owner has to be a tax payer – in order for the government to use the tax credits they would transfer ownership into a private or artificial entity which is expressly prohibited by the constitution. The City is looking at using HUD financing for some assets. Other funds that may be available are dependent on what the financing providers ask for. Urban renewal agencies can inject funds easily to projects that are within the urban renewal area boundary. It is unknown currently whether the City could use accumulated General Funds, the City Attorney should be consulted on that. HOME, HOPWA, CDGBG funds could be used as long as the Federal agency's restrictions are compatible with the project.

QUESTION: *The City needs to own and control the Bond financed properties, does that mean they have to operate and manage it too?*

ANSWER: Harvey answered no and explained that there are rules. Some long time transactions and relationships that actually transfer ownership interest. Those are prohibited e.g. lease/purchase agreements. Non-profit or for-profit property managers can be used if the management agreement is limited term and meets with IRS rules for projects financed with tax exempt Bonds.

QUESTION: *Since lease/purchase is not allowed with GO Bonds, but with City ownership, if there was a right of first refusal for a not-for-profit entity at the end of the twenty-year Bond term, would that be acceptable?*

ANSWER: Harvey answered that the right of first refusal means the City has control over how it sells, and the price at which it sells, but it would offer the property on similar terms to the existing entity. Harvey didn't think Bond Counsel would have a problem with that, though there may be policy reasons the City would not be interested in doing that.

QUESTION: *In the tax credit rule, usually the non-profit can buy the property for \$1.00 – would there be any need to look into whether that would need to be a market price rather than a below market price as far as the right of first refusal?*

ANSWER: Harvey answered that there are lots of doctrines that treat long term agreements as transferring ownership. Something that transfers ownership for less than fair market value at the time of the transfer the future value could create issues. This should be examined carefully.

QUESTION: *When Portland Housing Advisory Commission (PHAC) was informed of the acquisition of the Ellington, it was said that some of the cash flow from the Ellington could ultimately be used to borrow \$10 million, is that accurate?*

ANSWER: Kurt responded that there is a section of the today's presentation that will speak specifically to the Ellington and he Karl can answer that question when he presents.

Karl Dinkelspiel, Manager of Rental Housing Development, presented on Bond Basics in the [presentation](#) from slides 18 to 24.

Important Concepts:

- The Bond Basics Model Assumptions on slide 20 is a model ONLY based on the amount of Bond funds that would be raised. These numbers can be changed and are not in the act itself, but they are prominent goals.
- In order to reach the assumed goals, the 400 project based section 8 vouchers are crucial.
- Bond financed projects are targeted to households making no more than 60% Area Median Income (AMI)
 - Max rent by AMI is no more than 30% of income and includes utilities
- When considering projects comprised of all 0-30% AMI units, they will always operate at a financial loss
 - One way to make up for that loss is with project based Section 8 vouchers or other operating support

Karl continued with the presentation by discussing the Ellington Apartments from slides 25 and 26. He pointed out that the Ellington was not purchased with Bond funds, though the plan is to refinance the Ellington with majority Bond funds, though the amount is yet to be determined. Some of the units in the Ellington are already income restricted for forty years.

Karl came back around to the question asked previously:

QUESTION: *When PHAC was informed of the acquisition of the Ellington, it was said that some of the cash flow from the Ellington could ultimately be used to borrow \$10 million, is that accurate?*

ANSWER: Based on assumptions of the net operating income for the project PHB assumed approximately \$20 Million could be leveraged into the project. Of that, \$10 Million could be taken out to pay towards the existing loan from the City and \$10 Million would be used for rehab, of which there are significant needs including plumbing, drainage, electrical, and structural needs.

QUESTION: *On slide 18 it says that Bond funds can be used to purchase land. Can that land then be leased to someone else to build affordable housing? If so, can the land be subordinated?*

ANSWER: Harvey answered yes, the land can be leased. Subordination is more complicated. What wouldn't work is if the City subordinated their interest and the lender ended up owning the property and using it for its own purposes. It is feasible though for the City to lease the land to some kind of housing operator while the lender takes over the tenant's rights and can use the property to provide housing for the term of the lease. The length of the lease would be dependent on whether a long term transaction is essentially conveying ownership rights. That would need to be decided on a case by case fact specific analysis. The lease could be a limited partnership, but the lease would have to be an operating lease, not a financing lease. The City could conceivably finance the land while another entity finances the structure and that entity could then get tax credit financing for the building.

QUESTION: *Given the changes in D.C. do we still forecast that those 400 Section 8 vouchers will be available to support the Bond projects?*

ANSWER: Jonathan Trutt responded Home Forward is looking closely into this to make sure they can sustain and follow through on that commitment.

QUESTION: *What will happen to the people in the Ellington that will be displaced because they are over income?*

ANSWER: Karl answered that tenants will have at least a year's notice notifying the tenants that PHB has purchased the property and that rents restrictions will be lowered. Some tenants will move on their own and notifications to those who have to move will be done on a case by case basis and with as much notice as possible.

QUESTION: *On slide 20 the model assumptions are stated as unit percentages (29% Acquisition Units and 71% New Construction Units), but in the exhibits with the policy that passed in June those assumptions were stated as funds percentages (25% Acquisition Funds and 75% New Construction Funds). Has there been a change?*

ANSWER: Karl explained in writing the language in the bond referral the figure was slight adjustments due to rounding; the unit percentage in the model as expressed on slide 20 is accurate.

QUESTION: *On slide 21 it says that some of the projects will be on land already PHB owned or controlled which is a small degree of leverage included in the model and pre-assumes geographic locations prior to the SAG recommending geographic locations. If for some reason there isn't alignment between the geography of existing land and geography recommended by the SAG could the City sell that land and buy other land with the proceeds?*

ANSWER: Javier answered that could be one of the options. Another option is PHB would keep the site and find other (non-Bond) resources to develop it.

QUESTION: *Is it possible to see the background information that the model was built on?*

ANSWER: Karl answered yes, he can provide the summary of the model. Those interested should contact Karl at: Karl.Dinkelspiel@portlandoregon.gov.

QUESTION: *In the Bond basics section of the presentation it said that the Bond can fund land purchases. Because land prices continue to go up, it makes sense to buy land as soon as possible. How long can PHB sit on land that it purchases with Bond funds before developing?*

ANSWER: Harvey answered 283 years. Karl continued by saying that land banking could be a possible option.

QUESTION: *What area does is Area Median Income (AMI) encompass?*

ANSWER: Karl responded it is the seven counties that HUD considers the Portland Metro Area. These are Clackamas, Clark, Columbia, Multnomah, Skamania, Washington, & Yamhill counties.

QUESTION: *As lower income people are displaced from areas and replaced by higher income people, is the AMI rising because of that displacement, and does that change the people who will benefit from these Bond funds?*

ANSWER: Karl responded the area discussed is a very large region and people being displaced from one area of Multnomah County may move to another county, but it's difficult to answer. Someone else clarified that the HUD AMI is calculated on the first five of the previous six years and takes an average which means annual changes don't cause a big spike in the numbers.

QUESTION: *Does the City of Portland actually have to own and operate Bond funded projects, or can other government entities like the Housing Authority or the County own and/or operate them too?*

ANSWER: Harvey answered the prohibition is on artificial entities acquiring an ownership interest; transfers to the housing authority or the County wouldn't be a problem, but transfers by them to an artificial entity would be prohibited. Karl adds that the City Office of Management and Finance has other issues regarding the City owning debt without also owning an asset. Eric Johannsen, the City's debt manager commented the City has been in situations where it has financed projects for other governments, like the Metro Convention Center for example. The City is sensitive to having an asset relative to the liability being entered into. The City would be resistant to incurring debt on the GO Bond without a corresponding asset attached.

QUESTION: *In regards to the Ellington, were the rehabbed costs factored into the cost per unit?*

ANSWER: Karl answered that the acquisition cost came out to approx. \$178K per unit. The expected Bond expenditure for the building is approx. \$37 Million which means the average unit cost per unit will actually go down. He doesn't have the number with him, but he said if you divide the unit count of 263 into \$37 Million you will see the difference.

ADMIN NOTE: *Per the math Karl provided, Admin came up with approx. \$140,684.00 per unit.*

Break for lunch.

	<p>Matthew Tschabold called the meeting back to order and informed the SAG representatives that the Public Records/Public Meeting Requirements section of the agenda will be moved to a future meeting. He also informed members of the audience if they'd like to make public comment, they should complete a comment card and they will be called during that part of the agenda.</p>
<p>Guiding Principles</p>	<p>Jennifer explained that a discussion on guiding principles will be the first part of the framework plan. Guiding principles are statements that provide values and aspirations for the affordable housing Bond. The draft of the Guiding Principles is in the packet which was created by PHB staff using various resources.</p> <p>Cupid asked the SAG to break into small groups to discuss the draft guiding principles. Feedback was gathered and shared:</p> <p>Are there major principles missing? If so what are they?</p> <ul style="list-style-type: none"> • Commitment to development in high opportunity area • Further clarification of #5 – don't want to concentrate poverty & emphasize mixed income neighborhoods • Feedback loop and meaningful evaluation; needs of community and consideration taken into account; use language people understand • Community benefits e.g. prevailing wage, energy efficiency, local jobs, etc. • Who is served needs to be addressed, not just dollars and units but community needs and deep affordability • Transparency – call it out specifically how processes are determined, how we communicate to the public and each other • Decision making is inclusive and representative, specifically for those impacted by the decisions being made <p>Are there revisions you propose? If so what are they?</p> <ul style="list-style-type: none"> • More clarification on the context behind priorities • Affirm that affordable housing is a necessary aspect of healthy communities • Value of transparency and accountability • Add public support of affordable housing to communications plan • Describe and achieve promises made to voters on number of units and affordability • Include public discussion and education • Provide more clarity, definitions, and examples <p>Other:</p> <ul style="list-style-type: none"> • Make sure guiding principles are transparent and align with goals for development and operations • Balance equity with maximizing units built – do the most social good possible • Don't race to the bottom and build cheaply • Geographic distribution in high opportunity areas and prevent displacement • Property tax dollars returned to all neighborhoods. • Strike #5 and have policy based approach to geography • Create housing that addresses those that have no option to obtaining housing

	Additional feedback will be collected from SAG representatives before the next meeting. Staff will incorporate comments and bring a revised Guiding Principles draft at the next meeting.
Public Records/Public Meeting Requirements for SAG Participants	This agenda item was rescheduled for a future meeting.
Public Comment	No public comment was submitted.
Closing/Next Meeting	Next meeting is scheduled for May 4 th at New Song Community Church from 6:30 pm – 8:30 pm.