



September 7, 2017

To: Portland Housing Bureau and N/NE Oversight Committee
From: The AAAH Collaborative:
Re: Preference Policy Per Unit Subsidy Increase

Portland has led the nation in home price increases for the past 3 years with annual increases as high as 14%. This, coupled with a very low inventory of homes, has for the first time in our City's history put homeownership out of reach for the average household of color in every neighborhood in our city. The median price for a Portland-area home sold in July was \$395,000, according to the Regional Multiple Listing Service. This is up from right around \$300,000 in 2015 when the N/NE Homeownership program was launched. Some of the highest price increases have been in NE Portland, where the 97211 zip code now has a median home price of \$423,000. During this same three year period, incomes for low income earners in Portland have been close to stagnant. The cost of construction materials have significantly increased in the past 3 years as well. In summary, home prices have increased by about \$95,000 on average since the program was initiated, and low and moderate income buyers have no additional buying capacity.

Also, the AAAH Collaborative anticipated a majority of the buyers through this program to have incomes at the high end of the qualifying range around \$50,000-\$60,000. Instead, the majority of buyers have come in making \$30,000-\$40,000, which of course means higher subsidies are needed to make the homes affordable.

With Habitat as the nonprofit developer, the Interstate and Kilpatrick 30 home condo project is estimated to cost on average \$330,000 per unit to build 2 and 3 bedroom units. This is significantly below the cost of other similar condo units (new or existing) and far below the price of homes on the market in these neighborhoods. We do expect some of the highest income earners on our list to still be able to utilize a traditional DPAL to buy an existing market rate home with the subsidy increase, but most will likely need a lower cost product along with



additional subsidy. Here is a chart showing the average subsidies households will need to buy a home at the Interstate and Kilpatrick site and the number of households we are currently working with in each income category.

Household Income	Affordable First Mortgage	Estimated Subsidy Needed	Mortgage Assumptions	Number of buyers
\$30,000	\$100,000	\$230,000	Habitat guaranteed mortgage	9
\$35,000	\$130,000	\$200,000	Habitat guaranteed mortgage	3
\$40,000	\$160,000	\$170,000	Habitat guaranteed mortgage	7
\$50,000	\$200,000	\$130,000	Traditional	4
\$55,000	\$235,000	95,000	Traditional	3

**Assumes condo fee, tax abatement, no mortgage insurance and a front end ration of 30% for Habitat mortgages and 38% for traditional mortgages.*

As you can see from the chart above, every buyer is now in need of more than \$80,000 in subsidy, with most needing significantly more. With an increase in the total subsidy per household to \$100,000, the AAAH Collaborative is committed to bringing additional subsidy through other public, foundation, corporate and individual support to make it possible for these households to become successful homeowners. This will include Individual Development Accounts, HUD Self-Help-Opportunity-Program Funds, Oregon Housing and Community Services Down Payment Assistance grants and Lift 2.0 funding, Federal Home Loan Bank buy-downs and foundation grants.

Without this increase in subsidy per unit it is likely that we will have to deselect many households at the lower income levels regardless of whether they become “mortgage ready”, and go further down the Preference Policy list to find higher income buyers that can afford higher prices. The Preference Policy Task Force made it clear that our priority should be to serve those hardest hit and most impacted by gentrification and displacement. It is with this priority in mind that we request an increase in subsidy, and that we continue to work diligently with all of the households identified through the Preference Policy so they can enjoy the stability, wealth building and financial security that come with homeownership.