



Affordable Housing Bond Draft Framework Plan

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PHB Portland Housing
Bureau

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1. Introduction to the Bond and SAG Process

(to be drafted)

2. Guiding Principles

The following Guiding Principles describe the shared values and aspirations guiding the investment of Bond resources. We strive to exceed expectations through our commitment to:

Collaboration. Align with other public and private resources, policies, programs, and systems to maximize efficiency, effectiveness, and investment potential.

Community Benefits. Promote economic and other benefits to the local community by providing prevailing wage jobs, hiring Disadvantaged/Minority/ Women/Emerging Small Business (DMWESB) partners, and producing energy-efficient buildings through Bond investments.

Equity. Advance racial equity for communities most disproportionately impacted by the shortage of affordable housing options, housing discrimination, gentrification and involuntary displacement.

Opportunity. Support economic diversity through city-wide investments that offer broad access to public amenities (transportation, schools, food, green space,) economic opportunity, and mixed-income housing.

Resourcefulness. Make responsible investments in housing solutions with innovation and creativity.

Stewardship. Demonstrate exemplary stewardship of public resources, funds, and assets with oversight from an independent community-based public body (the Bond Oversight Committee.)

Transparency. Conduct open decision-making processes, provide clear and consistent communication to the public about Bond implementation, and foster opportunities for public involvement.

3. Bond Production Goals

Create a total of 1,300 units over next five to seven years:

- All units affordable for households at or below 60% Area Median Income (AMI)
- 600 units deeply affordable for households earning 0%-30% AMI¹
- 50% family-sized units (two to three bedroom), at both 30% & 60% income

¹ Achievement of goal is dependent on the commitment of Home Forward to pair 400 Housing Choice Vouchers (HCVs) to bond-financed housing.

4. Priority Communities

Introduction

The Bond is a valuable new resource for increasing affordable housing in our community—yet we know the need for affordable housing we face far exceeds the 1,300 homes the Bond is anticipated to produce over the next five to seven years. While we can't meet the total known need for housing with these resources, we commit to focusing efforts where we will have the greatest impact for our most vulnerable communities:

- Create housing for our most vulnerable families and individuals who are not served, or insufficiently served, by current housing resources;
- Invest in displacement prevention strategies, prioritizing buildings in high risk census tracts, and/or buildings at risk of being redeveloped for private market conversion;
- Prevent and mitigate the impacts of systemic racism and discrimination on Communities of Color through alignment with culturally specific organizations for outreach, referrals, and services (target of 850 units);
- Make a visible impact on homelessness through alignment with homeless service system resources and [A Home for Everyone](#) partnerships (minimum target of 400 units at 0-30% AMI, 300 of which will be permanent supportive housing (PSH) or supportive housing, contingent upon committed services funding);
- Leverage to the maximum extent possible other development, operating and service resources from public, culturally specific and other community partners.

Priority Communities:²

1. Communities of Color:

- African American/Black
- Asian American
- Hawaiian/Pacific Islander
- Immigrants and Refugees (including Somali, Slavic, Middle Eastern)
- Latino
- Native American/Alaskan Native

2. Families, including intergenerational households

3. Households experiencing homelessness or at imminent risk of becoming homeless

- Seniors
- Persons with disabilities
- Households who have been homeless for long periods of time,
- Persons with criminal backgrounds
- Survivors of sexual assault or domestic violence

4. Households facing imminent displacement

- Seniors
- Persons with disabilities
- Households on fixed incomes

More definitions and data on priority communities is found in “Appendix 1: Priority Communities: Definitions and Data.”

² The communities are not meant to be exclusive, as people possess multiple identities and are part of multiple groups.

5. Location Priorities and Selection Criteria for Acquisition

The Portland Housing Bureau's primary resource for housing development comes from Tax Increment Financing (TIF) set-aside funds, which are restricted by law for use within the boundaries of the city's [Urban Renewal Areas](#). Consequently, investments in affordable housing using TIF funds are limited to less than 15 percent of the geographic area of the city. Furthermore, as major URAs approach their expiration dates, the Bureau is facing an increasing scarcity of TIF funds. The bond provides a unique and flexible resource for preserving housing and creating new long-term affordable housing throughout the city. In order to have the greatest impact with bond resources, we therefore submit ~~commit~~ to the following:

- Increase affordable housing opportunities in locations that otherwise may not be served by URA investments;
- Build and support economically and racially diverse neighborhoods in areas of high opportunity (areas with existing concentrations of poverty and very low-income housing should be of lower priority);
- Recognize public school capacity issues in identified catchment areas;
- Balance investments throughout the geographic area of the city;
- Discourage the use of "even distribution" concepts or language, which perpetuates a stigma surrounding affordable housing;
- Leverage existing housing resources within the legal constraints of bond funds, and in alignment with the location priorities listed below.

For building and land acquisition, prioritize investments in:

1. **Areas with high risk of gentrification and/or displacement, especially neighborhoods that have a high concentration of Communities of Color.** Using a combination of data and community voices to identify neighborhoods and census tracts where rents are rising, gentrifying redevelopment is likely to occur, and in which existing communities are seeking stability through affordable housing. A strategy that combines acquisition with new construction will anchor families, individuals, and communities at risk of displacement in neighborhoods likely to redevelop. A majority of the units should be developed to meet this priority.
2. **School catchment areas with the highest mobility rates.** Acquire affordable units in the school catchment areas with the highest mobility rates to stem the tide of displacement.

In addition, for land acquisition, prioritize investments in:

3. **High opportunity areas³,** with access to education, food, transportation, health services, economic opportunities, and greenspaces. This includes areas that have planned transit development occurring in the next 10 years.

³ A high opportunity area is defined as an area that attains a score of 3 or higher (out of 5), based on the **Opportunity Map**: www.portlandoregon.gov/phb/article/622880

Selection Criteria for Acquisition

This section describes how the City will select building or land acquisition opportunities that meet the identified Priority Communities and Location Priorities identified.

Step 1: Threshold Criteria

In order to be considered, the acquisition opportunity must:

- Be available for purchase, and be located in a City of Portland Planning District.
- Allow for a minimum of 20 housing units.
- Be appropriately zoned to allow for affordable housing development.

Step 2: Bond Standards

If all Threshold Criteria are met, the City will pursue opportunities which ~~meet the~~ respond to the standards below.

Each property selected for acquisition will not necessarily meet all of the standards below, but this list is illustrative of the selection process the bureau should strive to meet to align to the location priorities in the previous section. Furthermore, the standards provide guidance for the types of data and variables, which may also include local and qualitative data, that PHB will use to assess the extent to which a particular property meets the location priorities.

For Building Acquisition/Rehabilitation:

- **Lead with Racial Equity**

Collect and review all available demographics (race/ethnicity, income, gender, age) of existing tenants through surveys, rent rolls, and other methods; collect and review census tract data.

Target: Tenancy is: a) greater than 2x's the % people of color in comparison to surrounding geographic area; OR b) proportion of Communities of Color is greater ~~than~~ 50% ~~people of color~~ than the citywide average.

- **Prevent Involuntary Displacement**

Data will be collected and assessed may be based on sources such as:

- a. ~~Generate~~ A displacement and gentrification vulnerability rating⁴, which factors in vulnerable populations, demographic changes and housing market conditions.

Risk factors are:

- Proportion of renters in census tract greater than the citywide average
- Proportion of Communities of Color in tract greater than the citywide average
- Proportion of population age 25+ without bachelor's degree greater than the citywide average
- Proportion of households at or below 80% AMI is greater than citywide average

Target: Every census tract gets evaluated based on the above listed criteria and the total scores on the four risk factors are added to get the overall “vulnerability scores”. Census tracts that score at least 3 out of maximum 4 are defined as

⁴ Gentrification and Displacement Vulnerability methodology: <https://www.portlandoregon.gov/bps/article/454027>

“vulnerable census tracts.”

- b. Additional factor: Prioritize acquisition of affordable units in school catchment areas with high mobility rates to stem the tide of displacement.

Target: Based on school mobility rates, school mobility rate by catchment area stability index is ~~equal to or lower~~ higher than the comparable average school catchment areas.

- **Support Economically Diverse Neighborhoods**

Building or land location does not further concentrate affordable housing in an area with a high percentage of existing publicly-subsidized affordable housing.

Target: Prioritize opportunities in areas where % of subsidized rental housing is at or below 10% of the total rental stock in the area (excluding housing for the elderly and disabled).

- **Maintain Geographic Diversity⁵**

Building or land acquisition is distributed throughout the six City planning districts (Southeast, West, North, Northeast, East, Central City⁶.) Exceptions may be made to provide housing opportunities with access to services and amenities for prioritized communities.

Target: Prioritize investment in districts where Bond resources are **not** previously invested.

For Land Acquisition/New Construction:

- **Lead with Racial Equity**

Collect and review census tract demographics (race/ethnicity, income levels, gender, age.)

Target: Prioritize areas: a) that have ~~higher than 50%~~ a proportion of residents of color residing in the census tract greater than the citywide average; *(note: other data or appropriate indicators may need to be used to assess racial equity related to land acquisition. Access into bond units will be addressed in “Guidelines for Development, Operations and Services” section)* and b) are at high risk of current or future gentrification.

- **Provide Access to Opportunity**

Generate an opportunity map score, which factors in indicators in five areas: childhood education, employment opportunity, transportation, access to family wage jobs, and healthy eating/active living⁷. Opportunity can also be viewed from a lens of future high opportunity areas, including those with planned transit development occurring in the next 10 years.

Target: Opportunity map score is 3 or higher.

- **Support Economically Diverse Neighborhoods**

Building or land location does not further concentrate affordable housing in an area with a high percentage of existing publicly-subsidized affordable housing.

Target: Prioritize opportunities in areas where % of subsidized rental housing is at or below 10% of the total rental stock in the area (excluding housing for the elderly and disabled).

⁵ Note: The City anticipates Bond funds will support more than six projects. Certain districts will likely have more than one Bond-financed development. As development is an iterative and non-linear process, the City will also be exploring multiple prospects in the same district, or across multiple districts.

⁶ Portland Housing Bureau: <https://www.portlandoregon.gov/phb/72706>

⁷ Portland Opportunity Mapping Methodology: www.portlandoregon.gov/phb/article/648357; Opportunity Map: www.portlandoregon.gov/phb/article/622880

- **Maintain Geographic Diversity**

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Target: Prioritize investment in districts where Bond resources are **not** previously invested.

Note: The City anticipates Bond investments will support more than six projects. Certain districts will have more than one Bond-financed development. As development is an iterative and non-linear process, the City will at times be exploring multiple prospects in the same district, or across multiple districts.

Step 3: Due Diligence Process

The City will conduct its due diligence process, which involves conducting a project survey, title report, environmental assessment, and appraisal. The City will proceed with acquisition opportunities which pose no major issues as identified through the due diligence process.

Process for Exemptions from the Location Priorities

City Council has authority to grant exemptions to meeting the ~~Selection Criteria~~ Location Priorities for acquisitions on a case-by-case basis. The Bond Oversight Committee (BOC) expects City Council to uphold the criteria listed above and will approve exemptions sparingly. One example of an instance where City Council may approve an exemption is when a prospective seller is offering a sale of multiple properties in a bundle, by which some properties meet Bond criteria and others may not.

If an exemption is requested, a written request will be submitted by the Portland Housing Bureau and to members of the BOC and City Council. Members of the BOC will have the opportunity to submit comments on the exemption request prior to final review and decision by the City Council.

⁸ Portland Housing Bureau: <https://www.portlandoregon.gov/phb/72706>

6. Guidelines for Development, Operations and Services

A. Outreach to Procure Services

Bond-financed construction projects will be constructed and owned by the City. These projects will be “public improvement projects”, and therefore are subject to Public Contracting Code (state law) and the City of Portland’s Procurement Rules. The City’s Procurement Rules ensure that public improvement projects are constructed in accordance with the Public Contracting Code as well as implementing other city policies.

When the City procures for construction of a new building, or rehabilitation of an existing building, such methods may be unfamiliar to PHB’s traditional partners. To allow for the participation of these partners who already possess deep expertise in affordable housing development and/or rehabilitation, PHB should conduct direct outreach and work with the City Procurement Office to provide information sessions to facilitate access to opportunities under the bond.

B. Recommendations for Development Strategies

~~PHB should be as creative as possible, within the confines of the legal limitations of bond funds, when considering what development strategies to employ. It should factor in costs, additional community benefits, leverage opportunities and to the extent possible harness the deep expertise of the affordable housing development community.~~

PHB should be as creative as possible, within the confines of legal limitations, to achieve:

- cost containments;
- additional community benefits;
- land and resource leveraging; and
- utilization of existing development expertise and capacity.

Creative strategies identified include:

- Exploring using bond funds to acquire the land only and utilize other financing for the construction of the buildings.
- Exploring all other leverage options. While there is recognition that general obligation bond funds have limitations that may foreclose some traditionally available potential leverage options (e.g. low income housing tax credits, or LIHTCs,) PHB should consider all options available for both debt and equity. These include lending programs from the federal government, non-profit lenders like the Network for Oregon Affordable Housing (NOAH) and less common lenders such as insurance companies and pension funds. Non-general obligation bond revenue which will have similar ownership restrictions should be considered. However, less restrictive resources like future fee-in-lieu revenue from inclusionary zoning, tax increment financing, CDBG and HOME should be limited as they may be deployed in other non-bond affordable housing projects. However, it may be appropriate for the bureau to pair bond resources with land previously purchased with these type of resources. They should also include future fee-in-lieu revenue from the Inclusionary

~~Housing program, other non-general obligation bond revenue, tax increment financing (TIF) resources.~~

- Explore and/or advocate for Oregon constitutional changes. Oregon’s constitution Article XI, Section 9, currently prohibits municipalities from loaning their credit to a “company, corporation or association.” This, in effect, means general obligation bond funds can’t be used for projects that utilize the provisions of Section 42 of the internal revenue code (i.e. LIHTC partnerships.) Removing or clarifying this provision would allow LIHTCs to be leveraged into bond funding projects. It could also, potentially, open the door to a broader range of development and ownership partnerships.
- Explore partnerships with places of worship, schools, other public entities, to leverage underutilized properties they own for housing compatible with the mutual mission. This may involve long term leases or outright sale of real property and vertical development using bond revenue as appropriate.

When the bureau selects a method of contracting for development, design, or rehabilitation services, PHB should select procurement methods that will ~~take into consideration the likelihood of meeting additional~~ best achieve community benefits like access to opportunities, DMWESB Goals, Workforce Training and Hiring Policies. The contracting methods selected should also consider utilizing the deep expertise of the affordable housing development community. An identified method would be to secure the services of an “owners’ representative” to help assure buildings which are best able to serve the needs of those who will be calling those building home, and to lower overall costs of construction and operation of the buildings once constructed.

Bond developments should also use design practices including accessible and visitability standards which exceed Oregon State's minimum standards for accessibility.

PHB should be transparent and explain its decision-making to the community as to why it is selecting a particular contracting method or development strategy. PHB should also use external evaluators when possible in the procurement process to ensure that the expertise in the affordable housing community is harnessed and that decisions are not just seen as “City” decisions but involve the community in the decision-making process.