



# PORTLAND HOUSING BUREAU

Portland Housing Advisory Commission

Tuesday, August 1, 2017

3:00 p.m. – 5:00pm

Portland Housing Bureau, Ste. 500

421 SW 6<sup>th</sup> Ave.

Portland, OR 97204

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

## August Meeting Minutes - Draft

**Members Present:** Amy Anderson, Dike Dame, Nate McCoy

**Members Excused:** Betty Dominguez, Maxine Fitzpatrick, Elisa Harrigan, Shannon Singleton, Dan Steffey, Sarah Zahn

**Staff Present:** Kurt Creager, Shannon Callahan, Matthew Tschabold, Cheyenne Sheehan

**Guests Present:** Andrea Matthiessen (Home Repair, ADU, HOLTE), Javier Mena (Fast Starts)

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

Agenda Item	Discussion Highlights	Outcomes / Next Steps
<b>Call to Order, Roll Call, Minutes</b>	Sarah could not attend the meeting so Matthew Tschabold acted as chair. Quorum is not met, so minutes cannot be finalized.	
<b>Public Testimony</b>	There is no public testimony.	
<b>Director's Update</b>	Kurt Creager, PHB's Director, shared that Legacy Emmanuel has property near Emmanuel hospital that was seized for Urban Renewal in the early 1970's. After demolition of the homes there, the property has since been vacant and unused. There was a clause in the contract between Legacy and the City that if it was unused for 20 years, ownership would revert to the City. Due to that, Legacy has proffered the site adjacent to Emmanuel Hospital to the City for development. They would like to be part of any plans for utilizing the site and are working with Prosper Portland and PHB which will have a housing element though plans are not final. The lot is 1.7 acres which is slightly larger than a city block. Any housing element would be subject to the Preference Policy. The Interstate Corridor Urban Renewal Area (ICURA) is being expanded to include this property. Read an article about this site <a href="#">here</a> .	

Kurt added that PHB has been actively shopping for real estate using the revenue from the short-term rental transient lodging tax (Airbnb etc.). City council gave authority for the City to issue short term 10-year revenue bonds backed by this resource which amounts to about \$9.7 Million. The first of these purchases is at [3000 SE Powell Blvd](#), currently known as the Safari Club and across the street from the Cleveland High School track. If fully developed it will support 300 units of housing. This is part of PHB's commitment to support the expansion of high capacity transit in the Powell-Division Corridor with affordable housing. The purchase will go before City Council next week. The seller is willing, and if the deal goes through the business currently located at the property will close.

Decisions on how to use this funding are being made by PHB in consultation with the Mayor and the focus is on the Powell-Division Corridor and the SW Corridor where light rail expansion is planned. The City has brokers working specifically to locate properties in this area and pocket listings that are not generally broadly available. In many cases these properties may have an interim use while they await development e.g. temporary homeless shelters, assuming County and community support. He anticipates the property will sell for about \$3 Million.

Javier added that there is another property acquisition planned for the fall that is in negotiations. The idea was that these short-term bond resources would be used to acquire the Powell property, and this other property, and then reimburse PHB for the acquisition of a property at 60<sup>th</sup> & Stark for which general funds were used.

Nate asked if there are any properties being considered for acquisition in the N/NE areas or other sensitive neighborhoods that have been impacted by displacement and gentrification.

Javier and Kurt both agreed that they don't have anything specific yet, but they are always looking. Javier added that the Water Bureau has a surplus property on N. Syracuse that PHB has expressed interest in acquiring for some kind of home ownership development opportunity. Kurt has conveyed PHB's interest in writing to the director of the Water Bureau offering to pay the appraised price for the property (approx. \$3.5 Million) but delaying the close for three years. This is because the property is not currently in a URA so TIF can't be used and an alternative funding source will have to be found to buy and develop the property. He thinks the site is particularly well suited for home ownership and he envisions 40 – 50 semi-attached units on the site.

Amy asked if for the 3000 SE Powell building if PHB would consider piloting transitional housing for former inmates leaving jails. She said that there are a lot of people who need specialized shelter.

	<p>Kurt responded that PHB is open to that depending on the property being discussed and he has spoken with Central City Concern and Mercy Corp about this option. This particular site may not be best suited because it's across the street from a high school.</p>	
<p><b>Program Updates and Production Pipeline</b></p>	<p>Javier Mena, PHB's Assistant Director, announced that on 7/31/17 PHB released a <a href="#">solicitation for Fast Starts</a> projects. It gives the respondents 30-days to submit their projects. When that deadline is reached, PHB will have a committee of internal and external participants evaluate the proposals. There are no specific resources dedicated in the solicitation, funding is opportunity based. The four main priorities in the solicitation are:</p> <ul style="list-style-type: none"> <li>• Short cycle unit production (permits and funding secured and project ready to move forward)</li> <li>• Equity participation in alignment with PHB's equity goals and requirements (in both soft and hard costs)</li> <li>• Innovation (provide opportunities to advance/improve affordable housing development)</li> <li>• Cost containment</li> </ul> <p>Nate asked If the projects are already permitted, how does PHB ensure the equity components and goals will be met? Javier responded that that is one of the questions that the developer needs to answer for their proposed project and an element in the proposal that will be evaluated. If their proposal doesn't meet the Bureau's equity goals, he doesn't see any way that the proposal could be funded.</p> <p>Andrea Matthiessen, manager of PHB's Neighborhood Housing Team, presented on outcomes associated <a href="#">Home Repair Grant Program Minority Contracting Outcomes for 2016 -2017</a>.</p> <p>The Home Repair Program is a longstanding program at PHB. Resources are provided to non-profit community partners who provide small scale emergency home repairs to very low income homeowners. 85% of the homeowners served with this program are below 50% of area median income (AMI). 15% of the households served are between 50% – 80% AMI. The average repair for this program costs approx. \$1600.00. Although the program provides about \$1.6 Million per year to community partners, only about half of those funds are used for construction contracts. The balance of the resources are for administrative costs which include income certifying households, outreach, identification of repair needs, staff at the organization who provide skilled labor for minor repairs to plumbing, smoke detectors, trip/fall hazards, etc. PHB staffs a full-time program coordinator who does nothing but contract management for the program which includes contract negotiation, compliance monitoring, and technical assistance for about 15 sub-recipient contracts, among other administrative needs.</p> <p>Dike asked if there are more people that would use the program if there was more funding available.</p>	

Andrea responded that the demand for this program far exceeds the available funds each year. Matthew added that most of the funds for the home repair program come from tax increment financing (TIF) resources which are only available in urban renewal areas (URAs). There is a high demand for this program outside of URAs but there aren't resources available.

Andrea broke down the \$1.6 Million in available funding further by saying that the funding sources are pretty evenly split between ICURA TIF, Lents TIF, and CDBG city-wide resources. So only about 1/3 of the resources are available city-wide. The other resources are concentrated geographically in Lents and Interstate only. PHB knows there is a high need for home repair in SW Portland that PHB does not have the resources to provide. These funds are also used to help homeowners avoid incurring code violation fines because they can't afford to address nuisance complaints.

Members communicated strong support for the program and wonder how to grow the resources for it so it can serve more of the city.

Andrea responded that as many of the URAs are getting close to their expirations, this will force more conversation about how to continue to fund the program. PHB is participating in long-term planning conversations in neighborhoods where resources don't currently exist.

Nate added that he is aware of several small firms who may benefit from becoming MWESB certified so they can participate in bidding on jobs for this program. He asked if the process to become certified has been simplified for small businesses and whether it runs smoothly.

Andrea noted that there had been some improvements to the certification process that could make it more accessible. She added that if Nate is aware of firms that should be considered to provide her with those names and her team could do some outreach and possible technical assistance to help them get certified to bid on projects.

Matthew added that in regards to resources for the program, the construction excise tax (CET) that was recently implemented and has been being collected since August 2016. Some portion of those funds may be able to be dedicated to support home ownership programs such as home repair. At this time, there has been no decision on where those funds would go, and he isn't sure how much is currently available for use.

Andrea Matthiessen updated the PHAC on the new [ADU program](#). PHB is getting ready to send out an information notice on the ADU program to its current home repair contractors, the city's prime contractor program, to [NAMC-Oregon](#), [MCIP](#) and various others to let them know about availability of resources and the PHB is looking to identify six contractors to work with the program. The number of contractors is small because the Bureau of Development Services (BDS) has

	<p>preliminarily agreed to add them to a program that would allow them access to a dedicated inspector in the field. The effect of this would save the contractors time and money in completing the ADU's for selected home owners. There is an application process for the contractor to work with the program.</p> <p>A <a href="#">Production Pipeline Handout</a> is provided to the members. Dike appreciated receiving it and he would like it to be further refined. He is willing to sit with whoever is in charge of this report and assist them in developing the list to do a lot more than what it currently does.</p> <p>Matthew will discuss Dike's offer with Karl Dinkelspiel and get back to him.</p>	<p>Matthew will discuss refining the production pipeline handout with Karl Dinkelspiel.</p>
<p><b>HOLTE Legislative Update and Program Expansion</b></p>	<p>Andrea Matthiessen presented an update on the recent changes to the <a href="#">Homebuyer Opportunity Limited Tax Exemption</a> (HOLTE).</p> <p>In the last legislative session the Oregon Legislature passed <a href="#">HB 2964</a> which expands the eligibility for PHB's current HOLTE program to low and moderate-income homebuyers of existing homes. In the current program the HOLTE was only available for newly built homes. The two areas of expanded eligibility for the program are:</p> <ol style="list-style-type: none"> <li>1. Home buyers can purchase existing structures</li> <li>2. The price cap is 120% of county median sales price (in Multnomah County this is currently \$416,000)</li> </ol> <p>Both City Council and the Multnomah County Commission still need to approve property tax exemptions. Any exemptions proposed by PHB will still need approval of City Council and the Multco. Commission before they can be administered.</p> <p>For existing home owners that want to apply for the exemption, the determining criteria is based on the assessed value of the property has to be less than 120% of county median sales price. The State's legislation will go into effect in early October.</p>	
<p><b>Voluntary Inclusionary Housing Incentive Options</b></p>	<p>Matthew Tschabold presented on the <a href="#">Voluntary Inclusionary Housing Incentives Policy</a>. The Bureau of Planning and Sustainability (BPS) will be working on a report on permitting activity in the last 12-18 months, to be released later in August 2017. There was an analysis done in January or early February, confirming that were potentially 19,000 multi-family units permitted between January 1, 2016 and January 31, 2017. This is up to five-times the regular number of multi-family unit permits – the increase is due to developers rushing to permit before Inclusionary Housing (IH) went into effect on February 1<sup>st</sup>, 2017. The question at this time is how many of those permitted projects will actually be completed. BPS committed to City Council that they would reassess their early analysis six-months after IH went into effect. The Mayor's Office is particularly interested in knowing how the City can incentivize vested projects to opt-in voluntarily to IH.</p>	

Matthew has been working with the land use attorneys at the City Attorney's office to develop incentive options, one of which is detailed in the linked handout.

The proposed incentive would essentially grant a full ten-year property tax exemption on residential units developed in any area of the City for developers who voluntarily opt-in to the IH requirements.

Matthew asked for feedback from the PHAC that can be shared with the Mayor regarding whether or not members feel this is a good policy move to incentivize a percent of the permitted 19,000 units for IH.

Feedback and questions include;

- Member is uncomfortable with taking a position either way due to not being knowledgeable enough on the program, the costs of the incentives versus the benefits etc.
- Is there a cap on the tax exemptions? Yes. It is still to be finalized but Kurt is looking at a \$5M cap on approved one-year tax exemption total
  - If ten developers opt-in that's \$50 Million in foregone revenue. There is concern about what that level of incentive will actually produce in units
  - Matthew added that when the BPS analysis comes out, that will hopefully produce a better assessment of those costs and benefits
- Since units must stay affordable for 99 years, you must consider that some of these developments won't last that long
- Dike suggests that the City do outreach to developers with multi-family permits and lay out the incentives and ask them if the incentives would encourage them to start building – if not, the program should be rethought
  - Matthew had conversations with Mike Kingsella of [LOCUS](#) who took the concept to the group. The response received was that it could for some projects and some developers some of the time

Matthew continued by saying that one of the down-sides to this program is that since these projects were vested prior to Feb. 1, 2017 that there were certain land use and zoning incentives for IH beginning after Feb. 1, 2017 that would not be available to projects that vested prior to Feb. 1, 2017. LOCUS asked whether those incentives (exemptions from parking requirements, FAR bonuses, etc.) could be brought to the table for vested projects that opt-in, but there is uncertainty from the City Attorney's office whether an option like this would be legal because it creates a special class of land use applications for which there is no reference in the current zoning code.

	<p>Dike wonders whether the prudent thing to do right now may be nothing. Eventually the developer must take the risk to start building a market rate development in a softening market, sell the site, or opt-in to IH and add some affordable units for whatever incentives are available. He doesn't think it makes sense for the City to further incentivize these developers and forego so much revenue (revenue that pays for schools, libraries, etc.) for the number of units the City will get out of it. He thinks it's way too early for the City to panic about slowing development. IH is in the very beginning stages and he thinks it's too soon to get excited about the possibility of IH failing. He also suggests that the City use bond funds to buy the land from developers who have vested permits for projects that aren't being built and then lease the land to a developer to build affordable units only which would leverage more units than the bond's stated goal of 1300 units. Since the project has already been permitted this would also allow for faster development.</p> <p>Matthew will share the feedback with Kurt and the Mayor.</p>	
<p><b>ROSAC Draft Code</b></p>	<p>Matthew presented a code concept for the <a href="#">Renter Owner Services Advisory Commission (ROSAC) Draft Code</a>. The name has not yet been finalized as there has been a lot of negative feedback on that. The code concept has not yet been vetted through the City Attorney's office. The draft made available today mirrors the structure of the PHAC code.</p> <p>The mission of the ROSAC is to advise the Director of the Office of Renter-Owner Services (OROS), the Housing Commissioner, and the Portland City Council on issues of market-rate rental housing regulation, renter-owner programs and services, and provide a forum for public input on the rental housing market.</p> <p>PHAC members should submit any feedback or changes to Matthew as soon as possible. Next step is to send to City Attorney's for approval, the Mayor's office for approval, then to City Council for adoption.</p> <p>PHAC is still the primary advisory body for PHB and as such will continue to act as the Budget Advisory Committee (BAC) for the Bureau.</p> <p>There is a recruitment currently running for new members of the PHAC and the ROSAC. Members may only serve on one of the bodies at a time. ROSAC members are expected to have a background in landlord/tenant law.</p>	
<p><b>Good of the Order</b></p>	<p>The next meeting of the PHAC is on Tuesday September 5<sup>th</sup>.</p> <p>Matthew closes the meeting. .</p>	