



## **Portland Accessory Dwelling Unit Loan Program Frequently Asked Questions**

### **Program Overview**

#### **1. What is the Portland Accessory Dwelling Unit Loan program?**

The Portland Accessory Dwelling Unit (ADU) Loan Program is a pilot program created by Portland Housing Bureau (PHB) and Prosper Portland. It is strategy for helping low-income, long time community homeowners retain their homes, preventing further displacement of vulnerable community members by creating a fully permitted ADU in an existing basement over 500 square feet.

#### **2. How will the ADU Program help homeowners retain their homes?**

Property owners will be able to utilize the assisted ADU in the manner that best supports their ability to retain the home. This includes renting the ADU to friends or family, moving in a caregiver, or moving themselves into the ADU and renting out the primary portion of the property. Increased proximity to caretaking support and family as well as the potential for increased financial stability from rental revenue will help address factors that most contribute to housing instability of long time homeowners.

#### **3. Will the ADU Program provide affordable rental housing?**

The ADU Program will not regulate rents on assisted ADUs, so that homeowners can utilize market rate rental revenue to assist with existing expenses, the ADU loan payment, and increased property taxes. However, the Program will support an increase in permanent rental units in desirable N/NE neighborhoods by prohibiting their use as short term rental units.

### **Program Loan Terms and Requirements**

#### **4. What are the terms of the ADU Loan?**

The ADU Loan offers homeowners up to \$80,000, in the form of a 0% interest loan repaid in 180 equal monthly installments over a 15-year loan term. The loan will be secured against the property in the form of a lien recorded on title.

#### **5. What are the loan requirements?**

Property owners must be current on any existing mortgage loan and homeowner's insurance. Homeowners must also be current on property taxes or enrolled in Oregon's Property Tax Deferral program. Homeowners must have enough available equity to secure the assistance loan. The loan requires that homeowners not exceed a 60% debt-to income ratio, including the ADU loan payment. The program does not allow for Reverse mortgages.

## **Program Eligibility**

### **6. Who are the eligible applicants?**

To be eligible, homeowners need to have incomes under 120% Area Median Income for their household size, live in the Interstate Corridor Urban Renewal Area, purchased their home prior to August 2000 or have purchased a family home owned since August 2000, have enough equity in their home to secure the ADU loan, and have a basement of at least 500 sq. ft. The homeowner must also be current on their property taxes and any existing mortgage.

### **7. What properties are eligible?**

Properties eligible for assistance must be single family, detached, owner occupied structures with basement space larger than 500 square feet. The primary structure must be in safe and habitable condition or be able to be improved to program standards within the \$80,000 ADU Loan maximums, \$15,000 Home Repair Loan, and Lead Hazard Reduction Grant funding.

### **8. How will home owners be selected?**

All applications will be reviewed to determine loan approved homeowners. Once all loan applications have been processed and approved homeowners determined, the approved applications will be randomized and selected for property eligibility in sequence to the new randomized order. An application will be considered approved for the ADU Program when it is determined that it meets homeowner and property eligibility criteria.

## **ADU Construction**

### **9. Why is the ADU Loan Program only allowing basement conversions?**

The ADU Loan program is a pilot program that allows the Bureau to gain additional knowledge and experience regarding the costs and constraints of building basement ADUs before expanding the program to other types of ADU conversions. PHB has prioritized basement ADU conversions because they are already connected to utilities and construction may cost less than other types of ADUs. Basements can provide a more accessible option than attic space and would not need the extra cost associated with providing external entry. Additionally, basement conversions will have a lower property tax increase than a new detached ADU because of an adjustment made on current taxes for the basement space.

### **10. Will these ADUs receive System Development Charge waivers?**

The ADUs will receive System Development Charge (SDC) waivers while available, but non-SDC fees still apply.

### **11. Can the ADU loan be used for repairs of the primary residence?**

If the primary residence needs repairs outside of the ADU construction, homeowners may receive up to \$15,000, in a no-payment forgivable loan for home repairs. During the property assessment if it is found that homeowners need more than \$15,000 for home repairs, then they will be offered the traditional home repair loan program instead of the ADU program.

### **12. How will the program achieve minority contracting goals?**

PHB will reach out to contractors that are registered as an MWEDSB when compiling a list of builders for the homeowner. A PHB Construction Coordinator will work with home

owners and contractors to help ensure equitable distribution of bidding opportunities and builder selections.

### **Program Support and Compliance**

#### **13. Will property taxes increase on properties with an assisted ADU?**

Yes. After the ADU is completed, the Multnomah County Tax Assessor's office will assess the additional value the construction of the ADU adds to the home and increase taxes based on the value of the new ADU. It is anticipated increases resulting from the pilot will average approximately \$160 per month.

#### **14. Can the loan be passed on to another family member if the lender passes away or falls ill and has to leave the home?**

In the event that the homeowner can no longer live in the home due to illness or death and the home is not sold, the ADU loan can be assumed by a family member.

#### **15. What kind of education and support will homeowners receive in renting the ADU?**

PHB is partnering with Ecumenical Ministries of Oregon (EMO)'s Metro HomeShare program to provide landlord education. The HomeShare program will also provide a matching service to assist homeowners in finding a renter and 2 years of mediation support.

#### **16. How do Fair Housing laws apply?**

Homeowners will be responsible for following Fair Housing laws as established by the State of Oregon and the City of Portland which prevents discrimination in renting to someone based on race, color, religion, national origin, sex, familial status, mental or physical disability, any legal source of income or occupation, marital status, age (18 and over), sexual orientation, gender identity, or domestic violence victims.

#### **17. How does Oregon Landlord-Tenant law apply?**

Homeowners will be required to follow Oregon Landlord-Tenant law.

#### **18. What happens if the owner of the ADU defaults on the loan?**

In the event of loan default, PHB will work with the homeowner to develop a strategy to help them get back on track with their finances and payments.

#### **19. How will PHB ensure compliance with the restrictions on short term rental use for assisted ADUs?**

PHB will work with the homeowner, the City Department of Revenue, and Bureau of Development Services to ensure that the unit is not being used as a short-term rental.

#### **20. What will the Community Outreach look like?**

PHB will conduct a mass mailing campaign to all homeowners in the Interstate Corridor Urban Renewal Area (ICURA). PHB will then perform a targeted campaign to homes that have been identified as having been owned prior to the establishment of the ICURA with basements of at least 500 sq. ft. PHB will also market the program through community partners such as the Urban League, Self Enhancement Inc, and PCRI.