White Paper 3: Implementation Strategies

SW Corridor Equitable Housing Strategy

January 2018

Plans for a light rail line in the SW Corridor, from downtown Portland to Bridgeport Village in Tualatin, are underway. The cities of Portland and Tigard, through a grant from Metro, are currently developing an Equitable Housing Strategy for this major corridor. The equitable housing strategy aims to encourage market rate and affordable housing development and preservation along the light rail to increase housing affordability and accessibility to all people regardless of race, ethnicity, family status, or disability.

The City of Portland's Bureau of Planning and Sustainability (BPS) engaged Enterprise Community Partners (Enterprise) and ECONorthwest to write this white paper, the second in a series of white papers that will support development of the *SW Corridor Equitable Housing Strategy.* The first white paper compiled information about funding sources and tools that have been used in the SW Corridor over the past five years (December 2012 through December 2017) and outlined tools that are available in Portland and Tigard, but have not been used in the SW Corridor. It also provided a preliminary scan of what stakeholders consider to be the most promising tools for the preservation and new construction of affordable housing, as well as supportive services.

This white paper covers implementation strategies. It builds off the existing funding landscape white paper outlined in White Paper 1, which explored new and innovative funding sources, housing tools, and policies that the cities and the Equity and Housing Advisory Group (EHAG) can consider, and to advance the conversation toward implementation of these tools.

Our research included interviews with local practitioners, who spanned the private, public and nonprofit sectors.

Table 1. Interviews Conducted to Inform White Paper

Name	Organization
Alison Lorig	Bridge Housing
Sheila Greenlaw Fink	CDFI Community Housing Fund
Justin Douglas, Eric Engstrom and Ryan Curren	City of Portland
Sean Farrelly, Kenny Asher, and Schuyler Warren	City of Tigard
Katrina Holland and Pam Phan	Community Alliance of Tenants (CAT)
Rachael Duke	Community Partners for Affordable Housing (CPAH)
Brenner Daniels	Holland Partner Group
Jonathan Trutt	Home Forward
Emily Lieb	Metro
Sayer Jones and Michael Parkhurst	Meyer Memorial Trust
Haithem Toulan	Muslim Educational Trust
Angela Deparini and Chris Chiachierini	Neighborhood House
Dee Walsh and Ann Grey	Network for Oregon Affordable Housing (OHAF)
Eli Spevak	Orange Splot
Felicia Tripp	Portland Housing Center
Karl Dinkelspiel and Barrett Elbright Karnes	Portland Housing Bureau
Justin Douglas	Prosper Portland
Dan Valliere	REACH Community Development
Jillian Detweiler	Street Trust
Dave Unsworth and Lance Erz	TriMet
Ed McNamara	Turtle Island Development
Kevin Clark	Urban Asset Advisors
Taylor Kaplan	Williams/Dame & Associates
Kelly Haines	WorkSystems Inc.

The cities of Portland and Tigard and the EHAG provided direction on the financing sources, tools, and policies that Enterprise and ECONorthwest should research and review. At the direction of the cities, some of the research is at a cursory level, while other research is more in-depth.

Overview of the Framework for a Comprehensive Housing Strategy

This paper provides a framework that presents elements of a housing strategy based on the goals or outcomes that can be achieved through implementation of a tool, policy, or financing mechanism (collectively termed *implementation strategies*). Based loosely on the NYC Furman Center's work on housing policy, this framework was presented to the EHAG by Enterprise Community Partners at the November 7, 2017 meeting.

This framework supports development of an adaptable, comprehensive housing strategy that ties implementation strategies used to desired outcomes in the SW Corridor. The framework is also useful for the purposes of evaluation; it allows for an assessment of the overall strategy as well as individual implementation strategies. Clarifying the relationship among tools, policies, and financing mechanisms, and the outcomes they achieve will expose systemic policy interactions, especially as multiple tools are used simultaneously, to amplify expected outcomes.

The four elements of a comprehensive strategy are:

1. **Implementation strategies that support the creation of additional restricted units.** Examples include increasing project funding sources (linkage fees), implementing land use incentives (inclusionary zoning), policies around the use of public land (including transit agency land), land banking, preservation of existing units (both restricted and non-restricted) and property tax abatement. Often, these implementation strategies are layered to ensure sufficient resources are available to achieve project feasibility. It is uncommon for a single implementation strategy to provide enough subsidy to make a housing project affordable, especially at deeper affordability levels. Inherently more subsidy is required to achieve affordability for those at 30% AMI (area median income) households than those at 80% AMI.
2. **Implementation strategies that increase the overall housing supply (both market and affordable units).** A balanced housing strategy can utilize measures that promote production of housing to incentivize affordable housing but also ensures that measures across the other three elements do not disproportionately impact the development of additional market rate units. Housing stock that can meet the needs of community members across income levels also contributes to the overall affordability of a city. Sample measures include increased zoned density or reduced parking requirements.
3. **Implementation strategies that protect the quality and habitability of existing units (both market and affordable unites)**. This is a principal element of a comprehensive housing strategy. Its focus is: ensuring that the number of existing units does not decrease due to units that become unsafe or unhealthy, and preventing the displacement of households due to poor living conditions. Example implementation strategies include code enforcement, home repair programs, and weatherization programs.
4. **Implementation strategies that connect people to units**. Implementation strategies that fall under this element strive to not only help renters and/or homeowners access housing and prevent displacement. Examples include tenant rights and eviction prevention (condo conversion policies, right of first refusal ordinances, just-cause eviction policies) and homeownership programs (down payment assistance, financial literacy education).

The majority of the implementation strategies explored through this paper fall into the following two elements: 1. *Creation of Additional Restricted Units* and 4. *Connect People to Units*. Table 2 below provides the alignment of implementation strategies explored through this white paper with the housing elements outlined above.

Table 2. Implementation Strategies by Housing Element

Implementation Strategy	1. Additional Restricted Units	2. Increase Housing Supply	3. Protect Quality & Habitability	4. Connect People to Units
Acquisition Financing for Preservation	◊			
Urban Renewal Areas Tigard and Portland	◊			◊
Employer-Assisted Housing and Corridor Employer Fund	◊	◊		
Limited Equity Cooperative Housing Models	◊			
Community Benefits Agreements	◊			◊
TOD Zoning	◊	◊		
Developer Agreements	◊	◊		
Interagency MOU	◊	◊		
Large Retailer Tax			◊	
Regional Construction Excise Tax	◊			
Metro's regional source: GO Bond	◊			
Portland Affordable Housing REIT	◊			
Community Land Trust	◊			
Resident Anti-Displacement Services				◊
Pay for Success				◊

1 Implementation Strategies that Support the Creation of Additional Restricted Units

1.1 Acquistion Financing for Preservation

In recent years, several regions across the country have used acquisition funds as a tool to acquire buildings or vacant property. Community Development Financial Institutions (CDFIs) often manage these funds and bring capital from the public sector, private foundations, and financing institutions together. Effective acquisition funds can blend these capital resources to offer loan terms that are not otherwise available in the market. By making loans well-suited to a particular type of acquisition consistently available, these funds aim to entice private and non-profit owners and developers to purchase land or buildings that they may not otherwise be able to obtain for an affordable housing development. These funds typically provide intermediate-term bridge capital in order to acquire and hold real estate for 3-7 years, but then must be repaid by longer term financing that can sustain affordability over time.

Examples of Acquisition and Predevelopment Financing for Preservation

Regional Equitable Development Initiative (REDI) Fund (Puget Sound, WA) - In response to the significant investments being made in Puget Sound transit, the public-private REDI Fund was created to help finance the acquisition of property along transit corridors to preserve the affordability of future housing and community facilities.

Metro Affordable Transit Connected Housing Program (MATCH) (Los Angeles, CA) – Seeded by an initial investment of $9MM from Los Angeles County METRO, MATCH provides acquisition and predevelopment financing for rental housing opportunities to preserve, stabilize and expand the affordable housing stock near existing and proposed transit nodes and major transit thoroughfares in Los Angeles County.

Denver Regional Transit-Oriented Development (TOD) Fund (Denver, CO) - The Denver Regional TOD Fund was established to effectively create and preserve affordable housing and community facilities near transit. The fund is used to acquire and hold strategic transit-accessible properties for preservation or future development purposes. By providing flexible financing terms and a streamlined underwriting and closing process, the fund allows qualified borrowers to react to opportunities and compete with other potential buyers who may not have affordable housing in their plans.

The Southland Community Development Loan Fund (Chicago, IL) –The fund was created by the South Suburban Mayors and Managers Association (SSMMA) through the support of the U.S. Department of Housing and Urban Development, Enterprise Community Partners, and the Chicago Community Loan Fund. It provides acquisition and predevelopment resources to investors in Southland's transit-served areas.

Network for Oregon Affordable Housing (NOAH) (Portland, OR) – NOAH's acquisition and preservation loan products provide affordable, flexible financing for acquiring and preserving affordable housing. The fund is composed of capital from four banks which is blended with lower cost philanthropic and public capital. NOAH's acquisition and preservation loan products operate somewhat distinctly from many of the national acquisition funds; it is a lending program that draws on NOAH's many capital resources, rather than having a master credit agreement. This allows NOAH much more flexibility to easily add additional resources and adapt to the individual needs of a specific opportunity. Rather than a single high Loan to Value (LTV) loan, they typically pair a mortgage and a subordinate loan for each project. NOAH's lending term is 48 months for market rate conversions, where some lending programs allow additional time to assemble subsidy for permanent financing. Lastly, the interest rate that NOAH offers tends to be above the interest rates offered by other lenders and funds that range from 3% - 4%. NOAH's rate is currently 5% with the potential to be as high as 7%.

Appendix A offers a table highlighting financing and loan terms for the above financial products.

Implications for the SW Corridor

Enterprise was asked to look at the capital resources currently used by the NOAH's loan program for acquisition lending, and assess the impact a new capital infusion would have on loans for property located in the SW Corridor. Assembling capital is an extremely nuanced, multivariate and dynamic process; as a result, this analysis is intended to be illustrative rather than predictive of the final terms of a blended capital tool.

To establish a baseline for this analysis, Enterprise looked at NOAH's available capital and treated it as a single loan pool. In practice, NOAH draws on these resources selectively to create tailored loans for each borrower. Thus, the baseline used here may differ from the terms NOAH has used for loans to date.

From this baseline, we looked at changes in the capital composition using examples from some of the other acquisition funds around the country. The full modeling for each scenario is included in Appendix B. Our analysis evaluated the following scenarios:

Scenario 1 - Use CDFI debt rather than the existing bank debt. This scenario would enable higher loan to value (LTV) with a slightly higher cost debt, but could better leverage public and philanthropic sources, resulting in a larger overall fund, lower cash requirements for borrowers, and slightly higher loan payments. This change may or may not be a viable shift in NOAH's existing business model and is primarily included to show a broad range of options.

Scenario 2 - Add $10MM in additional public resources to the fund pool. This analysis assumes that these dollars could come to the fund at 0% interest and could be used as first loss (the first funds to cover any loans that are not repaid), in place of conventional equity or subsidy. This would significantly reduce the amount of cash needed from the borrower, reduce interest payments, and increase the size of the fund. This scenario models the impact of a significant capital investment at the most favorable terms. The results on the fund are generally scalable and any amount of this type of capital would improve the terms of the final fund.

Scenario 3 - Reduce interest rate. This scenario assesses the impact of simply reducing the interest rate paid to the banks in the current fund. NOAH believes that this scenario may be viable, particularly given current market conditions. This would reduce interest payments for borrowers but would also allow NOAH to increase the amount of bank debt that it uses in acquisition loans. A higher LTV could also be made available under this scenario if there is no recourse requirement on the additional public funds.

Scenario 4 - Additional public resources and reduced interest rate. This scenario combines the changes in scenarios 2 and 3, using the new public investment in the acquisition loan pool to entice better terms from the existing lenders. This scenario enables the lowest interest rate of all scenarios and the highest loan to value.

Table 3 summarizes the capital pool, interest rate and LTV ratio for the existing fund structure (baseline) and the four scenarios.

Table 3. Baseline and Scenario 1 - 4 Loan Terms

	Fund size	Interest Rate	LTV
BASELINE	$32,985,022	4.93%	75%
Scenario 1	$51,676,500	5.88%	85%
Scenario 2	$42,985,022	4.02%	100%
Scenario 3	$32,985,022	4.32%	75%
Scenario 4	$42,985,022	3.55%	100%

Using the scenarios outlined above that adjust NOAH's capital composition, Enterprise developed sample project models to determine what scenario would yield the greatest impact for NOAH's funds. Enterprise modeled three different project types, based on actual projects located in the SW Corridor. Table 4 shows baseline information for each project type, including total development costs (acquisition and rehab estimates), operating cost per unit and estimated annual cash flow. A 2017 study by Portland State University on Naturally Occurring Affordable Housing (NOAH) or unrestricted affordable units shows that the average cost per unit of these properties at $152,585 between 2016-2017.[1] The sample project modeling utilizes actual sales date for particular properties with the acquisition price ranging from $118,000 to over $200,000 per unit depending on the project. Further project details can be found in Appendix C.

Table 4. Baseline Information for Sample Project Modeling

Address	Number of Units	Total Development Costs	Total Development Cost per Unit	Annual Operating Cost per Unit	Net Operating Income – Year 1
6810 SW 26th Ave	53 – 1BR	$ 6,894,000	$130,075	$4,786	$398,262
5735 SW Oleson Rd	71 – 1BR 14 – 2BR 85 - Total	$16,264,000	$191,340	$4,504	$950,942
2073 SW Park	43 – 1BR 4 – 2BR 1 – 3BR 48 – Total	$11,264,000	$234,666	$5,304	$425,211

Impact of Scenarios 1-4 on Sample Projects

The full calculations of the sample project modeling can be found in Appendix C.

Scenario 1 - Use CDFI debt rather than the existing bank debt. Implementing this scenario will reduce the additional capital required for the project on average by $1MM per sample project. Saving a development from finding $1MM in additional debt or subsidy can make an impact in the ability of a development project to align financial resources and come to fruition.

Scenario 2 - Add $10MM in additional public resources to the fund pool. Adding additional public subsidy to NOAH's capital composition has striking results. Further details on the outcomes of scenario 2 are outlined in Scenario 4 below as the two scenarios had similar outcomes.

Scenario 3 - Reduce interest rate. Of all the scenarios that were modeled in the project samples, this scenario produces the least amount of impact. However, when coupled with scenario 2 reducing interest rates in the capital composition can provide the debt financing for projects that might not otherwise be feasible.

Scenario 4 - Additional public resources and reduced interest rate. All three sample projects that implement scenario 2 or 4 result in substantial improvements in the financial performance of the project. Blending in an additional $10MM in 0% first loss, no recourse public subsidy across all three projects reduces the amount of additional sources needed beyond the NOAH loan by millions.

Increasing public subsidy in the capital composition for NOAH will have the most impact with project of 50+ units, but it can still be utilized for smaller projects. For sample projects #1 and #2 the impact of scenario 2 vs. scenario 4 is negligible. Scenario 4 enables a slightly higher cash flow in the sample projects. Scenario 4 becomes valuable when financing smaller projects. Sample project #3, 2073 SW Park, project has fewer units than the other two projects and thus higher operating costs. The model for sample project #3 under Scenario 2, does not meet the 1.15 required 1.15 Debt Coverage Ratio (DCR) even at year 5. Under Scenario 4, project #3 was not able to reach the at 100% LTV until year 3. However, lowering the DCR to 97% enables Scenario 4 for project #3 to reach the required DCR in year 1, modestly impacting the other required sources by approximately an additional $300,000. In scenario 2, the DCR is met in year 1 if the LTV is adjusted to 86%, significantly increasing the required additional sources but still offering a substantial savings of about $1MM.

Table 5 below shows the impact additional public subsidy can have on development costs and the reduction of additional debt or subsidies required to acquire and preserve the sample projects.

Table 5. Impact of Additional Public Subsidy on Sample Projects

Address	Other Sources Required without Additional Public Subsidy	Other Sources Required with Additional Public Subsidy	Savings Impact
6810 SW 26th Ave	$2,206, 500	$644,000	$1,562,500
5735 SW Oleson Rd	$4,789,000	$964,000	$3,825,000
2073 SW Park	$3,276,500	$933,500*	$2,343,000*

*project savings only viable with scenario 4 utilizing a maximum 97% LTV

If the city commits the additional public resources and NOAH finances projects in the SW Corridor that reflected the average savings across the three sample projects, the city would see a return on investment increasing exponentially by each additional project financed. The return on investment comes through the amount of debt or subsidy that development projects will no longer require to be financially feasible. In theory those savings would go to other development projects, thus enabling even more affordable housing to be preserved or developed.

Potential take out sources include traditional Low-Income Housing Tax Credits (LIHTC), the Meyer's REIT, and Oregon Housing and Community Services' Local Innovation and Fast Track (LIFT) housing program. Given the oversubscription of LIHTCs, the impact of recent legislation on tax cuts the resulting impact on LIHTC, and diminishing sources for affordable housing at the federal level new sources of subsidy, such as a METRO GO Bond for affordable housing will need to also be part of the solution to housing in the SW Corridor.

The sample project modeling indicates the projects will likely be able to carry some debt but realistically most every project is going to need some public subsidy or mission driven equity. A debt only solution is not realistic. Cash flow projections for a fund implementing Scenario 4 indicate that 555 units could be preserved through NOAH's loan product (or 535 units utilizing a cash flow model indexed at 3% inflation). Under the cash flow modeling the subsidy gap required is estimated at $55,000,000 and $63,505,000, respectively. The Cash flow projections Scenario 4 are available in Appendix C.

Potential Partners

- NOAH is the obvious partner to help further research and implement this financing mechanism.
- Mission-based developers, such as CPAH or REACH who have the end goal of preserving the unrestricted units in the long-term by doing major rehab and keeping the rents affordable will be key partners in implementation. As CPAH is the primary developer serving the SW Corridor, this may provide an opportunity to engage other regional developers to serve the corridor.
- If NOAH is interested in pursuing scenario 4 which requires securing additional capital at a lower interest rate than existing bank partners provide, lending institutions will be critical partners. In the interview conducted for this project, NOAH mentioned that a new lending institution was interested in investing at a lower rate but not if other banking partners were not also willing to invest at a lower rate. Bringing in new lending institutions and the additional public subsidy may serve as leverage/catalyst for existing banking partners to reduce their existing rate for NOAH.

Next Steps

- Continue dialogue with NOAH
- Determine feasibility and source for one-time addition of public subsidy into NOAH's capital composition. Potential sources to explore include the City of Portland, the City of Tigard, and Metro.
- Explore opportunities to capitalize NOAH's capital composition with lower interest rate funds.

1.2 Urban Renewal Areas Tigard and Portland

Throughout the State of Oregon, communities have used urban renewal to fund infrastructure and redevelopment. The key funding mechanism used in urban renewal areas (or URAs) is tax increment financing, or TIF. TIF revenues are generated by the increase in total assessed value in an urban renewal area from the time the area is first established. As property values increase in the district, the increase in total property taxes (i.e., city, county, school district portions) can be used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls. Urban renewal is particularly well-suited to funding investments in station area and transit-oriented development. The relationship between land prices or rents and transit is well-documented: proximity to well-designed transit stations drives increases in land and property value.[2] TIF "captures" this increase to reinvest in supportive infrastructure and development.

Urban renewal funds can be invested in the form of low-interest loans, grants, and/or direct investments for a variety of capital investments, including redevelopment projects, streetscape improvements, transportation and infrastructure investments, or historic preservation. TIF can also be used to fund or incentivize affordable or mixed-income housing. All TIF dollars must be spent within an urban renewal area boundary, and only on capital projects that implement an adopted urban renewal plan. Because URAs divert revenue from overlapping taxing districts to implement an urban renewal plan, state statutes place several limitations on the use of urban renewal. These limitations include caps on the percent of total acreage and assessed value that can be in a city's combined urban renewal areas, and a requirement that urban renewal plans identify "maximum indebtedness," or the maximum amount of debt (spending) that an agency may incur in implementing the plan.

Urban Renewal and Equitable Housing

Fundamentally, urban renewal is an economic development tool, intended to increase the tax base and lead to community revitalization. Many Oregon communities have recognized that affordable and workforce housing are critical to achieving economic development outcomes and have prioritized TIF spending on housing projects: economic growth and vitality are dependent upon available, accessible housing for workers. Equitable housing at transit stations is a particularly important public goal. At the same time, TIF generation depends on new taxable development that produces revenues. Urban renewal agencies will need to balance new, taxable market-rate development with tax-exempt affordable housing inside of a URA so that the district can generate enough revenue to pay for necessary projects.

Examples of the Use of TIF for Equitable Housing

Because urban renewal is a state-authorized tool, the rules and regulations governing the use of TIF vary by state; in some cases, the rules in Oregon differ substantially from other states. Local examples are therefore most useful for understanding how urban renewal and TIF could be used to fund or incentivize the production or preservation of affordable or mixed-income housing. There are no restrictions on the use of TIF for affordable housing in Oregon, except for restrictions that generally apply to all urban renewal investments: TIF must be invested in capital expenditures that align with the adopted plan's goals and/or be used to implement the projects described in the plan.

Urban renewal plans commonly list affordable and/or workforce housing production as an economic development goal. Urban renewal agencies use TIF dollars or agency-owned land to support individual affordable or mixed-income housing developments. In Oregon, examples of urban renewal agencies engaged in supporting new affordable housing development include: Portland, Beaverton, Sherwood, Albany, Hillsboro, Klamath Falls, and Talent.

Two communities in Oregon are using TIF dollars in a programmatic, rather than site-based, approach to provide a stable set-aside for capital investments in affordable housing development or preservation. These communities recognize that investments of TIF in revitalization projects such as streetscape enhancements, infrastructure improvements, or new commercial or main street developments can (directly or indirectly) result in increased housing prices in an area, especially if that area is already experiencing market pressure. The agencies set-aside a portion of annual revenues to mitigate these impacts through preservation or production of affordable units. Potential uses for a set-aside could include low-interest loans, grants, or system development charge waivers.

- **Beaverton Urban Renewal Agency (BURA)** - The agency's budget allocates $150,000 - $200,000 in tax increment set-aside for the next five fiscal years. In FY16-17, BURA applied $200,000 of the tax increment towards system development charges for the development of 15 affordable, regulated housing units in The Rise Central. The City of Beaverton is currently (as of late 2017/early 2018) developing an anti-displacement strategy, and through that process expects to adopt a coordinated set of funding tools, regulations, and incentives that could be applied to reduce the impacts of changing housing markets in Beaverton. Changes to the TIF set-aside's amount and time period are among the funding sources under consideration.
- **The City of Portland/Prosper Portland –** In 2015, Portland City Council amended the 2006 TIF Set-Aside Policy through the adoption of a new policy, which raised the TIF set aside from 30% to a minimum of 45% of tax increment revenue in eligible URAs[3] to be used for affordable housing programs and investments. These investments would support development of new housing for households at or below 100% of AMI (60% and below for rental, 80% and below for ownership, 100% and below for ownership for large families). From the original policy's adoption in 2006 until the end of Fiscal Year 2016-2017, close to $258M in TIF set-aside dollars were directly invested in the development and preservation of regulated affordable housing units and an additional $88 million was invested in community facilities.[4] Affordability targets and programmatic uses vary by urban renewal area.[5]

Implications for the SW Corridor

The SW Corridor boundary passes through the cities of Tigard and Portland, which would each implement its own urban renewal area or areas inside their respective jurisdictional boundaries, or use existing urban renewal areas (Tigard Triangle URA, Tigard City Center URA, and the Portland North Macadam URA) to achieve affordable housing goals. Technically, URAs are managed by urban renewal agencies and not by city governments. However, in Portland, the City takes on the responsibility of financing debt and investments to implement urban renewal area plans.

Tigard / Tigard City Center Development Agency

The City of Tigard has two existing urban renewal areas that intersect with and / or would be affected by the SW Corridor light rail line development: The City Center Urban Renewal Area and the Tigard Triangle Urban Renewal Area.

Tigard City Center Urban Renewal Area - The City Center URA was initially adopted in 2006. It was amended in 2017 to include additional properties and to add a goal that explicitly addresses the need for diverse housing that meets the needs of current and future residents, among other changes.[6] The plan has a duration of 20 years, meaning that no new debt will be incurred after Fiscal Year 2025/2026. The maximum amount of indebtedness (amount of tax increment financing for projects and programs) that may be issued for the plan is $22M.[7] In addition to the housing-focused goal added in 2017, the plan's other goals include: revitalizing downtown Tigard, integrating with Commuter Rail and Fanno Creek, developing a multi-modal transportation network, and improving streetscapes and public spaces.

Tigard Triangle - In May 2017, the City of Tigard adopted, with voter approval, a new urban renewal area in the Tigard Triangle area. At $188M, the maximum indebtedness (amount of TIF for projects and programs) for the plan is substantially larger than for the City Center Plan. Its goals include: citizen and stakeholder involvement, effective multi-modal transportation, utility improvements, placemaking, and financial and technical assistance to business and housing development. There have been no formal affordable housing policies set for this URA. However, according to project staff, the two thirds of first-year TIF revenue is committed to a small affordable housing project near a future SW Corridor transit station.

Both urban renewal plans were adopted with the intention of transforming the areas into safe, walkable communities and to supporting urban-scale mixed-use development. Housing affordability is a very real issue in Tigard and an important policy priority for the city, but the city recognizes the need to balance the production of affordable housing with the production of market-rate development. Producing market-rate housing is an equally important goal for the city in these urban renewal areas, where underinvestment has plagued businesses and residents for decades. City staff are enthusiastic about the goal of producing affordable housing in the corridor and clarifying how its existing urban renewal areas might fit into the overall funding picture. Currently, two-thirds of the first year of TIF funds are already committed to a 50-unit affordable housing project near the future station. In the past, the city used one-time SDC waivers or grants to support new affordable housing. In the future, the city is interested in working with Tri-County Metropolitan Transit Districts of Oregon (TriMet) to develop affordable units (at 60% of median family income (MFI) or lower) on remnant parcels from a

TriMet Park and Ride facility and parcel remnants from the construction of future light rail corridor. It is unclear when or how those developments may advance, though conversations are ongoing as TriMet explores its options on land disposition.

The City of Portland / Prosper Portland

Within the City of Portland, a small portion of the SW Corridor boundary overlaps with the North Macadam URA boundary.[8] The North Macadam URA was established in 1999 to assist in the revitalization of the South Waterfront and surrounding neighborhoods. The City is evaluating the potential of several sites within the 10-minute walkshed of the future SW Corridor alignment as possible affordable housing redevelopment sites.

Besides the small portion of the North Macadam URA that overlaps with the SW corridor, there are no other urban renewal areas within the City of Portland's jurisdiction in the SW Corridor. Portland's urban renewal agency, Prosper Portland, typically implements two approaches to economic development and infrastructure investments. These approaches could be used together or separately in the SW Corridor:

Neighborhood Prosperity Initiative**:** The Neighborhood Prosperity Initiative (NPI) is a Prosper Portland program to support community economic development at the neighborhood scale. The program engages a community-based organization of businesses and residents to plan and implement projects in a neighborhood commercial district. The NPI Network was created as a key components of the city's Neighborhood Economic Development Strategy. NPIs can be implemented inside an urban renewal area, in which case the community organizations inform the investment of TIF dollars in the commercial district. TIF dollars can only be spent on capital investments, but NPIs come with operating support from the City and County to build organizational capacity in the commercial district. This makes an NPI a powerful tool for urban renewal that can lead to direct community engagement in urban renewal investments. There are currently eight NPIs in Portland.

According to conversations with Prosper Portland staff, NPIs work best when there are existing business networks or community organizations that can take a leadership role in the NPI, and when there is a contained and recognized business district associated with that network. Given that there are no such business networks in SW Corridor, the City would need to conduct outreach with existing business organizations outside of the SW Corridor (e.g. Hillsdale Main Street, Multnomah Village Business Association) to determine if there is a desire to expand or help to start such an organization. The business network would benefit from having paid staff who can take on the work of administering programs. Since most business networks do not have full-time paid staff, City of Portland and Multnomah County resources that contribute to the NPI program could be directed to pay for staffing.

"Traditional" URA**:** Prosper Portland could use the same urban renewal area model that it has used around the City of Portland. This model accesses TIF to make investments in the area per state statutes. If this model were used and a new URA were formed in the SW Corridor, as in other URAs in Portland, a minimum of 45% of all TIF would be set-aside specifically for affordable housing. Prosper Portland has undertaken very preliminary financial analysis to understand the revenue potential of a new URA, but additional research, planning work, and community engagement would be required to advance this concept and create a new URA.

The "traditional" URA approach has several strengths. In particular, it provides a targeted and known funding source to support affordable housing production. Preliminary modeling suggests that somewhere between nearly $50M and $115M in total maximum indebtedness could be supported in a new URA, depending on the size of the district, though all modeled boundaries included the seven potential station areas in Portland. A minimum of 45% of the total indebtedness would be available to support affordable housing production or preservation.[9] The set aside available for affordable housing varies between $23 million and $52 million between the different scenarios.

A new URA has several interrelated limitations or questions that need to be further explored:

- A common problem with new URAs is that revenues accrue slowly in the early years, as taxable value grows. Housing investments are most strategically made early in the life of the URA, when land values have not increased as a result of investment in a new transit line and before rents rise and contribute to displacement. This timing challenge can be overcome in a number of ways, including by having the city provide general fund backing to finance the investments and then repaying as TIF accrues, or by making lower-cost investments such as land acquisition early-on and partnering with a developer or holding the land until revenue is available to support its investment.
- Urban renewal funds in a new SW Corridor URA would face competing priorities for investment. In developing a funding plan that outlines SW Corridor projects to be funded through TIF, Prosper Portland would include affordable housing projects among a range of investments in infrastructure, streetscape, mobility improvements, small business support projects, and market-rate commercial and residential development that are necessary to support a successful transit-oriented development along the new light rail line. Many areas of the SW Corridor face infrastructure deficiencies in sidewalks and other transportation infrastructure that would hinder developer interest. The 2013 Barbur Concept Plan identifies many potential projects for the corridor, but the city would need to revisit the assumptions in that plan to ensure that it still meets community priorities.
- The Portland City Council and Prosper Portland are committed to avoiding mistakes associated with prior urban renewal areas and light rail line investments. Previously, early TIF revenues were nearly entirely dedicated to the capital costs of the light rail line itself, rather than to other important plan elements such as housing affordability. The questions of timing and priorities are urgent and important to explore and resolve, so that early investments are not counter-productive to long-term goals.
- Statutory limits on the total amount of acreage and assessed value allowed in a URA (15% cap on each) present a limiting factor in the City of Portland. As of January 2018, there are approximately 2,517 acres available to be included in new or expanded urban renewal areas.

Prosper Portland is first exploring expansions of URAs in East Portland. If capacity is left over and/or new capacity is freed up from expiring URAs (e.g. Airport Way Urban Renewal Area ends in 2020 freeing up 971 acres of capacity) then a URA in SW Corridor could more realistically be explored.

Potential Partners

Prosper Portland, Portland Housing Bureau, and Tigard's urban renewal agencies are the most important potential partners, as they would be implementers of TIF investments. Other partners are also critical:

- All overlapping taxing districts are affected by the application of urban renewal and should be involved in conversations about new URA plans and the use of TIF funds.[10] In Portland, these districts include the City of Portland, Multnomah County, Portland Public Schools, and Metro, among others. In Tigard, these districts include the City of Tigard, Washington County, Tualatin Valley Fire and Rescue, and the Tigard / Tualatin Aquatic District, among others.[11]
- Residents, property owners, and businesses in the URA are key stakeholders. While their individual tax rates do not change as a result of urban renewal, they are stakeholders in the development of their communities and should be engaged through project identification and prioritization processes. Given the Equitable Housing Strategy goals of reducing displacement, communities of color, people with disabilities, and low-income renters should also be engaged.
- For affordable or mixed-income housing development, affordable and market-rate developers are partners in implementation. Any funding set-aside program should be designed with their input.

Next Steps

The next steps vary by jurisdiction:

Tigard - In Tigard, which already has two urban renewal areas, key next steps include:

- Explore formalizing a potential affordable housing set-aside amount in a policy, including associated trade-offs.
- Evaluate the potential options for partnering with developers to advance the development of market-rate and affordable units, including through land-banking, SDC waivers, infrastructure funding support, predevelopment assistance, etc.
- Explore approaches to urban renewal agency participation in the preservation of existing affordable housing.

Portland - In Portland, Prosper Portland will need to further study for both the NPI and a potential URA:

NPI:

- Identify the potential business associations that could take-on stewardship of the NPI.
- Identify potential programmatic funding uses for the corridor through conversations with those partners.

URA:

- Conduct more detailed financial analysis of potential urban renewal area boundaries to "right size" the SW Corridor. The size should ideally provide enough funding flexibility, but also allow for new urban renewal areas in other areas of the city should the need arise.
- Consider adoption of a URA early in the housing strategy so that tax growth associated with the transit line and adjacent development is available to the URA to make targeted housing investments. Because it can take time for urban renewal funds to accumulate, it may be necessary to consider ways to front-load funding (i.e. providing general fund backing to finance the investments and then repaying as TIF accrues) so that investments are possible early in the life of a new URA.
- Identify methods for URA land banking along the corridor, along with a set of program parameters and investment guidelines.
- Conduct outreach with overlapping taxing districts to identify goals for the urban renewal area, project priorities, and concerns.
- Revisit the Barbur Concept Plan (2013) to identify project priorities.
- Engage the community to identify updated project priorities.

1.3 Employer-Assisted Housing and Corridor Employer Fund

Anchor institutions or large employers could play a role in providing affordable housing for their employees along the SW Corridor. Key employers near the SW Corridor include Oregon Health Sciences University, Portland Community College, Lewis & Clark College, and National University for Natural Medicine. There are two potential ways corridor employers could be involved: employer-assisted housing and a corridor employer fund.

Employer-Assisted Housing

Employer-assisted housing projects involve the employer providing property and developing affordable and/or market rate housing for rent or homeownership to eligible employees. Two examples of employer-assisted housing include:

The University of Washington (UW) and Seattle Housing Authority (SHA) partnership. UW plans to partner with SHA to build at least 150 units on university-owned lots with existing uses west of its campus. This project will be one UW strategy to alleviate the demand for housing, many of UW's 28,000 employees are unable to afford housing close to campus. The new housing development was facilitated by Seattle's recent zoning change to allow for taller buildings. In addition to developing 150 housing units, UW has also expressed interest in implementing a program to help young adults experiencing homelessness, although the details are still in formation. Looking ahead, UW and SHA will move towards implementation by finding a developer, securing a funding plan, and identifying a long-term operator of the property.

Seattle Children's Hospital and UW partnership. Similar to "company town" developments of the past, the Seattle Children's Hospital and UW partnered to develop a 184-unit apartment complex within the Seattle's University District. The mixed-use complex proposed a nearby housing option for hospital and university workers, low-income students, and to serve as an asset in recruiting hospital staff from across the country. UW and the hospital worked with national developer, Security Properties. The university leased the property and the hospital initially provided $6MM (of the estimated $40MM) to finance the project. The hospital funding comes with a low-interest loan, which allows Security Properties to set-aside 34 of the 184 units for tenants at 75% AMI. In addition, the favorable loan terms allow Security Properties to build larger, family-size apartments. This employer-driven project is one of many developments happening in the University District, however it is unclear if surrounding new complexes offer affordable units among the 640 projected (in 2015).

Employer Housing Fund

Employers could pay into a fund dedicated to alleviating the housing burden (both in cost and proximity to the employer) for corridor employees. This would allow the participation of smaller employers who may not be able to fund a project on their own.

Among many other strategies to address housing problems, the Greater Minnesota Housing Fund (GMHF), a nonprofit affordable housing lender, helps a range of employers (from corporate CEOs to family-owned companies) to structure community partnerships to invest and preserve affordable housing complexes when they are up for sale. Since 1996, GMHF has awarded more than $253MM and leveraged more than $1B in capital investments. GMHF operates a $42MM development loan fund for affordable housing pre-development, acquisition, and construction. Employers have worked with GMHF to supply loans and grants that have supported the creation and preservation of 14,100 affordable homes across Minnesota.

In addition to employer assisted housing, this strategy could incorporate partnerships with local educational institutions, including Oregon Health Sciences University, Portland Community College, Lewis & Clark College, and National University for Natural Medicine to create transit-oriented student housing, with unit set-asides for low-income students.

Both the employer-assisted housing and employer housing fund implementation strategies have the potential to support the creation of more affordable housing stock as well as contribute to the overall housing supply. The potential use of employer-owned land for housing can be a valuable resource for the development of additional housing, affordable or otherwise. The development of student housing helps to ensure there is enough housing supply in proximity to colleges and universities and decreases the impact students could have on the housing supply of surrounding neighborhoods.

Strengths
• Could leverage employer-owned property to create affordable housing, prioritizing rental units for employees. • Affordable employee housing close to the workplace reduces commute time and provides potential for TOD ridership. • Could allow for creative funding strategies, especially from public educational institutions which have access to private activity bonds to fund capital projects.
Weaknesses
• Requires other creative funding sources to enable below-market-rate units. Tax credits appear to be the most immediate opportunity for a financing mechanism. • Coordination, monitoring, and investment strategies would need to be managed by a designated fund operator. • Long-term operation and management of the units requires dedicated staffing, compliance monitoring, and operating reserves to pay for necessary maintenance and capital repairs. Potential partners would either need to provide these services in-house or contract with another organization that can provide this expertise.
Next Steps
• Hold discussions with corridor employers to discuss their interests, employee needs, and a possible public-private or public-public partnership. • If these discussions result in significant interest, explore how the fund could be structured.

1.4 Limited Equity Cooperative Housing Models[12]

The SW Corridor lacks homeownership products that meet the affordability levels of households at 80% to 100% of AMI. There is a need for townhomes, condos or other ownership products. The housing stock that is available to potential low-income homeowners in the corridor are often older homes in need of major rehab. There are limited resources to support new low-income homeowners also needing rehab funding.

Limited equity cooperative housing is a form of multi-family housing that offers residents both affordable ownership opportunities and management control. The emphasis on affordability makes limited equity cooperatives a form of homeownership that is more accessible to households with moderate or low-incomes. The model offers a low initial purchase price and modest maintenance payments, and can leverage other programs such as first-time homeownership grants that can assist with the down-payment. This can provide the opportunity to build conventional savings accounts or other investments. Through the cooperative ownership model, residents do not own the land or their individual units. Residents acquire shares in the cooperative corporation that holds title to the building. In a limited equity cooperative, share prices are restricted to levels well below the typical down payment required for the acquisition of a single-family dwelling.

This ownership model is common in a number of cities and are particularly well-established in New York City and Washington, D.C. Limited-equity cooperatives are similar to market rate cooperatives, with the fundamental difference that they restrict resale prices to maintain affordability. Similar to many community land trust models that offer homeownership products, limited-equity cooperative models use a formula to determine the selling price of a unit when an owner decides to sell their shares. For example, a homeowner purchases shares in a cooperative for a two-bedroom apartment for $150,000. In five years' time the owner decides to sell and relocate out of state. The purpose of the limited-equity model to keep the unit affordable in perpetuity. The new buyers must income-qualify for the income limits set by the cooperative and the new sales price will have a maximum limit. The original owner may only be able to sell for $165,000 where as if it were a market rate unit they might be able to sell for $205,000. The original owner does not have the opportunity to build significant equity through ownership, however the property remains affordable for another family.

The limited equity cooperative housing model has not been widely used in Portland. One example is the Peninsula Park Commons in North Portland, which was established in 2004. The project offers nine units of co-housing. When available, units can be rented or purchased. Another project is underway in the Portland's Interstate Urban Renewal and North/Northeast Housing Strategy Plan area. To be developed by Proud Ground, 41 of the 50 units proposed for the Proud Ground condos project would be permanently affordable, family-sized units serving a range of 35% to 100% of AMI.

Limited equity cooperative homeownership models can expand the number of homeownership opportunities for community members in the SW Corridor. The model could be particularly impactful if it is a targeted preservation strategy not just from an affordability angle, but also as an anti-displacement measure for existing renters. This model would enable tenants in multi-family buildings to organize and actively pursue purchase of their building when it comes up for sale.

Strengths
• Due to economies of scale, the amount of subsidy required to bring units within the reach of low- and moderate- income households may be substantially lower than what would be required for single family affordable homeownership programs. • Flexible building types allow for the creators of the cooperative housing to construct the model based on opportunity and need. Apartment buildings, row houses, garden apartments, or even contiguous or scattered single-family homes have all been used to create limited equity cooperative housing. • The opportunity to actively participate in management allows members to develop leadership and management skills. Nonprofit sponsors of cooperative housing can provide on-going training to members in homeownership skills, credit counseling, and economic literacy to prepare and support them as effective cooperative members. • Particularly for larger projects, cooperatives allow members to share the risks of owning property. The cooperative model can be an effective experience in preparing homeowners for single family homeownership, providing training before taking on the financial responsibility and maintenance involved in owning a home. Nonprofit sponsors may also be prepared to share risk by providing interim or bridge member maintenance payments.
Weaknesses
• Unlike traditional fee simple homeownership, limited equity cooperative members are not permitted to sell shares at market value and the resale prices are restricted according to a prescribed formula. This does not provide an opportunity to build substantial equity or capital appreciation; it is not a means for homeowners to build assets through homeownership equity. However, this dynamic is not unique to limited equity cooperative housing models. There are many traditional single-family homeownership programs targeting low and moderate-income households, including community land trusts, that also limit the equity a homeowner can build in order to keep the asset at an affordable range in perpetuity. • Banks and other traditional sources of credit may decline to provide financing for cooperatives or may charge higher rates of interest because of a perception of greater risk. • Prospective buyers may view cooperative housing suspiciously, since there is not a fee simple title, but rather, shares of the cooperative that the owner buys into. • For the cooperative to operative effectively and sustainably, homeowners may need training on the rights and responsibilities of cooperative ownership. Especially in the first few years of formation, it is critical for effective board development and membership participation to ensure the skills to manage the property are in place. • If class C and D multi-family properties that need significant rehab are targeted without first ensuring the financial resources to make the necessary repairs are available, there is the possibility that new homeowners will be saddled with significant maintenance issues they can ill afford to take on.
Next Steps

- To effectively implement limited equity cooperative housing and ensure success of the cooperative, a nonprofit organization or organizations must support the initial organizing of tenants as well as provide the training and education to buyers and the board of directors.
- There would need to be a strategy to line up subsidy sources as well as financing sources for potential buyers, anticipating that conventional financing may prove challenging to secure. This may be a role for NOAH's acquisition financing if developments are purchased first to preserve affordability with the goal to later transition into cooperative housing.
- Explore HUD Section 213 Mortgage Insurance for Cooperative Housing as a potential financing resource.

1.5 Community Benefits Agreements

A Community Benefits Agreement (CBA) is a project-specific agreement between a developer and a broad community coalition that details the project's contributions to the community and ensures community support for the project through flexible and creative solutions to meet community needs. Addressing a range of community issues, CBAs can be particularly useful for equitable transit-oriented development (eTOD). Issues that could be addressed through a CBA include: the use of local or priority hiring programs, providing living wage jobs, developing affordable housing and maximizing the number of low and moderate-income households that can live and work near transit.[13] As one example, the City of Seattle, adopted the priority hire ordinance requiring City construction projects of $5 million or more to have a percentage of project hours performed by workers living in economically distressed areas. The City projects also have apprentice utilization requirements and women and people of color aspirational goals. There is a lot to be gained from CBAs, especially if the project will have a significant impact on the community. A collaborative of strong, representative community groups can help ensure the success of a CBA.

CBAs are not widely used in Portland and are used even less for affordable housing. Most examples of successful CBAs focus on local hiring practices and contracting policies that support women or minority-owned businesses. Two recent examples include:

- Prosper Portland and Portland Development Commission completed a CBA with Majestic Realty on Alberta Commons. As part of the CBA, the retail development offers affordable commercial space for local and minority-owned businesses.
- Prosper Portland is leading a CBA planning process for the Broadway Corridor redevelopment starting in spring 2018.

The power in the collective voice of a community coalition is the leverage a community will have with a developer. If there is buy-in and support for a project, there is decreased risk that the project will stall due to opposition. Thus, CBAs are often most effective in large-scale, redevelopment projects, or in markets where land is at a premium and there is not an alternative community the developer can move the project to. Another important factor in working with community groups on a CBA is the spirit of collaboration and negotiation. To be successful both the developer and the community coalition should want to reach an agreement that satisfies each party. Some groups maybe interested in stopping all development and are not interested in coming to agreement, which is a non-starter.

The Partnership for Working Families' diagram on CBAs provides a good visual on the steps undertaken in the development of a CBA.

Exhibit 1. Diagram of Steps in a CBA Development Process

From the Partnership for Working Families' online planning tool, *A Framework for Success*[14]

Strengths
• CBAs can provide a win-win approach to development, starting with meaningful, up-front communication between the developer and a broad community coalition. This decreases a developer's risk by providing community support for the project, and maximizes the positive impact of development in a community that is more reflective of the needs and desires of community members. CBAs are most impactful when the community coalition is broad-based and truly represents the interest and needs of the neighborhood. See weaknesses section below for how lack of true representation can be detrimental. • When a CBA is a private agreement between a developer and a community, it is free from certain legal constraints that can apply to government conditions on development projects. This provides more flexibility and more room for innovation for developing solutions; the community and the developer may negotiate over a wide variety of deal points and come up with creative approaches.
Weaknesses
• A coalition of community groups negotiating with a developer may not adequately represent all community members impacted by the project or may not represent their interests. Because private CBA negotiations are not subject to regulations or safeguards that ensure equal access, representativeness, or transparency, developers are free to choose among community groups. Developers may choose to negotiate with community groups that demand less robust and comprehensive benefits than other, more representative groups, while still creating an image of community support. • When drawing up the terms of a CBA, community groups should be sure to include the timeframe for commitments to be fulfilled, who will monitor performance, how and when information on performance will be made available, and what will happen if the commitment is not fulfilled. Getting these specifics into the contract upfront can make monitoring and enforcement less complicated and mitigate some risk. Enforcement of CBAs has not been squarely addressed in state and federal courts. This can create some uncertainty as to what remedies a community group could pursue in the event of a developer's breach. The time and resources required to pursue enforcement could also be a prohibiting factor for community advocates if a breach of contract does occur. • Community groups negotiating with a developer may not have the experience, skills, or resources necessary to reach an agreement that truly addresses the development's potential impacts and serves the community's interests. Capacity can also be critical when developing the specifics of the contract, as well as when monitoring and enforcing a CBA.
Next Steps
• This tool will have the most value in Tigard Triangle section of the corridor as there are limited large redevelopment opportunities in the SW Corridor. Identify potential development parcels in the corridor to watch for opportunities to negotiate CBAs. The construction of the transportation line may itself provide an opportunity if factors such as local or priority hiring, living wage, job training, and affordable housing are not currently factored into the project construction contracts. • Identify potential key organizations that would be the likely collaborating partners along the SW Corridor if/when an opportunity arises to negotiate a CBA.

1.6 Incentivizing Affordable Housing and TOD through Zoning & Development Agreements

This section covers existing zoning elements in Portland and a selection of implementation strategies as identified by the city.

Implementation Strategies

The City of Portland can use its regulatory authority and leverage its own pool of development resources to help incentivize affordable housing in the SW Corridor. Local jurisdictions can combine a broad package of tools on a project-by-project basis or at the corridor, city, or regional level. Use of these measures can create win-win outcomes for the community, the developer, TriMet, and the city by working to ensure the developer has the resources and means available to build the type of project that will best support the community needs and create activity near the transit station. Through zoning and/or development agreements, the city can offer developers more predictability in the development process, decreasing risk and helping increase project feasibility by providing resources, financial or otherwise into the development.

Development Agreements - When utilizing development agreements with developers, the city has a range of tools to select from. Development agreements are thus a powerful strategy for working with developers one-on-one or by individual development to facilitate the creation of tailored solutions. Development agreements, while voluntary, become binding contracts that provide assurances to the developer that the development regulations that apply to the project will not change during the term of the agreement. Development agreements also can support project feasibility in a variety of ways, including contributing to the project via infrastructure improvements or even directly contributing funding to the project. However, the factors that make development agreements most effective can also present their biggest drawback. Agreements can be time consuming to negotiate project by project rather than at a larger redevelopment project level. Negotiating small projects one at a time may not have impact at the corridor or even neighborhood level. This can be especially detrimental if the development agreement reduces the developer's flexibility over the term of the agreement, stymies the development process in ever changing market situations, and causes the project to stall or fail.

Having a "base level" to work from through zoning can ensure that all new development, rehab or new construction, meets a minimum level of affordable housing and/or community needs. Development agreements can then be utilized to support projects that have higher community serving purposes that would not otherwise get built.

The development agreement model has been extensively used by the City in developments with large parcels, such as the South Waterfront District. However, the use of development agreements in the SW Corridor is more complicated, especially given the lack of large parcels for development. Options the city has to offer include: entitlements, building infrastructure, sidewalks, parking (i.e. park and ride or parking district), storm water management, landscaping and System Development Charge (SDC) waivers. In addition to outright waiving or pro-rating fees, the city can also negotiate the timeline for payment of SDCs. When a developer pays the SDCs when they seek their certificate of at occupancy, instead of at the time of permitting, the City essentially provides a 0% interest loan.

Currently, the city has two options for implementing development agreements. The first option is statutory and defined in land use law, providing the ability to grant additional entitlements for a specified time period. The statutory development agreement requires a formal and public process. The second option is a non-statutory development agreement, which is informal and focuses on what the city can realistically fund. Both types of development agreement can be used simultaneously.

Focus groups were held with both non-profit affordable housing developers and for-profit developers. The goal of the focus groups was to get a better understanding of what incentives would support efforts to increase the production of affordable housing through development agreements. An overview of those conversations follows:

- **System Development Charges (SDC) Waivers** – The SDC waiver approach was overwhelmingly the number one response from for-profit developers and it was also included in the responses from non-profit developers. SDCs are one-time-fees based on the proposed new use or increase in use of a property. Capital improvement projects such as storm water or park infrastructure are funded through SDCs. Due at the time of permitting, the fees apply to new construction, redevelopment of an existing use, and residential projects. SDCs have the potential to substantially increase development costs.
- **Streamlined Fee Calculation** – The developers expressed frustration regarding the lack of transparency and the cumbersome nature of the fee process. One developer noted that he builds into his projects an 8-10% contingency for fees because it is not a straightforward process to navigate or estimate fees. As part of an incentive in development agreements, or for the production of affordable housing in general, a streamlined fees process that is easier to calculate upfront (i.e. per unit or per bedroom fee) could be offered to developers.
- **Property Tax Abatement** – Providing a full or partial abatement of property taxes, was another popular suggestion from developers.
- **Infrastructure** – Focus group participants suggested a range of public works improvements and infrastructure investments for the city to offer in a development agreement. The ability to develop on fully served sites is attractive to developers. Storm water infrastructure was cited as typically the largest cost when acquiring and managing existing properties and doing rehab and required maintenance work. Focus group participants suggested that support for storm water infrastructure would be helpful, particularly for the preservation of properties. Sidewalks were another common investment mentioned, and the topic came up again during other interviews discussing community needs in the SW Corridor.

- **Parking** – Developers discussed the need for support with parking solutions. Parking reductions, while beneficial for the project's bottom line, do not solve for all parking issues. Developers were discouraged by parking requirements for retail space when parking on the street was made available for free by the city. Underutilized Park and Ride lots near transit were also a source of frustration. Developers believed this resulted in the development of costly but unnecessary parking spaces. Developers asked for the city to play an active role in creating and managing solutions that integrated parking needs across uses, within a station area or community. Suggestions included developing and managing parking districts or creating shared parking credits. The 53rd Ave. and Barbur Stations have potential for a parking structure that incorporates park and ride with a development for a joint-development parking solution.
- **Streamlined Design and Permitting Review** – Developers recognize that streamlined review processes can decrease the amount of time to build a project, resulting in a quicker turnaround time to sell or rent the property. Options for streamlining review include: creating a special team to usher the development through the permitting and review processes, simplifying or combining steps of the process, or establishing automatic permitting for affordable housing. There is a precedent in Portland for the creation of a team in an effort to streamline and prioritize specific development types in the permitting process and a new team could potentially be funded through general fund dollars.
- **Land Discounts or Land Write-downs** – Discounting the price of land or writing down land value can put funds indirectly into a development either by reducing the acquisition price or by ultimately saving on taxes due to a decreased value. However, the focus groups revealed that, on their own, it is unlikely either of these tools will enable a project to pencil. They are most effective when combined with other tools, resources or strategies. There are also some limits on the write-down, including when the property was purchased with federal dollars, as maybe the case with transit agencies.
- **Loan Guarantees** – Developers mentioned that loan guarantees provided by the city could encourage affordable housing lending activities that would not otherwise take place. A program of this nature could provide guarantees on taxable and tax-exempt bonds, and could create a securitization mechanism that allows lenders to sell affordable housing loans in the secondary market.

Zoning for Family Size Units – A housing stock that offers adequate two and three-bedroom rental units can provide an alternative to higher rents for single-family homes. These units are not only critical for low-income families, but they offer an alternative for low-income singles and couples to take on roommates as an affordable housing option. Unfortunately, these larger units are not commonly included in new development. Cities are seeing shortages of this housing option and are taking actions to provide these family-size units.

A measure, similar to the affordable housing inclusionary requirement, could be placed on new housing developments to require the provision of a certain percentage of family-sized units.

Like other policies of this nature, a family-size unit requirement would need to be calibrated so that it is feasible for developers to implement.

The City of Seattle is considering implementing a requirement that for every four studios or one-bedroom units less than 400 SF, developers must build a unit with two or more bedrooms.[15] In November 2015, Emeryville, CA passed a policy requiring three-bedroom and two-bedroom units in new market-rate construction. In any new, multi-unit building of 10 or more residential units, no fewer than 15 percent must have three or more bedrooms, and at least half of all units must have two or more bedrooms[16]. Portland has implemented density bonuses in the past for family sized units, in certain planning districts.

TOD Overlay Zones - A TOD overlay implements an array of development regulations supporting new development that encourages transit usage and creates a vibrant neighborhood around a transit station.[17] The overlay amends regulations related to the mix of allowable uses, development densities, where development should be concentrated, parking requirements, pedestrian and bicycle design standards, and possible opt-in provisions such as affordable housing. The overlay usually extends from the station area by a walkable distance (e.g. 10-minute walk radius, or ½ mile). Sometimes, a jurisdiction will provide a sunset date for the overlay to provide an incentive for property owners to develop within that time period. In many cases, it is easier for a jurisdiction to pass a TOD overlay than to change zoning at each station area.

To encourage affordable housing, some TOD overlays provide opt-in density bonus or other incentives in exchange for increased affordable housing requirements. This tool is used in many places where zoning does not match the local comprehensive plan and is not responsive to the market. For example, in Virginia, planners used TOD overlays in the Rosslyn Ballston Corridor to encourage high-density, mixed-use development in an area that had been zoned for mostly single-family residences. These designations require a public planning process during which property owners in these areas decide to pursue development.

An example from another community implementing an overlay zone is the Transit Oriented Communities Affordable Housing Incentive Program (TOC Program). It implements Section 6 of Measure JJJ, approved by Los Angeles voters in November 2016.[18] The Measure requires the Department of City Planning to create TOC Affordable Housing Incentive Program Guidelines (TOC Guidelines) for all housing developments located within a one-half mile radius of a major transit stop. The TOC Guidelines, finalized in September 2017, require developers to utilize incentives such as parking reduction or enhanced density in exchange for on-site affordable housing units.

Affordable housing unit requirements range from 8% to 25% of the units serving extremely low-income to lower income households. The guidelines use a tiered structure based on distance to and type of transit on-site to determine requirements. Appendix D provides a table of the tier structures by transit distance and affordability level. The City offers an array of base incentives including: density bonuses, floor area ratio reductions, and reduced parking requirements for residential and non-residential units in mixed-use projects. The higher a project falls within the tier structure, the greater the incentive and affordability requirements. Examples include:

- A Tier 1 development that is within ½ mile of a bus rapid transit (BRT) line that interacts with another high frequency bus stop will require 8% of the units serve 30% AMI households. The density incentive will allow the developer a 50% density increase.
- A Tier 4 development located within a ¼ mile of a metro rail station and intersecting BRT line will receive an 80% density bonus in exchange for 11% of the units serving 30% AMI.

An array of base incentives is available for developers to utilize, including: density bonus, floor area ratio reductions, and reduced parking requirements for residential and non-residential in mixed-use projects. Up to three additional incentives are available for developments that include affordable units above the base level requirements. A table providing the full array of incentives and the correlating tier level is included in appendix E.

The impact of a TOD overlay or other incentive program in the Southwest Corridor will depend on the development benefits that are offered relative to the existing zoning, which is relatively transit-oriented and focused on affordable housing production already.

Existing Zoning Elements Reviewed

While zoning can be a powerful tool to incentivize affordable housing or specific housing types in the market, the requirements must be right-sized to ensure that developments and desired public benefits are built. It is important that zoning is used in conjunction with other tools and strategies, and that goals don't just rely on zoning. Incentives, by definition, must offer a net benefit effectively influence behavior. Without the right balance of requirements and benefits, development could be discouraged, preventing not just the affordable developments but also other market rate developments that are just as important in creating a robust housing supply. Several communities have experienced a trial-and-error process before finding the best balance of incentives and benefits. Incentive programs that function well in strong real estate markets may need adjustment for weaker market conditions, and vice versa.

Inclusionary Zoning (IZ) Receiving Sites - Through IZ, the City of Portland requires developers to include below-market rental apartments or for-sale homes in connection with the local zoning approval of a proposed development project. The policy includes incentives that help off-set the cost of developing rent restricted units. Despite the incentives provided, developers contend that IZ programs that are more flexible provide them more options to contribute to policy goals. Creating on-site affordable units can be challenging for some developers due to physical, financing, operating considerations. The option to pay into a fund or create the units off-site can be preferable in some scenarios.

The challenge to off-site provision is that many developers do not have an alternative project that they will be developing that meets the criteria. One possible solution could be to allow developers to use the option to create off-site units on a set of approved *receiving sites* where the off-site units could be pooled with other affordable housing units. These sites could be owned by the City of Portland, a nonprofit, or another public entity and have an equal or higher Combined Opportunity Map score than the initial market rate development, including being located within ½ mile of high frequency transit route.

To establish the policy, PHB would establish per-unit costs for affordable TOD such that developments on sites throughout the SW corridor could pay into a fund that supports development on the receiving sites in the future. In this scenario, market-rate developers could contract with nonprofit developers to produce and manage affordable housing more efficiently. Per the City of Portland's off-site provision requirements, units on the receiving site must be "reasonably equivalent" to the units in the sending site terms of size, quality and bedroom count. Allowing developers to meet inclusionary requirements through 100% affordable buildings, instead of requiring buildings to feature a mix of market-rate and affordable units, can offer another flexibility in meeting IZ requirements. A pool of IZ units could be an organizing principle for some kind of master development agreement, and might be a way to incent participation in an agreement.

There are several challenges to this approach:

- Per current IZ policy, the receiving site cannot be supported by any additional PHB subsidy, which limits potential partnerships with nonprofit or other developers.
- The City must find a partner to produce the housing development that would include the off-site units.
- An IZ receiving site along the SW Corridor would geographically limit the expenditure of fees paid by developers in the SW Corridor to producing affordable housing in the SW Corridor, even if other opportunities for affordable housing development exist, and may be considered more worthwhile, elsewhere.
- Since Portland's IZ policy only applies to new developments of 20 or more units, developers may produce properties with fewer than 20 units to avoid the IZ requirements, including any offsite options.

SW Barbur Boulevard Light Rail Project Station Area Zoning – Enterprise completed a cursory review of the current zoning of the potential station areas along the SW Corridor, finding there is room to improve the zoning to be more supportive of TOD. In the initial stages of a new transit investment, it is important that new zoning takes a corridor approach and does not try to force idealized TOD zoning at every station area. Implementing idealized TOD zoning at each station area has the potential to result in zoning that does not match the existing real estate market. This does not mean that there is not the potential for rezoning around stations areas. Under the current zoning, there is a substantial amount of single family zoning in most of the neighborhoods within a mile walk to retail and other amenities. Currently 545 acres along the SW Corridor in the walkshed of proposed station areas are zoned for single-family residential, or 31% of the total acres. Of all existing units in the SW Corridor walkshed, 56% of them are currently single-family. There is existing mixed-use zoning in places along the corridor immediately adjacent to the station areas, but it is often shallow, with an immediate transition to very low-density zoning in the surrounding walkshed. Traditional mixed-use, low-rise TOD can be developed on the mixed-use zoning. But the imbalance of single-family zoning in the surrounding walkshed is going to present challenges to improving the walkable amenity base, supporting commercial activities, and making new multi-family development marketable. Single family dwelling zoning immediately adjacent to stations does not allow for the incremental increases in residential density necessary to create a transit-oriented community (enough residents to support the kind of commercial amenities that will attract mixed use projects). This finding is also reflective of interviews with local real estate developers, who noted that single family zoning immediately around the station areas, will not support TOD. Stepping down to single family from other uses and density around the station areas would improve the feasibility of TOD.

In the initial stages of the SW Corridor transit investment, the City of Tigard and the City of Portland should implement zoning changes that allow TOD to happen. Later in the process, the City can consider rezoning around station areas. The City could explore corridor-wide approaches include the creation of a TOD overlay zone or similar approach.

The station areas with the greatest opportunity to have this discussion may be the Barbur Transit Center and the Burlingame station, because these locations have already been recognized in growth management plans as Town Centers, and policies are in place that suggest they are intended to be places with a full range of commercial services and housing opportunities.

Middle Housing – In parallel with the Southwest Corridor planning process the City of Portland is embarking on a process (the Residential Infill Project) to consider expanding the range of housing types allowed in some single-family neighborhoods close to transit. A new housing opportunity overlay is being considered, within which there will be expanded allowances for duplexes, triplexes, and additional ADUs. This project will impact some of these station areas.

West Denver Single Family Plus (WDSF+) Initiative - The WDSF+ Initiative is a proposed pilot program led by the West Denver Renaissance Collaborative (WDRC) launching in 2018. The pilot is in response to a 2010 zoning change that allows ADUs in some Denver neighborhoods. The development of an ADU can be quite expensive, especially given the lack of any financial product geared to ADU development. Renee Martinez-Stone, director of the West Denver Renaissance Collaborative has said that ADUs have ended up being a "tool of privilege," but this does not have to be the case. As Ms. Martinez-Stone has stated, "This is a tool that could keep people in place. It shouldn't just be for people who are capitalized and connected to contractors."[19]

The west Denver neighborhoods served by WDRC, where 57% of homeowners make 80% AMI, have seen a dramatic increase – on average over 50% – in property values over the last two years. The WDSF+ Initiative aims to stop displacement in these neighborhoods, both by giving homeowners a way to bring in more income and by creating more affordable housing that blends into the neighborhood.

A range of low-cost financing options will be made available to interested homeowners along with a set of six “off-the-shelf” designs that can save homeowners on the cost of an architect. It is anticipated that these supports can cut the cost of building ADUs in half. After refinancing their primary mortgage, many homeowners will see their costs stay the same or go down while adding a new source of income. The program will also help homeowners in west Denver, many of whom have older mortgages at higher interest rates, refinance even if they will not pursue the development of an ADU on their property. Through the use of the city’s affordable housing funds and non-profit and foundation support to make the financing affordable, the ADUs will also create additional affordable units via agreements to rent the units to households earning no more than 80% AMI.

Multnomah County – A Place for You. Through this project the county would finance and build small ADUs in the back yard of willing homeowners. In return, the homeowner would commit to a five-year lease to a homeless family, without pocketing any rent. After the 5-year term, the homeowner could take unrestricted control of the unit, without further restriction. This program is a small pilot program. If successful, it could be considered as an additional tool in station walksheds – especially if applied in conjunction with the zoning changes being contemplated with the Residential Infill Project.

Potential Partners

- Developers, both affordable and market rate, will be key partners in developing projects that are made feasible through development agreements and TOD Overlay Zones.
- Public agencies and city departments to coordinate resources and planning efforts to ensure development agreements are effectively leveraging other resources such as TriMet land or other subsidy sources.
- City of Tigard and local community members to coordinate zoning along the SW Corridor.
- Developers, both affordable and market rate, to ensure that the current IZ and any future changes create additional housing stock at a variety of income levels.

Next Steps

- Assess current zoning along the SW Corridor to determine adjustments necessary to incentivize affordable and mixed-use or even commercial development. The best-case scenario would be careful rezoning in station area walksheds along the corridor through small area planning, with an emphasis on areas designated as town centers and an eye toward single-family zoning located between stations and other major amenities. If this is not possible, the City could enact a TOD Overlay Zone that sunsets, providing an incentive for developers to act quickly and/or the City to move toward permanent rezoning. Another alternative would be building on the additional allowances provided by the Residential Infill Project.
- Continue to monitor newly implemented IZ policy to ensure that developers have adequate flexibility in how they respond to the policy requirements.

- Once rezoning or overlay zoning is determined, the city can determine what additional incentives to target for development agreements in order to further incentivize projects that will not get built even with revised zoning.

1.7 Interagency Memorandum of Understanding (MOU)

In today's environment of resource scarcity, publicly owned parcels represent an important opportunity to provide affordable housing and community benefits. Many agencies use an MOU to advance the development of affordable housing on publicly owned parcels. A MOU between the City of Portland, the City of Tigard, TriMet, and potentially other public agencies that supports a coordinated effort on land acquisition and development can efficiently leverage scarce resources and provide a predictable pipeline of sites for affordable housing funders and developers.

Best Practice on Interagency Collaboration for TOD

Coordination between transit agencies and other public agencies involved with implementing community development not only helps leverage scarce resources, in many cases it is necessary for TOD. A recent study by Living Cities was undertaken to understand why TOD projects are often more challenging than other development projects, common pitfalls and reasons for stalled projects found that early coordination between agencies can set up projects to be more successful from the onset. The study found the transit agency's decisions about station locations (i.e. choosing a route or station that is less feasible to develop than an alternative route) and land acquisition could significantly impact development.[20] In a case study featured in the Living Cities study, projects were impacted by transit agency decisions to incorporate certain parcels into "park and ride" lots, but not to take ownership of adjacent parcels key to future joint development efforts. Early coordination between public agencies can also help secure federal financing for transportation projects. Planning for joint development with local jurisdictions that results in the inclusion of TOD in local land use plans can benefit New Starts projects as the Federal Transit Administration (FTA) criteria are applied.

The American Public Transportation Association (APTA) issued guidelines to assist transit agencies in defining policies and practices for advancing, supporting and implementing transit-oriented development and joint development. One of the key guidelines was developing successful partnerships across agencies.[21] General principles identified by APTA that are important for successful partnerships among transit agencies, local government, the private sector and citizens, including the following:

- Leadership – willingness to take a leadership role in inviting stakeholders to enter dialogue and be ready and willing to enter into joint discussion and shared actions.
- Communication & Trust – implement mechanisms continued dialogue between agencies where the goals of all parties are identified and communicated.

- Written Agreements - spell out the aims and purposes of the parties, the obligations and expectations each party has for the others, the mechanisms for communications, and the general schedule for continuing meetings.
- Committing Staff Resources – partnerships with others cannot happen without a commitment of staff time and financial resources from both the transit agency and its partners.

The Los Angeles County Metropolitan Transit Authority (LACMTA) and the City of Los Angeles through the Los Angeles County Housing and Community Investment Department (HCIDLA) executed an MOU between the two agencies in 2016. The goal of the MOU is to jointly coordinate parties' efforts to preserve and create affordable housing for residents earning at or below %60 AMI within half a mile of transit facilities, defined as a fixed guideway bus or rail station or an intersection of two bus lines with headways less than 15 minutes in the peak period. Key highlights of the MOU include:

- LACMTA maintains control of developable sites proximate to transit facilities within the city as part of its joint development program. The city maintains land-use controls and local standards and controls the entitlement process for development within its boundaries.
- The city provides subsidies to support the development and preservation of affordable housing, manages access to the city's geographic apportionments of the %9 LIHTC, and coordinates with affordable housing funders and subsidy provides to focus on a pre-determined number of affordable housing developments through the Affordable Housing Trust Fund pipeline.
- Through LACMTA's joint development program, it will collaborate with selected developers to build TODs on LACMTA-owned properties, including parcels that contain Metro Rail station portals or facilities that were acquired for transit purposes.
- LACMTA shall seek opportunities for affordable housing on its sites in accordance with its joint development policy, and the city shall consider encouraging the development of affordable housing units on city-owned properties (to mitigate displacement in transit rich areas) and shall continue to pursue the preservation of affordable housing within a half mile of transit facilities.
- The city will encourage prioritizing sidewalk repairs and improvements and bicycle infrastructure for development projects with an affordable housing component that are located within half a mile of transit facilities.
- Through the site selection process (a LACMTA site for affordable housing or mixed-income project) LACMTA shall coordinate with the city for advice regarding targeted income level, population, density, etc.

- During LACMTA's preparation for an RFP for an affordable housing development on its site, it shall notify the city of its intention, and the city will assess the availability of funding and recommend a timeline and approach to funding affordable housing.
- If the joint development on a LACMTA site will include affordable housing that may request financial resources from the city through its trust fund, LACMTA may invite the city to participate in the developer selection process and/or seek the city's review of the affordable housing portion of any proposal.
- Before LACMTA selects a developer, it shall consider discounting the ground rent amount in compliance with its joint development policy and FTA guidelines.
- Both parties shall share applicable data and the results of geospatial analysis associated with joint developments with affordable housing.

Precedents for Interagency MOU & Collaboration

In 2015 a Letter of Intent (LOI) was signed by the City's Bureau of Planning and Sustainability (BPS), Portland Bureau of Transportation (PBOT), and TriMet. The LOI expressed the desire for a partnership on transit service, land use, community development and transportation policies, programs, and projects to support planned growth in alignment with the regions' 2040 vision. Unfortunately, there hasn't been enough time invested between the signing and now to bring the work and vision outlined in the LOI to fruition. Given the impending investment of transportation infrastructure along the SW Corridor, resuming this work is timely and critical.

TriMet and the City of Portland have an established precedent of collaboration and coordination of resources to make affordable housing near TriMet stations successful. When planning the Interstate MAX Yellow Line, Metro, TriMet, and the City of Portland worked collaboratively in the planning of the line and subsequent development. The city's land use planners and staff of the Portland Development Commission (PDC) – now Prosper Portland, worked with TriMet to identify, and in some instances, procure, potential development sites along the corridor. Patton Park right on the Yellow Line, was development by REACH Community Development, creating 47 units of affordable housing to serve community members previously displaced from the Overlook neighborhood. The development was successful due to the partnership and coordination between agencies. TriMet acquired the property specifically for an affordable housing development with surplus funds and offered the land to REACH at a reduced price. The city committed $4.5MM dollars in TIF, due to its location in the URA. 12 project-based Section 8 vouchers to serve very low-income large families were committed to the project and REACH was able to take advantage of city and state abatement and exemption programs.

The resources required for the realization of Patton Place were not serendipitous. An MOU between TriMet, Metro, and PDC created a Project Management Committee (PMC) with designated staff to represent each agency. The PMC was responsible for the Interstate Joint Development Program (IJDP). The MOU outlined a site acquisition, property management, and disposition process as well as resources each agency was committing to supporting the IJDP.

Interviews were conducted with agency staff to determine desired goal and outcomes of a prospective MOU for the SW Corridor development.

TriMet has continued to partner with local governments and low income housing providers. Currently approximately 500 affordable housing units are being built on land controlled by TriMet. TriMet is working with the City of Portland to develop the N. Argyle property that was a strategic staging site for Interstate Max into affordable housing. This 2-acre property is being converted into approximately 200 affordable units close to the Kenton stations. TriMet is working with two affordable housing developers to convert portions of a park and ride lot located on Blue Line at E 122nd Ave in the City of Portland and on the Green line at the Fuller Park and Rider lot on the Green line in Clackamas County.

Priorities for the City of Portland in an MOU include: [22]

- Create a precedent for agency roles for equitable TOD that creates predictability and accountability, potentially developing a lasting structure for future transit projects, not just the SW Corridor.
- A coordinated land acquisition and disposition strategy across agencies that includes securing sites where there are currently no publicly controlled sites like Tigard and mid-Barbur.
- Increased feasibility of affordable housing projects through decrease price of land.
- Agreement on joint development standard for minimum affordability across the portfolio and/or within each project or a TriMet set of practices and/or policy on affordable housing.
- Commitment to examine station locations after the selection of the Locally Preferred Transit Alternative that minimize travel times and maximize existing and future development around stations.
- Commitment to examine densities and parking requirements around station locations during a corridor-wide coordinated station area planning process.
- Identify where site stormwater mitigation may be required on property that could compete for development sites along SW Barbur.

Priorities for TriMet in an MOU include: [23]

- Joint development that creates robust station areas that reflect a good mix of uses and income levels.
- Commitment from the City of Portland to support affordable housing across departments, housing bureau, planning, etc. to ensure developers have access to resources (including financial resources), specifically for predevelopment and gap financing.
- Successful projects in a timely manner– there is a fear of holding or tying property for significant amounts of time only to have the project fall through and the land to remain vacant. The desire is to have active station areas to create density, activity and transit ridership, as well as destinations for transit riders, and for the parties to take a measured urgency to develop the properties.

- Compliance with all FTA rules is required when performing joint development or disposing of excess property acquired with FTA assistance.

Priorities for Metro in an MOU include:

- Continue to use Transit Oriented Development tools to for affordable housing along the corridor to help address the gap between market and affordable housing costs.
- Focus an appropriate amount of bond proceeds, if Metro chooses to move forward with the bond, to affordable housing along the corridor.

Potential Partners:

- TriMet
- Metro
- City of Tigard
- Other City Bureaus, PHB

Next Steps

- Continue the conversations with TriMet, Metro and the City of Tigard on an MOU. As corridor approaches to planning can be more successful than siloed views of station areas the MOU should potentially be not just between TriMet and the city but also include the City of Tigard (rather than separate MOUs) and with Metro's TOD Program.
- Coordinate zoning efforts along the corridor. Having each municipality on the SW Corridor without coordination would likely result in "idealized," TOD containing all possible community benefits. However, the real estate markets along a corridor vary substantially and "ideal" TOD can only occur in exceptional market conditions. If station areas are zoned to match real estate markets and considered at the corridor scale, a greater quantity and quality of TOD can be built.
- Coordinate station locations and infrastructure plans using decision criteria that take into consideration the site conditions needed to foster private development.

1.8 Large Retailer Tax

Local environmentalists are considering a potential ballot measure in 2018 that would enact a large retailer tax ("Large Retailer Tax") to fund the Portland Just Energy Transition Initiative. This would fund projects to reduce greenhouse gases, provide family-wage jobs, and promote equity and economic opportunities for communities of color and other low-income communities. Housing related projects could include energy efficiency projects that would reduce household energy bills. This tool could also help protect the quality and habitability of existing units if energy efficient upgrades targeted homeowners with housing that need repairs, for example installing insulation, furnace and water heater upgrades, etc.

The proposed Large Retailer Tax would be imposed at a rate of one percent on gross revenue from retail sales from all business within the city with annual gross revenue from retail sales from all locations where the taxpayer conducts business that exceeded $1 billion in the prior tax year; and has annual gross revenue from retail sales within the city of $500,000 or more in the prior tax year.

Between 20% to 25% of funding, or $15- $20MM annually, will support renewable energy and energy efficiency projects within the city and that benefit low-income Portland residents living in single family and multi-family units that qualify as permanently affordable housing units. For example, the city could provide energy efficiency and rehabilitation grants to nonprofit affordable housing developers who purchase non-regulated properties to be converted into permanently affordable units. Funds expended from this category will prioritize programs that provide energy cost savings to low-income renters and homeowners. Other activities include job training, apprenticeships and contractor support, sustainable local foods and greenhouse gas sequestration, and implementing the city's Climate Action Plan.

An additional 35% to 40% of net fund revenues could support renewable energy and energy efficiency programs to support non-profit programs working alone or in collaboration with private and governmental entities that directly facilitate and promote renewable energy and energy efficiency projects. These can include residential, commercial, school-based projects, and programs that broaden access to energy efficiency and renewable energy, such as community-initiated energy strategies, on-bill financing and repayment, community-owned solar projects, decentralized renewable energy, property assessed financing, local improvement districts, and renewables leasing programs should be high priorities for funding.[24]

Strengths
• Helps to meet climate change goals and stabilize vulnerable households • The funding could support existing programs such as Enhabit (residential energy efficiency and solar) and Multnomah County's new CPACE (multi-family and commercial energy efficiency). • The funds could be a broader anti-displacement tool if they were used for investments in green buildings at shallower levels of affordability (shorter time period of affordability, not all units, etc.…) • Unlike existing tools which benefit property owners, such as Energy Trust residential energy efficiency tax credits, this tool makes access to investment dollars for energy efficiency and renewable projects accessible to low-income renter households
Weaknesses
• Will likely face steep opposition and potentially legal challenges from the business community
Next Steps
• City needs to determine whether this measure will go on the ballot. • City needs to do outreach with local business community to gauge potential opposition messaging.

1.9 Regional Construction Excise Tax

Metro has considered adopting a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects, as authorized in 2016 by Oregon Senate Bill 1533. If adopted, the tax would be one percent of the permit value on residential construction and at an uncapped rate on commercial and industrial construction. Additional sources for financing can help support the creation of new affordable housing units but could potentially have a negative impact on the overall housing supply production.

The City of Portland and City of Milwaukie already have a CET; Metro's regional CET would therefore be for areas of the region that do not currently have one, which would include Tigard. If enacted, one possible option would be to allocate the proceeds based on the amount of money received from each jurisdiction.

Strengths
• Additional revenue source
Weaknesses
• CET increases development costs in an environment where many developers are already seeking relief from systems development charges, so it would have impact on feasibility. The additional costs are passed on to tenants in new buildings. • Where demand is high relative to supply, the CET will be passed on through higher housing costs. • Because CET revenue is development-derived, it will fluctuate with market cycles. • Regional voter approval would be necessary. • A regional CET would only impact the southernmost part of the SW Corridor, within the City of Tigard's jurisdiction
Next Steps
• Work with Metro to determine next steps for CET. • Further research to determine the impact of a CET on the overall development of housing supply and if the tax will generate enough revenue for affordable housing to offset any potential decrease in units developed by the market due to an additional tax.

1.10 Metro's regional source: GO Bond

The inherent connection between transportation and housing is becoming better understood for the ability to support planning and growth goals. Municipalities, regions, and even states are beginning to implement funding that requires transportation and housing development to be correlated. The approach to integrating the two ranges from funding source to funding source; region to region.

Examples of Integrated Housing and Transportation Funding

Sound Transit 3 Ballot Measure (ST3) and RCW 81.112.350[25] – The Seattle region through state legislation and a successful ballot measure is pursuing the integration of housing and transportation investment through the regional transit authority.

In July 2015, the Washington State Legislature passed, directing Sound Transit, the Central Puget Sound Regional Transit Authority to prioritize affordable housing. Through this authorizing language Sound Transit is required to offer at least 80% of surplus property (currently owned or purchased in the future) suitable for development as housing for either transfer at no cost, sale, or long-term lease first to qualified nonprofit entities for the develop of affordable housing. 80% of the homes on this land must be affordable for households earning less than 80% of the county's area median income.

ST3, put on the ballot by Sound Transit was passed by voters in November 2016. The plan adds 62 additional miles of light rail with stations serving 37 additional areas for a regional system reaching 116 miles. The successful ballot measure also requires Sound Transit via an amendment to its statue to implement a regional equitable TOD strategy. The strategy allocates funds to support collaborative planning for TOD at the transit capital project development stage, as well as for planning and pre-development activities on agency-owned properties that may be developed as TOD.

While the goals RCW 81.112.350 and ST3 set out for equitable TOD are admirable, putting policy into practice has been a challenge, especially when FTA guidance and regulations are factored in. FTA "fair share of revenue" guidance has limiting factors on the amount that Sound Transit can discount land for affordable housing. Often land discounting is not enough to make affordable housing projects pencil, especially for projects serving low and extremely-low income households. Despite these challenges, three new affordable housing projects are moving forward on Sound Transit land. Through a "no cost land transfer" Bellwether Housing and Plymouth Housing will work jointly to build a 13-story building with 197 units for people earning 60% or less than area median income (AMI), 111 units for formerly homeless seniors earning 30% AMI or less, ground floor retail, and a community space. The final approval of the land transfer is contingent upon securing $39 million in public funding for the estimated $92 million project.[26] At the future site of the Roosevelt light rail station Mercy Housing and Bellwether are working with Sound Transit to build around 245 apartments from one to three bedrooms. The project will also include retail space, a daycare, a community room, and a pedestrian walkway and public space that connects to the light rail station.[27] The City of Seattle has committed $15 million to the project.[28] The third project on Capitol Hill, is being made possible through a land exchange between Sound Transit and Seattle Central College. Capitol Hill Housing will develop the seven-story mixed-use building with about 78 affordable apartments for families making up to 60% of AMI and ground floor retail space, utilizing a combination of low-income housing credits, public funding and private debt.[29] The use of transit agency surplus land for affordable housing cannot rest solely on Sound Transit through land discounting, there must be a coordinated effort and commitment by other affordable housing financing sources to take advantage of the valuable asset ST3 offers.

Oakland City Bond Measure KK – The City of Oakland combined the goals of preserving affordable housing and creating more pedestrian friendly streets to win voter approved funding.

On November 8, 2016, City of Oakland voters approved Bond Measure KK to fund affordable housing projects and infrastructure improvements. Over two-thirds of the $600MM general obligation bonds are dedicated to housing and transportation infrastructure. The $350MM of the funds will go to address safety and mobility concerns through the redesign of streets slated for re-pavement to create better transit, biking and pedestrian experience including the construction of bikeways, sidewalks, paths, stairs, streetscape, curb ramps, and traffic calming improvements. $100MM of the funds are targeted for anti-displacement and affordable housing preservation projects. With these funds, the city has created a Site Acquisition Program with the purpose to provide short-term loans for acquisition-related costs associated with developing, protecting and preserving long term affordable housing. The details of the loan product can be viewed in the Appendix A.

Judging by the success of the ballot measure it was an accomplished strategy to combine funding for affordable housing and infrastructure to improve mobility into one measure, targeting top issues of public concern. Voters were not forced to choose between housing or transportation infrastructure or get funding for one and not the other. Also of note is that Measure KK was introduced in tandem with Measure A1, the Alameda County Housing Bond, $580MM countywide bond for homeownership and rental housing programs. The region was successful in soliciting voter approval for housing financing at the city and the country levels on the same ballot.

Affordable Housing and Sustainable Communities Program – In an effort to meet goals to reduce greenhouse gas (GHG) emissions the State of California has targeted funding to projects that specifically integrate housing and transportation infrastructure through the Affordable Housing and Sustainable Communities (AHSC) Program.

State Assembly Bill 32, signed into law in 2006 set up a Cap-and-Trade Program that limits number of GHG emissions permits. A portion of these permits can be purchased from the State at quarterly auctions, thereby generating auction proceeds. Administered by the California Strategic Growth Council, AHSC Program provides grants and affordable housing loans for compact TOD and related infrastructure funded by the Cap-and-Trade auction proceeds.

All project fund by the AHSC Program must demonstrate vehicle miles traveled (VMT) reduction through fewer or shorter vehicle trips or incentivize mode shift to transit use, bicycling or walking within transit areas, with an emphasis on integration of or development of affordable housing. All affordable housing funded directly or indirectly through the AHSC Program (excluding rural projects) must be located no further than 1/2 mile from a transit station or stop served by high quality transit.

The AHSC Program requires the integration of affordable housing with transit infrastructure. For example, an affordable housing development, in order to qualify for funding must include one of the following:

- Capital improvements that result in the improvement or addition of infrastructure that encourages mode-shift by enhancing public transit access; pedestrian network; or bicycle network (includes public bike-share infrastructure and fleet);
- Capital improvements that are publicly accessible and provide supportive amenities to cyclists, pedestrians, and transit riders (i.e. bike parking, bus shelter, benches, street trees; or
- Programs costs for education, outreach and training programs for active transportation or transit ridership.

Affordable housing developments are also required to provide at least one secure overnight bicycle parking spot that is not publicly accessible and is completely enclosed for every two units in the development and free transit passes, reloadable transit cards, or discounted passes priced at no more than half of retail cost.

Implications for the SW Corridor

Metro is considering placing a General Obligation (GO) bonds on the 2018 ballot to fund regional affordable housing investments, in advance of a different funding measure in 2020 that would pay for public transportation infrastructure. The GO Bond would provide a stable, dedicated revenue source through increased property tax rates. Metro would issue the bond, backed by the full faith and credit of its jurisdiction, to pay for capital construction and improvements in affordable housing. Because they are legally limited to use for capital investments and require a public vote to enact, Metro would need to use these bonds for land acquisition, development or purchasing existing unregulated affordable housing. One possible option would be to allocate the proceeds based on the amount of money received from each jurisdiction. General obligation bonds are not subject to Measure 5 and 50 rate limits.

Metro estimates a successful GO Bond Measure could provide between $300 million to $700 million in stable, dedicated revenue for affordable housing with the potential to integrate with other public investments in the region’s transportation system. However, one significant challenge is the state regulations requiring ownership of assets funded by a GO bond. These requirements limit the ability for the city to use general obligation bond proceeds in conjunction with other tools, like LIHTCs. Metro and the City of Portland are advocating at the state legislature for a constitutional amendment that would provide greater flexibility to jurisdictions pursuing general obligation bonds. If an amendment does not move forward but a GO bond measure passes, the importance of a strategic partnership with TriMet becomes even more critical to ensure strategic acquisition of land along the SW Corridor takes place and the GO bond funds are properly leveraged give the complication of utilizing traditional tools for affordable housing like LIHTC.

Given the potential for a housing bond and transportation funding measure presented to the voters soon, there are a number of factors to be considering in the shape of the bond measure gleaned through the examples of approaches set forth by other municipalities.

- It is important that the goals pursued by mandates or regulation of funding are achievable and are well integrated with the systems and polices of other institutions that will have implications for implementation.
- Coordination between municipalities, i.e. city and county can be a successful approach – they don't have to been seen in opposition to one another but rather reinforcing; and
- There is potential to truly integrate housing and transportation infrastructure. It can be on a small scale such as requirements that a new development ensure safe pedestrian access to transportation options, provides transit passes to low-income tenants, or integrates a bike share station. It can also be integrated on a larger, regional scale such as setting goals around affordable housing for transit infrastructure funded by the GO Bond.

Next Steps

- Continue dialogue about how the funding would be distributed regionally. Is there a set-aside specific to current and future transportation investments along corridors like the SW Corridor LRT and Division BRT?
- Is there appetite and interest in integrating transportation funding with housing funding?
- What type of housing projects are priority for partners and community stakeholders? Do those projects align with the requirements and limitations of GO bond funding?

1.11 Portland Affordable Housing REIT

A real estate investment trust (REIT) brings mission-based investors into a long-term investment fund that purchases and rehabilitates unregulated affordable housing, operates them with rents tied to CPI, and provides a competitive but less-than-market-rate return to investors in the form of quarterly cash flow. The purchase of affordable properties at risk of turning market rate or at risk of being redeveloped (e.g. unregulated but affordable properties, properties exiting LIHTC terms, etc.) can preserve the affordability of the units and keep residents in their homes by stabilizing rents while also creating additional long-term affordable units. This is first and foremost a market-based model, and serves a mission only because it invests in affordable housing (workforce housing) and because investors receive lower returns than if investing in other forms of real estate. Meyer Memorial Trust is championing this model with hopes an initial $100MM in capital can be raised and leveraged with debt, giving it the ability to act quickly in a tight housing market.

Investment funds generally come from philanthropic partners, banks, and Community Development Financial Institutions, and can be used to leverage public sector funds. Cities and other jurisdictions could buy into the REIT using their investment funds (such as employee retirement funds), and otherwise support it by funding operations.

Gerding Edlen will manage the fund and is experienced in both socially responsible investing and in real estate development. Meyer Memorial Trust would likely be the cornerstone investor. The REIT hopes to be out for investment by March 1st, 2018.

Strengths
• One major strength of this approach is that has the speed and agility of private capital to move with the market. This faster response time is an asset in a tight market. Similarly, with private capital from mission-based investors, there are fewer limitations on this type of fund, compared to the restrictions, political impacts, and often-bureaucratic processes of public sector funds. This fund would use no public dollars. • Another benefit to this approach is that it brings long-term, scalable funding that can be used to leverage other public investment funds. • One of the only tools being developed or deployed to preserve workforce housing in the 60% AMI to 100% AMI range of affordability. • Units would be held in perpetuity, with a long-term vision. If sold, they would be sold to selective owners willing to maintain rents.
Weaknesses
• Rents would need to increase to some degree on the properties involved in the investment trust in order to cover necessary rehab costs. Increases would be tied to inflation rather than what the market will bear. • Model is subject to interest rate risk and the investment return is stuck right around 4%. If interest rates on other investments were to increase, demand for this investment might decline. • Tool is subject to the market and business cycles and the timing of its investment purchases. Soon or in the next few years, this may impact its longer-term performance. • Fund could fail to fundraise; the model needs to attract investors who are willing to invest with a different mindset than a typical real estate investment.
Next Steps
• Meyer Trustees have approved a convertible loan to Gerding Edlen management to get the program set up. • In early Q1 2018 paperwork, negotiations and additional framing will occur regarding fund operations, investment and property acquisition terms, and legal review. • Then Gerding Edlen will pitch to Meyer Trustees for a cornerstone investment and take the investment opportunity on the road, including the opportunity for the City of Portland to commit some of its investment funds.

1.12 Community Land Trust

A model where a community organization owns land and provides long-term ground leases to low-income households to purchase the homes on the land, agreeing to purchase prices, resale prices, equity capture, and other terms, is another viable option. This model allows low-income households to become homeowners and capture some limited equity as the home appreciates, but ensures that the home remains affordable for future homebuyers. Community Land Trusts (CLT) may also lease land to affordable housing developers for the development or management of rental housing.

Strengths
• This model increases the opportunities for low-income households to become homeowners and build equity. • Can shield housing from the market by locking in long-term affordability restrictions (often 99-years).
Weaknesses
• With a focus on homeownership rather than rental housing, most local organizations implementing this model do not build at a scale so that numerous families reduce their housing costs. However, there are examples of dense community land trust models that could be explored. • Challenging to implement in hot housing markets, as the organizations need to purchase homes and funds might not go as far as they would in a down market.
Next Steps
• Increase funding opportunities for CLTs so they can acquire more properties to take off the market. • Talk to existing CLT operators about the ability to partner in the SW Corridor. • Talk to existing developers about the ability to partner with CLT operators in the SW Corridor.

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2 Implementation strategies that connect people to units

2.1 Resident Anti-Displacement Services

It should be noted that this portion of the paper focus solely on services that can be provided to both renters and homeowners to mitigate displacement of existing community members. There are many effective policies that also have a role in preventing displacement.

A national trend is forming across municipalities to increase and/or focus funding on anti-displacement and homeless prevention services. Communities have organized to put pressure on their civic leaders to respond to local housing crises. Providing anti-displacement and homeless prevention services is the most immediate step that can be taken to keep community members in neighborhoods undergoing change, whether this change is due to market pressures, redevelopment, or transit and infrastructure investment. These relatively quick-to-implement services to stabilize families are critical. Other measures to prevent displacement can take years to fund and implement, meanwhile tremendous turnover of residents in the community can occur by the time those strategies are in place. Anti-displacement services can provide long-term cost effectiveness by preventing homelessness and keeping households stabilized in their communities. Preventive measures can be significantly cheaper – both financially and in terms of opportunity-cost for the families and residents impacted – than providing services for homelessness or frequent moves.

Anti-displacement services can span a broad range of services, from legal support and financial assistance to education and outreach. Just as the needs of individual households will vary, the services provided to address those needs should also vary. Services should be customized to meet the needs of each household at risk. Table 6 below showcases an array of services to support renters and homeowners. Some of these services may help families through a one-time hardship, whereas other struggling households may understandably need repeated support over time to stay stably housed. Over time, many of these services also serve as strong complements to additional rent restricted housing.

Table 6. Anti-Displacement Services Menu

Legal Support	
Legal Support can include help answering legal questions, completing forms and providing representation in court.	
Services for Renters	**Services for Homeowners**
Eviction Prevention & Post-Eviction Support	Homeowner Rights
Tenant Rights & Understanding Lease Agreements	Housing Discrimination
Housing Discrimination	Foreclosure Counseling and Prevention
Housing Counseling	
Housing Counseling services can include education, outreach, organizing, and assistance accessing services to stabilize households such as job training, food boxes, etc.	
Services for Renters	**Services for Homeowners**
Support Applying for Subsidized Housing	Home Loans & Predatory Lending Education
Credit Counseling	Credit Counseling
Financial Literacy	Financial Literacy
Tenant Organizing/ Tenant Association	Homebuyer Education/ Pre- and Post- Purchase Counseling
Tenant Outreach and Education	Foreclosure Counseling and Prevention
	Down Payment Assistance
Financial Services	
Financial Services provide an array of monetary support, either with emergency situations or to access housing.	
Services for Renters	**Services for Homeowners**
Emergency Rental Assistance	Emergency Mortgage Payment Assistance
Emergency Utility Assistance	Emergency Utility Assistance
Individual Development Accounts	Owner Occupied Repairs
Food Boxes or Meals	Individual Development Accounts
	Food Boxes or Meals

National Examples of Anti-Displacement Services and Strategies

Anti-Displacement Crisis Intervention Program - The Alameda County Housing and Community Development Department (HCD) is implementing a county-wide Anti-Displacement Crisis Intervention Program (ADCIDP).[30] On August 1, 2017, the Board of Supervisors committed $3.5MM in county property tax revenue, locally dubbed "boomerang funds", for these new anti-displacement crisis intervention services. These services will expand countywide access to crisis intervention services for renters and homeowners at imminent risk of losing their housing. The county recently selected Centro Legal de la Raza as the Program

Administrator to manage program delivery with the intent to begin implementation of the program in December 2017.

The Anti-Displacement Crisis Intervention Program will expand access to crisis intervention services, with an emphasis on housing-related legal services, including counseling, mediation and/or in-court representation, as needed. Components of the program include:

- Accessibility - Marketing and intake must be presented in a clear manner that eases access for residents regardless of age, culture, language, citizenship and other possible barriers to receiving services.
- Intake and Housing Stabilization – Each client will undergo an intake process to assess their needs and screen for program eligibility. Subsequently, an individualized strategy will be developed for each client, tailoring assistance to their situation which may include multiple types of assistance. Referrals and facilitated client access to assistance, including non HCD funded services is required of the ADCIDP program administrator.
- Legal Advice – Phone-based or in-person legal advice to clarify rights, responsibilities and next steps which they can implement
- Legal Services – A full range of legal services will be provided through the program. These services include: assisting tenants in negotiations with landlords, legal representation in court to prevent an eviction, and assisting homeowners facing foreclosure or tax default in negotiations with their creditors.
- Short-term Financial Assistance – Time-limited housing-related financial assistance will be provided, intending to fund costs directly related to an eligible household's need for temporary financial support to maintain housing that is safe, decent and that the household is able to afford for the foreseeable future. These funds will be available to both renters and homeowners experiencing temporary need for financial assistance. Sustainability of housing costs for the household once the temporary hardship is resolved must be demonstrated. If the client is not able to afford their existing housing but can locate and obtain an affordable alternative in Alameda County, then first and last month's rent, security deposit, and moving expenses are eligible expenses.

Anti-Displacement Taskforce - Austin, TX is taking a broader approach in the application of services to prevent displacement of its residents, looking at a host of services beyond housing that stabilize households and provide access to opportunity. In August 2017, the City Council of Austin passed a resolution to create an anti-displacement task force.[31] The task force is charged with recommending specific strategies in five categories of action. One of these categories includes income and asset creation by providing needed services (e.g. childcare, transportation, a basic retail sector, access to health care, and employment opportunities) as a precondition for success. The task force will commit to a 10-month process that will culminate in identifying sources of information that will reveal the depth of the problem in Austin's communities, set metrics and goals, and give preliminary recommendations for displacement prevention.

Bay Area for All – Bay Area for all is an initiative of the Great Communities Collaborative, the Bay Area Regional Health Inequities Initiative, and 6 Wins for Social Equity. This collaborative effort seeks to leverage the influence and expertise of its members to combat displacement in the San Francisco Bay Area. Individual community benefit organization members had offered services to residents like tenant rights education, legal clinics for illegal rent increases and evictions, and tenant organizing. As a coordinated effort, they are now able to share data and information between organizations. This allows the collaborative to identify trends with certain landlords, see geographically where people are more heavily using services and better understand overall condition of the community. The community organization members are also adopting standard questions so that they can gather consistent information from all residents supported by the collaborative.

This more nuanced understanding of neighborhoods and individual building dynamics also serves to inform the collaborative's preservation efforts. By accumulating the information for these organizations, the Bay Area for All team can prioritize buildings with particular conditions, estimate the income and demographics of the tenants in the building, and convey some sense of the interior condition of the units to developers looking to approach building owners.

These national examples can provide insight to the City of Portland on innovative programs and delivery of services to support the development of the *Equitable Housing Strategy* for the SW Corridor. Key practices include:

- Centralizing and coordinating service provision;
- Focusing on meeting the full needs of individuals across providers and developing a service plan center on individual needs;
- Integrating short-term service provision with long-term solutions to develop individual capacity and access to resources for sustained success;
- Innovating financial products for low-income homeowners to build assets and income base while providing additional affordable units; and
- Sharing data across service organizations to help inform coordinated response to changing neighborhood dynamics and arising issues along the SW Corridor.

Implications for the SW Corridor

There are a range of services and providers active in the SW Corridor which are detailed in the *Existing Organizational Presence* white paper in this series. Based on the research conducted for that white paper, funding and capacity gaps exist in meeting the demand for anti-displacement services along the SW Corridor.

Emergency rental assistance, followed by legal services, tenant counseling, education, and outreach, were cited as the most critical services needed in the SW Corridor to prevent displacement.

Emergency Rental Assistance - Home Forward's Short-Term Rent Assistance (STRA) program pools funding from the City and County Joint Office of Homeless Services, Multnomah County Department of County Human Services, Home Forward, United Way, and the City of Gresham. Home Forward contracts with providers to deliver the STRA program to households who are experiencing homelessness or at-risk of homelessness in Multnomah County. Eligible expense provided through STRA include: financial assistance with rent, rent arrears, mortgages, motel vouchers, application fees, deposits and move-in expenses, housing debt, and limited "non-leasing" expenses needed to eliminate barriers to housing. Currently, Neighborhood House, WorkSystems (through a partnership with Home for Everyone), and Home Forward provide emergency rental assistance in the SW Corridor through the STRA program.

The FY 2016-2017 budget for STRA was 10.6MM, of which 65% was allocated to homeless prevention assistance.[32] In 2016 citywide, 2,583 unique households were provided with emergency rental assistance through STRA, the average rental assistance totaling $2,376 over an average of 3.5 months[33]. Home Forward's statistics illustrate the immense need for proactive homeless prevention services significantly exceeds the available resources. The average provider of homeless prevention services can only serve 10% of demand Providers receive an average of 1,324 calls, but can only meet the needs of 132 of those inquiries.[34] Despite the lack of funding to meet demand, the provision of prevention services is very effective. For the 2015-2016 FY, 92% of STRA services recipients were still in their homes after 3 months, 88% after 6 months, and 84% after one year.[35]

Legal Services – The provision of legal aid to low-income households has been proved to be an effective anti-displacement measure. In 2013, just 1% of tenants in eviction proceedings in New York City had legal representation. As a result of annual investments totaling over $100MM in civil legal services, evictions have fallen 24% from 2013 to 2015 and representation in eviction proceedings was up 26%, according to the Office of Civil Justice's 2016 annual report.[36]

Currently there is limited capacity for the delivery of these services in the SW Corridor. Community Alliance of Tenants (CAT) is the only provider in the SW Corridor for these services and is a statewide agency. CAT provides renter's rights education and information and direct tenant support through trained volunteer tenant rights specialists but do not have any legal staff. CAT also provides a renter's rights hotline that focuses on tenant education. CAT does not provide legal advice, rather provides support for tenant rights up to the point of where a participant needs legal aid at which time CAT can make a direct connection to Portland Defender, a private law firm, and Legal Aid Services of Oregon (LASO). In early 2017 Portland Housing Bureau through its tenant protection program, provided CAT with an additional $270,000 for outreach/engagement, renter services and renter legal advocacy. Approximately 60 households will be directly served with this funding. LASO is a subcontractor of CAT to provide these legal services.

As mentioned above, organizational capacity gaps along the corridor create a barrier to meeting demand and delivering anti-displacement services. Capacity gaps identified include core operating funding (i.e. staff salaries, marketing services, staff training and capacity building and training for organizations, especially on service provision). Further details of capacity gaps are covered in the *Existing Organizational Presence* white paper.

Potential Partners

- As identified in the *Existing Organizational Presence* white paper, key partners in bolstering and filling the gaps in the anti-displacement service provision will be the organizations that are already working to serve the SW Corridor. Partners specific to the biggest needs identified include: CAT, Home Forward, Neighborhood House, and WorkSystems.
- Additional partners to support coordination, delivery, and financing of services include those organizations that currently support and fund services along the corridor, including: Portland Housing Bureau, the City and County Joint Office of Homeless Services, Multnomah County Department of County Human Services, Home Forward, United Way and City of Gresham to name a few.

Next Steps

- Quantify unmet demand and need specific to the SW Corridor.
- Build capacity of organizations to deliver services.
- Identify additional funding sources to support the delivery of emergency rental assistance, legal services and tenant counseling, education, and outreach.

2.2 Pay for Success

Pay-for-Success (PFS) is a public-private financing model that attempts to shift the financial risk for launching or scaling innovative social interventions from the government to the private and/or philanthropic sectors.[37] In a PFS transaction, private or philanthropic investors provide up-front capital to fund a programmatic intervention. If the project is successful based on previously agreed-upon outcomes, the government (local, state, or in the future, federal) repays investors, typically with a modest return. The PFS model has been used in approximately 16 launched PFS projects in the United States, spanning different geographies and program areas. The following diagram illustrates the mechanics of the model. In the SW Corridor this model could be implemented to fund anti-displacement services.

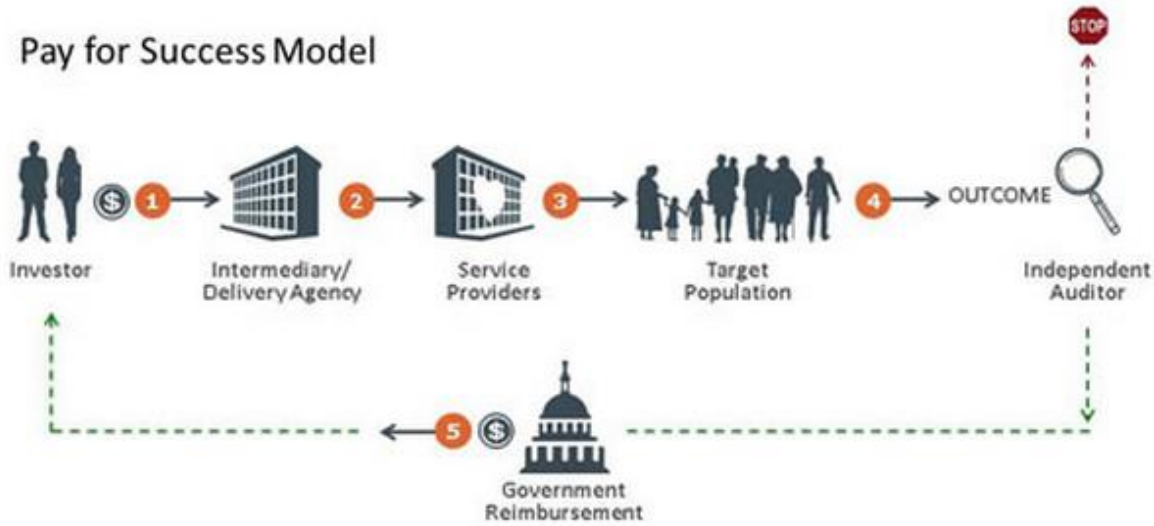

Image credit: the James Irvine Foundation webpage

PFS is an interesting and evolving financing model, but it should be approached cautiously. If public, private, and nonprofit partners have a specific population and outcome(s) they are eager to address together, the model is worth exploration. However, if partners are not clear from the start about their goals or they do not have a foundation of collaboration from which to work, the model can quickly expend significant resources and never reach closure. To be sure, there is value in the PFS development process itself, but partners should approach this model with a full understanding of the potential costs and benefits.

Strengths
• The PFS model addresses a persistent challenge facing social service providers, the vast majority of which are funded via reimbursement from government agencies. The PFS model gives service providers the flexibility to focus on outcomes rather than outputs, and it gives providers the up-front capital to build and execute an outcomes-based program. As the CFO of one PFS-involved provider stated, "The PFS model allowed us to design an intervention that will measurably help children and families without the constraints of typical fee for-service funding. Our staff is able to focus entirely on what they do best--building relationships with clients and driving toward outcomes." • PFS projects demand a high-degree of collaboration. As such, partners involved in launched PFS projects reiterate the "silo-busting" nature of the model. This intense collaboration begins during project feasibility and continues during project operations. Partners from the public, private, and nonprofit sectors must come to consensus on both big picture outcomes goals and must navigate the minutiae of contract negotiations. The sheer time involved in putting projects together and the intensity of the work can create either deep collaborative relationships or it can be a barrier to launching a project. If partners successfully launch a project, the operations of a PFS model typically involve a level of data sharing and communication among both different government agencies/departments and different sectors altogether.
Weaknesses
• PFS projects require a significant investment of time and resources. Enterprise estimates that just one organization involved in PFS feasibility and negotiations can expend $200-$400k during predevelopment. It is not atypical for projects to take 3-4 years to close. Because of these barriers, most PFS projects stall in predevelopment. • There are two areas of concern related to PFS sustainability. One, PFS projects are designed for a finite time period. It remains to be seen whether governments who currently participate in PFS projects will transfer "successful" projects to an ongoing program or service after the project officially concludes. Second, most PFS projects have relied heavily on philanthropic funders to take on the majority of the project's financial risk (provide guarantees, serve as junior lenders, etc.). It is unclear how long philanthropic funders will be willing to serve in this capacity, and whether it will become harder and harder to secure investors for PFS projects.
Next Steps
• None – recommendation not to pursue a PFS model specific to the SW Corridor due to the time commitment and resource required to implement and given that the services it would cover need to be delivered early in the overall housing strategy.

3 Conclusion and Key Takeaways

As illustrated in Table 2, Implementation Strategies by Housing Element, this white paper primarily focuses on one of the four housing strategy elements presented at the beginning of this paper: implementation strategies that support the creation of additional restricted units. As the EHAG continues to develop the Equitable Housing Strategy for the SW Corridor, consideration of existing programs and selected new implementation strategies for implementation and their relation to the four elements is encouraged. This process will help to ensure that the Equitable Housing Strategy does not have significant gaps and that all implementation strategies can work in tandem, bolstering one another.

This white paper presents an array of implementation strategies for consideration. Several are worth pursuing and have the potential to create significant impact. The following list of recommended tools is not meant to include all the implementation strategies that could be part of a comprehensive strategy. Rather, it advances the implementation strategies that should be prioritized to anchor the strategy.

Public Subsidy for NOAH - This measure, based on initial modeling, has the potential to support the preservation of unrestricted affordable housing along the corridor while simultaneously conserving other resources/subsidy that can be utilized to support additional affordable housing at lower income levels. While much more research is needed on the feasibility, a particularly interesting approach would be to look at how NOAH's financing can also be utilized to support the acquisition of unrestricted properties into limited equity cooperative housing. This strategy may support the creation of additional homeownership along the corridor while simultaneously utilizing the owner financing to fill other resource gaps that the NOAH loan product would not be able to cover. Such an approach would require the partnership of many organizations, potentially including:

- CAT to help organize tenants to develop the cooperative housing
- CPAH to serve as the developer and oversee any required maintenance/rehab necessary and function as a supporting organization until the board is functional and sustaining, especially as many units may remain rental units if tenants are not ready or interested in homeownership
- Portland Housing Commission to provide the homebuyer and financial literacy education to prepare existing tenants to take on homeownership responsibilities

Anti-Displacement Services – As noted in this paper, providing emergency rental assistance and legal services can be effective, proactive strategies that serve as prevention implementation strategies. Keeping households in their existing homes is more cost effective than supporting a move and sourcing new housing or providing temporary housing. Preventing homelessness is very cost effective. While there may be a need for additional anti-displacement services along the SW Corridor, these emergency rental assistance and legal services can potentially have the greatest impact.

Interagency MOU and Zoning - Pursuing an MOU with TriMet and other key partners along the corridor has the potential to deliver a substantial, corridor-wide impact. The collaboration and partnership will go a long way in supporting equitable development along the corrido, enabling the leveraging of each agency's resources to support TOD. Rezoning around station areas can be an additional action within the city's power while negotiating an MOU.

Urban Renewal Area in the SW Corridor - Urban renewal is the most powerful locally-controlled funding tool available to support direct investment in infrastructure projects and to support affordable housing. Prosper Portland should continue to explore a potential URA in the Portland portion of the SW Corridor that it can use to leverage other tools outlined in this white paper.

Regional Bond for Affordable Housing – A regional GO Bond measure for affordable housing that includes a transit corridor priority can provide a secure source of subsidy financing. Often subsidy is the missing ingredient that can ultimately make a project feasible or not, especially when targeting very low-income populations.

A final report that summarizes all the research across all four white papers and outlines recommendations for implementation will be delivered next.

Appendix A

Table of Loan Products for Acquisition and Preservation Financing Terms

Fund	Capital Size	Project Types	Affordability Requirements	Transit Requirements	Loan Amount	Loan Terms	Interest Rate	LTV
NOAH Acquisition and Preservation Loan	$33MM	• Multifamily rental housing with expiring federal rental subsidies (HUD or RD) or Section 42 tax credits approaching the end of the contract compliance period. • Mixed use development with a housing component, provided that the effective gross income from commercial tenants cannot exceed 20% of the total effective gross income. • Acquisition of market rate property, unrestricted by regulatory agreements, with the intent to transition to affordable housing. • Acquisition of land that will have affordable housing development.	Affordability to be guaranteed for the original term of the loan. 1. 51% or more of the units are to be rented to households earning 80% or less of median income as defined by HUD; or 2. 40% or more of the units are to be rented to households earning 60% or less of median income as defined by HUD; or 3. 20% or more of the units are to be rented to households earning 50% or less of median income as defined by HUD.	None	$500,000 minimum and up to $5,000,000 maximum, generally.	Lesser of 36 months or HUD/RD contract expiration. Extension of up to 12 months, not to exceed 48-month maximum loan term.	Between 5% and 7%. Calculated by NOAH based on its blended cost of funds plus a margin. Current rate is 5%.	Non-profit borrowers up to 95% of the lesser of “hypothetical” market value, or “as is” restricted value; 2. For-profit borrowers up to 75% of the lesser of “hypothetical” market value, or “as is” restricted value.
Regional Equitable Development Initiative (REDI) Fund	$21MM	▪ New construction multifamily affordable rental and for-sale developments ▪ Land acquisition ▪ Mixed-use ▪ Emphasis on acquisition of existing properties for preservation	Existing properties must have a minimum of 10% of units affordable to households at or below 80% AMI or 20% below the market rent. Average across the fund for new construction, 25% of all units must be at or below 50% AMI	Within ½ mile walk shed of light rail or commuter rail, or within a ¼ mile walk shed of frequent bus service or streetcar stops	Up to $5MM, unless approved as exception	Up to 84 months for acquisition of vacant or redevelopment sites. Up to 48 months for operating multifamily properties not intended for redevelopment	Fixed-rate; 3.89%	Up to 100% of the lesser of the as-is appraised value or the purchase price. Up to 110% may be considered to fund predevelopment and entitlement activities on a case-by-case basis

Metro Affordable Transit Connected Housing Program (MATCH)	$75MM	H+T Loan Product – Existing, occupied, unsubsidized and non-deed restricted multifamily housing with rents affordable to households earning 80% of area median income ("AMI") or below, with likely capacity to be redeveloped to at least double the number of units or square footage. Must have an existing minimum unit size of 20 units. Predevelopment Loan Product: A new affordable housing project through new construction or substantial rehabilitation. Must have a minimum unit size of 49 units and demonstrate site control.	H+T Loan Product: 80% AMI Predevelopment Loan Product: none	Located within a half mile of a fixed guideway station or intersection of two buses with 15 minutes maximum frequency peak period headways. Prioritization for projects that demonstrate an existing or planned safe path of travel between transit and the proposed project	H+T Loan Product: Maximum loan amount will be determined on per loan basis. Predevelopment Loan Product: Maximum loan amount of $1.5MM	H+T Loan Product: Initial term of not more than 5 years. An additional term of not more than 5 years may be considered, at option of originating lender, if certain conditions are met. Predevelopment. Loan Product: Up to 24 months, with a 12-month extension option subject to replenishment of the interest reserve as deemed appropriate by originating lender.	Loan pricing will be favorable and determined by originating lender based on market conditions.	Up to 120%
Denver Regional Transit-Oriented Development (TOD) Fund	$24MM	Multifamily affordable rental housing (for-sale may be considered) Mixed-use projects that provide community facility and/or non-profit space (e.g. childcare centers, health clinics, charter schools, fresh food markets) in addition to housing. Vacant/underutilized land that will be acquired for the	60% AMI and below	Within ½ mile of an existing or future fixed rail station or within ¼ mile of a high frequency bus corridor	Up to $5MM	Maximum of 5 years	Fixed-rate; expected to be between 3.65% and 4.10% depending on term and geographic location	Loan-to-Value up to 90% of the lesser of the as-is appraised value or the purchase price.

		purpose of producing either of the above						
Southland Community Development Loan Fund	$6MM	Multifamily Rental Housing: Residential projects must support the mixed-income goals of the Southland Fund. Mixed-Use Projects: Mixed use projects must conform to the above stated Multifamily Rental Housing. Any commercial or retail should support and compliment the TOD objectives of the Southland Fund. The Southland Fund will consider acquisition of vacant land and operating housing where the intent of the acquisition of the operating property is to preserve housing affordability or address another community need. For occupied and/or income producing multifamily housing properties, up to $7,500/unit is allowed for immediate capital improvements related to life safety or code violations.	30-year deed restriction that restricts the affordability of the property and improvements to either: 20% of the units restricted to 50% of the Area Median Income or 40% of the units restricted to 60% of the Area Median Income.	Located within ½ mile of quality transit services, which includes METRA stations and major fixed route bus transit.	Acquisition Loan: Up to $3MM. Predevelopment Loan: Maximum loan commitment amount of up to $500,000, non-revolving.	The maximum acquisition loan term is up to five (5) years. The maximum predevelopment loan term is up to three (3) years.	Acquisition Loan: Loan pricing will be fixed for the original term of the loan at closing. Both variable and fixed rate options available. Predevelopment Loan: 3%, fixed-rate.	Acquisition Loan: Up to 60% of the lesser of the as-is appraised value of the real estate or the purchase price for vacant and/or unimproved property. Up to 80% of the lesser of the as-is appraised value of the real estate or the purchase price for occupied and/or income producing property. Minimum 80% occupancy required. Predevelopment Loan: up to 100% of the as is appraised value of the real estate or any other collateral pledged for the project
City of Oakland Site Acquisition Fund	$100MM	Acquisition loans are limited to vacant land, vacant buildings, and existing multi-family rental buildings (5 units or greater). For the acquisition of existing restricted affordable housing, projects must serve	Affordability restrictions for 55 years:60% AMI	None	Loan amount of up to $150,000 per unit or a project maximum of $5MM	Repayment at three years or upon securing permanent financing, potential for conversion to a	Annual 3% interest rate	100% LTV

		households or individuals at or below 60% AMI.				long-term deferred loan		

Appendix B

NOAH Capital Composition Models

Baseline Model

The following modeling assumes a single blended capital stack using all available resources identified by NOAH. In practice, NOAH blends resources specific to each loan, so the rates in the baseline assumptions here may not match the terms of OAHF loans made to date.

Source of Loan Funds	Tier	Amount ($)	% of Fund	Recourse to Borrower	Interest Rate	LTV
Banks (4)	Senior	20,308,522	62%	Y	5.5%	50%
Public Funds (2)	Subordinate	3,000,000	9%	y	0.0%	75%
Foundations (3)	Subordinate	8,500,000	26%	y	2.0%	
Nun Fund 1	Subordinate	150,000	0%	y	3.0%	
Nun Fund 2	Subordinate	250,000	1%	y	2.50%	
CDFI (pending)	Subordinate	776,500	2%	Y	0.00%	
Total:		**32,985,022**	**100%**	**100.0%**	**3.93%**	**75%**
				Servicing Fee	**1.00%**	
				Rate to Borrower	**4.93%**	

Alternative Scenario #1: more borrowing capacity by bringing in higher LTV CDFI money						
Source of Loan Funds	**Tier**	**Amount ($)**	**% of Fund**	**Recourse to Borrower**	**Interest Rate**	**LTV**
NEW CDFI RESOURCES	Senior	39,000,000	75%	Y	6.0%	75%
Public Funds (2)	Subordinate	3,000,000	6%	y	0.0%	85%
Foundations (3)	Subordinate	8,500,000	16%	y	2.0%	
Nun Fund 1	Subordinate	150,000	0%	y	3.0%	
Nun Fund 2	Subordinate	250,000	0%	y	2.50%	
CDFI (pending)	Subordinate	776,500	2%	Y	0.00%	
Total:		**51,676,500**	**100%**		**4.88%**	**85%**
				Servicing Fee	**1.00%**	
				Rate to Borrower	**5.88%**	

Alternative Scenario #2: blend in additional public resources						
Source of Loan Funds	**Tier**	**Amount ($)**	**% of Fund**	**Recourse to Borrower**	**Interest Rate**	**LTV**
Banks (4)	Senior	20,308,522	47%	Y	5.5%	50%
Public Funds (2)	Subordinate	3,000,000	7%	y	0.0%	75%
Foundations (3)	Subordinate	8,500,000	20%	y	2.0%	
Nun Fund 1	Subordinate	150,000	0%	y	3.0%	
Nun Fund 2	Subordinate	250,000	1%	y	2.50%	
CDFI (pending)	Subordinate	776,500	2%	Y	0.00%	
NEW PUBLIC RESOURCES	**TOP LOSS**	**10,000,000**	**23%**	**N**	**0.00%**	**100%**
Total:		**42,985,022**	**100%**		**3.02%**	**100%**
				Servicing Fee	**1.00%**	
				Rate to Borrower	**4.02%**	

Alternative Scenario #3: improved senior debt due to early city commitment, reduced LTV, pipeline, short term, etc.						
Source of Loan Funds	**Tier**	**Amount ($)**	**% of Fund**	**Recourse to Borrower**	**Interest Rate**	**LTV**
Banks (4)	Senior	20,308,522	62%	Y	4.5%	50%
Public Funds (2)	Subordinate	3,000,000	9%	y	0.0%	75%
Foundations (3)	Subordinate	8,500,000	26%	y	2.0%	
Nun Fund 1	Subordinate	150,000	0%	y	3.0%	
Nun Fund 2	Subordinate	250,000	1%	y	2.50%	
CDFI (pending)	Subordinate	776,500	2%	Y	0.00%	
Total:		**32,985,022**	**100%**		**3.32%**	**75%**
				Servicing Fee	**1.00%**	
				Rate to Borrower	**4.32%**	

Alternative Scenario #4: blend in additional public resources AND use them to leverage better senior terms						
Source of Loan Funds	**Tier**	**Amount ($)**	**% of Fund**	**Recourse to Borrower**	**Interest Rate**	**LTV**
Banks (4)	Senior	20,308,522	47%	Y	4.5%	50%
Public Funds (2)	Subordinate	3,000,000	7%	y	0.0%	75%
Foundations (3)	Subordinate	8,500,000	20%	y	2.0%	
Nun Fund 1	Subordinate	150,000	0%	y	3.0%	
Nun Fund 2	Subordinate	250,000	1%	y	2.50%	
CDFI (pending)	Subordinate	776,500	2%	Y	0.00%	
NEW PUBLIC RESOURCES	**TOP LOSS**	**10000000**	**23%**	**N**	**0.00%**	100%
Total:		**42,985,022**	**100%**		**2.55%**	**100%**

		Servicing Fee	**1.00%**
		Rate to Borrower	**3.55%**

Appendix C

Sample Project Models Implementing NOAH Capital Composition Scenarios & Fund Cash Flow

Sample Project Model #1: 6810 SW 26th Ave

Estimate of acquisition transaction

USES:	Total	Per Unit
Property Acq.	6,250,000	117,925
Legal	10,000	189
Appraisal	4,000	75
Urgent Rehab	265,000	5,000
Reserves	265,000	5,000
Developer Fee	100,000	1,887
Total	6,894,000	130,075

OPERATING PRO FORMA

REVENUE					Year 1	Year 2	Year 3	Year 4	Year 5
Unit	quantity	rent	revenue						
Studio									
1 BR	53	1,025	651,900	2%	651,900	664,938	678,237	691,801	705,638
2 BR	-								
3 BR	-								
	53	Total rev	651,900	0	651,900	664,938	678,237	691,801	705,638
EXPENSES		Annual Cost	Per unit						
Professional Expenses		13,250	250	3%	13,250	13,648	14,057	14,479	14,913
Admin Expenses		63,600	1,200	3%	63,600	65,508	67,473	69,497	71,582
Utilities		13,250	250	3%	13,250	13,648	14,057	14,479	14,913
Repair and Maintenance		53,000	1,000	3%	53,000	54,590	56,228	57,915	59,652
Taxes		55,524	1,048	3%	55,524	57,190	58,905	60,673	62,493
Insurance		15,900	300	3%	15,900	16,377	16,868	17,374	17,896
Property Management (6%)		39,114	738	3%	39,114	40,287	41,496	42,741	44,023
Services		-	-	3%	-	-	-	-	-
Reserve Contributions		-	-	3%	-	-	-	-	-
		253,638	4,786		253,638	261,247	269,085	277,157	285,472
		Net Operating Income			**398,262**	**403,691**	**409,152**	**414,644**	**420,166**
Minimum DCR 1.15									
BASELINE	Interest Rate	**4.93%**		**interest only D/S**	**231,294**	**231,294**	**231,294**	**231,294**	**231,294**
	LTV	75%		DCR	1.72	1.75	1.77	1.79	1.82
	Other Sources	**2,206,500**		CF	166,968	172,397	177,858	183,351	188,872
Scenario 1	Interest Rate	**5.88%**		**interest only D/S**	**312,266**	**312,266**	**312,266**	**312,266**	**312,266**
	LTV	85%		DCR	1.28	1.29	1.31	1.33	1.35
	Other Sources	**1,581,500**		CF	85,996	91,425	96,887	102,379	107,900
Scenario 2	Interest Rate	**4.02%**		**interest only D/S**	**251,188**	**251,188**	**251,188**	**251,188**	**251,188**
	LTV	100%		DCR	1.59	1.61	1.63	1.65	1.67
	Other Sources	**644,000**		CF	147,074	152,503	157,965	163,457	168,978
Scenario 3	Interest Rate	**4.32%**		**interest only D/S**	**202,433**	**202,433**	**202,433**	**202,433**	**202,433**
	LTV	75%		DCR	1.97	1.99	2.02	2.05	2.08
	Other Sources	**2,206,500**		CF	195,829	201,258	206,719	212,211	217,732
Scenario 4	Interest Rate	**3.55%**		**interest only D/S**	**221,659**	**221,659**	**221,659**	**221,659**	**221,659**
	LTV	100%		DCR	1.80	1.82	1.85	1.87	1.90
	Other Sources	**644,000**		CF	176,603	182,032	187,493	192,985	198,507

Sample Project Model #2 5735 SW Oleson Rd
Estimate of acquisition transaction

USES:	Total	Per Unit
Property Acq.	15,300,000	180,000
Legal	10,000	118
Appraisal	4,000	47
Urgent Rehab	425,000	5,000
Reserves	425,000	5,000
Developer Fee	100,000	1,176
Total	16,264,000	191,341

OPERATING PRO FORMA

REVENUE					Year 1	Year 2	Year 3	Year 4	Year 5
Unit	Quantity	Rent	Revenue						
Studio									
1 BR	71	1,250	1,065,000	2%	1,065,000	1,086,300	1,108,026	1,130,187	1,152,790
2 BR	14	1,600	268,800	2%	268,800	274,176	279,660	285,253	290,958
3 BR	-								
	85	Total Rev.	1,333,800	0	1,333,800	1,360,476	1,387,686	1,415,439	1,443,748
EXPENSES									
		Annual Cost	Per unit						
Professional Expenses		21,250	250	3%	21,250	21,888	22,544	23,220	23,917
Admin Expenses		102,000	1,200	3%	102,000	105,060	108,212	111,458	114,802
Utilities		12,750	150	3%	12,750	13,133	13,526	13,932	14,350
Repair and Maintenance		85,000	1,000	3%	85,000	87,550	90,177	92,882	95,668
Taxes		56,330	663	3%	56,330	58,020	59,760	61,553	63,400
Insurance		25,500	300	3%	25,500	26,265	27,053	27,865	28,700
Property Management (6%)		80,028	942	3%	80,028	82,429	84,902	87,449	90,072
Services		-	-	3%	-	-	-	-	-
Reserve Contributions		-	-	3%	-	-	-	-	-
		382,858	4,504		382,858	394,344	406,174	418,359	430,910
			Net Operating Income		**950,942**	**966,132**	**981,511**	**997,080**	**1,012,838**
Minimum DCR 1.15									
BASELINE	Interest Rate	**4.93%**		**interest only D/S**	**566,207**	**566,207**	**566,207**	**566,207**	**566,207**
	LTV	75%		DCR	1.68	1.71	1.73	1.76	1.79
	Other Sources	**4,789,000**		CF	384,735	399,925	415,304	430,873	446,631
Scenario 1	Interest Rate	**5.88%**		**interest only D/S**	**764,426**	**764,426**	**764,426**	**764,426**	**764,426**
	LTV	85%		DCR	1.24	1.26	1.28	1.30	1.32
	Other Sources	**3,259,000**		CF	186,516	201,706	217,085	232,654	248,412
Scenario 2	Interest Rate	**4.02%**		**interest only D/S**	**614,907**	**614,907**	**614,907**	**614,907**	**614,907**
	LTV	100%		DCR	1.55	1.57	1.60	1.62	1.65
	Other Sources	**964,000**		CF	336,035	351,225	366,604	382,173	397,931
Scenario 3	Interest Rate	**4.32%**		**interest only D/S**	**495,557**	**495,557**	**495,557**	**495,557**	**495,557**
	LTV	75%		DCR	1.92	1.95	1.98	2.01	2.04
	Other Sources	**4,789,000**		CF	455,385	470,576	485,955	501,523	517,281
Scenario 4	Interest Rate	**3.55%**		**interest only D/S**	**542,622**	**542,622**	**542,622**	**542,622**	**542,622**
	LTV	100%		DCR	1.75	1.78	1.81	1.84	1.87
	Other Sources	**964,000**		CF	408,320	423,511	438,890	454,458	470,216

Sample Project Model #3: 2073 SW Park

Estimate of acquisition transaction

USES:

	Total	Per Unit
Property Acq	10,650,000	221,875
Legal	10,000	208
Appraisal	4,000	83
Urgent Rehab	250,000	5,208
Reserves	250,000	5,208
Developer Fee	100,000	2,083
Total	11,264,000	234,667

OPERATING PRO FORMA

REVENUE					Year 1	Year 2	Year 3	Year 4	Year 5
Unit	Quantity	Rent	Revenue						
Studio									
1 BR	43	1,150	593,400	2%	593,400	605,268	617,373	629,721	642,315
2 BR	4	1,400	67,200	2%	67,200	68,544	69,915	71,313	72,739
3 BR	1	1,600	19,200	2%	19,200	19,584	19,976	20,375	20,783
	48	Total Rev.	679,800	0	679,800	693,396	707,264	721,409	735,837
EXPENSES									
		Annual Cost	Per Unit						
Professional Expenses		10,750	224	3%	10,750	11,073	11,405	11,747	12,099
Admin Expenses		57,600	1,200	3%	57,600	59,328	61,108	62,941	64,829
Utilities		7,200	150	3%	7,200	7,416	7,638	7,868	8,104
Repair and Maintenance		48,000	1,000	3%	48,000	49,440	50,923	52,451	54,024
Taxes		75,851	1,580	3%	75,851	78,127	80,470	82,884	85,371
Insurance		14,400	300	3%	14,400	14,832	15,277	15,735	16,207
Property Management (6%)		40,788	850	3%	40,788	42,012	43,272	44,570	45,907
Services		-	-	3%	-	-	-	-	-
Reserve Contributions		-	-	3%	-	-	-	-	-
		254,589	5,304		254,589	262,227	270,093	278,196	286,542
			Net Operating Income		**425,211**	**431,169**	**437,170**	**443,213**	**449,295**

Minimum DCR 1.15

				Year 1	Year 2	Year 3	Year 4	Year 5
BASELINE	Interest Rate	**4.93%**	**interest only D/S**	**394,125**	**394,125**	**394,125**	**394,125**	**394,125**
	LTV	75%	DCR	1.08	1.09	1.11	1.12	1.14
	Other Sources	**3,276,500**	CF	31,086	37,045	43,046	49,088	55,171
Scenario 1	Interest Rate	**5.88%**	**interest only D/S**	**532,101**	**532,101**	**532,101**	**532,101**	**532,101**
	LTV	85%	DCR	0.80	0.81	0.82	0.83	0.84
	Other Sources	**2,211,500**	CF	- 106,890	- 100,931	- 94,930	- 88,888	- 82,806
Scenario 2	Interest Rate	**4.02%**	**interest only D/S**	**428,024**	**428,024**	**428,024**	**428,024**	**428,024**
	LTV	100%	DCR	0.99	1.01	1.02	1.04	1.05
	Other Sources	**614,000**	CF	- 2,813	3,146	9,147	15,189	21,271
Scenario 3	Interest Rate	**4.32%**	**interest only D/S**	**344,946**	**344,946**	**344,946**	**344,946**	**344,946**
	LTV	75%	DCR	1.23	1.25	1.27	1.28	1.30
	Other Sources	**3,276,500**	CF	80,265	86,223	92,224	98,267	104,349
Scenario 4	Interest Rate	**3.55%**	**interest only D/S**	**366,376**	**366,376**	**366,376**	**366,376**	**366,376**
	LTV	97%	DCR	1.16	1.18	1.19	1.21	1.23
	Other Sources	**933,500**	CF	58,835	64,793	70,794	76,837	82,919

Enhanced NOAH Fund Cash Flow Modeling

Assumptions

Preservation cost per unit	200,000	
Permanent TDC per unit	250,000	
Share of gap needed	40%	*(assumes 4% LIHTC execution with 20-30% LIHTC equity and 30-40% debt)*
Gap need at takeout	100,000	

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Loan 1		10,000,000			(10,000,000)							-
Loan 2			15,000,000			(15,000,000)						-
Loan 3			12,000,000			(12,000,000)						-
Loan 4				10,000,000			(10,000,000)					-
Loan 5					12,000,000		(12,000,000)					-
Loan 6						16,000,000			(16,000,000)			-
Loan 7							12,000,000		(12,000,000)			-
Loan 8							14,000,000		(14,000,000)			-
Loan 9								10,000,000	-		(10,000,000)	-
		42,000,000	15,000,000	5,000,000	3,000,000	14,000,000	10,000,000	-	42,000,000	42,000,000	52,000,000	
Fund Balance												
	52,000,000	10,000,000	37,000,000	47,000,000	49,000,000	38,000,000	42,000,000	52,000,000	10,000,000	10,000,000	-	
Loans outstanding												
Gap need by year		-	-	-	5,000,000	13,500,000	11,000,000	-	21,000,000	-	5,000,000	Total Gap Need 55,500,000

Outcomes	
Total Loans made	111,000,000
Preservation Loans Made	111,000,000
Units	555

Enhanced NOAH Fund Cash Flow Modeling Indexed at 3% Inflation

Assumptions		
Preservation cost per unit	200,000	
Permanent TDC per unit	250,000	
Inflated at	3%	
Share of gap needed	40%	*(assumes 4% LIHTC execution with 20-30% LIHTC equity and 30-40% debt)*
Gap need at takeout	100,000	

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Loan 1	10,000,000			(10,000,000)							-
Loan 2		15,450,000			(15,450,000)						-
Loan 3		12,360,000			(12,360,000)						-
Loan 4			5,304,500			(5,304,500)					-
Loan 5				13,112,724		(13,112,724)					-
Loan 6					16,882,632			(16,882,632)			-
Loan 7						13,911,289		(13,911,289)			-
Loan 8						8,114,919		(8,114,919)			-
Loan 9							11,940,523	-		(11,940,523)	-
Fund Balance	42,000,000	14,190,000	8,885,500	5,772,776	16,700,144	13,091,160	1,150,637	40,059,477	40,059,477	52,000,000	
52,000,000											
Loans outstanding	10,000,000	37,810,000	43,114,500	46,227,224	35,299,856	38,908,840	50,849,363	11,940,523	11,940,523	-	
Gap need by year	-	-	-	5,463,635	15,650,200	10,675,305	-	23,926,482	-	7,789,837	Total Gap Need 63,505,460

Outcomes	
Total Loans Made	107,076,587
Preservation Loans Made	107,076,587
Units	535

Appendix D

Transit-Oriented Communities Program Affordable Housing Incentive Tiers

	Tier 1 (Low)	Tier 2 (Medium)	Tier 3 (High)	Tier 4 (Regional)
Affordability Requirements	**8% of units at 30% AMI, 11% of units at 60% AMI, or 20% of units at 120% AMI**	**9% of units at 30% AMI, 12% of units at 60% AMI, or 21% of units at 120% AMI**	**10% of units at 30% AMI, 14% of units at 60% AMI, or 23% of units at 120% AMI**	**11% of units at 30% AMI, 15% of units at 60% AMI, or 25% of units at 120% AMI**
Type of Major Transit Stop	**Distance to Major Transit Stop**			
Two Regular Buses (intersection of 2 non-BRT lines, each w/ at least 15 min. average peak headways)	750 – 2640 ft.	< 750 ft.	-	-
Regular plus BRT (intersection of a Regular Bus and BRT)	1500 – 2640 ft.	750 – <1500 ft.	< 750 ft.	-
Two BRT (intersection of two BRT lines)	-	1500-2640 ft.	< 1500 ft.	-
Metrolink Rail Stations	1500 – 2640 ft.	750 – <1500 ft.	< 750 ft.	-
Metro Rail Stations	-	-	≤ 2640 ft.	< 750 ft. from intersection with another rail line or a BRT

Appendix E

Transit-Oriented Communities Program Tiers of incentives available to developers in exchange for the on-site affordable housing

Incentive	Tier 1 (Low)	Tier 2 (Medium)	Tier 3 (High)	Tier 4 (Regional)
Base Incentives - all eligible housing developments are eligible to receive the base incentives				
Residential Density – increase in number of dwelling units permitted	50% increase	60% increase	70% increase	80% increase
Floor Area Ratio (FAR) Increase - utilized only by residential uses	40% increase	45% increase	50% increase	55% increase
Residential Parking Requirement	Not to exceed .5 spaces per bedroom. No residential parking required for 100% affordable developments.	Not to exceed 1 space per unit. No residential parking required for 100% affordable developments.	Not to exceed .5 spaces per unit. No residential parking required for 100% affordable developments.	No residential parking requirement
Nonresidential Parking for Mixed-use Developments	10% decrease	20% decrease	30% decrease	40% decrease
Additional Incentives – Up to three additional incentives may be granted to housing developments that include additional affordable unites beyond the minimum requirements.				
Reduction in Yard/Setback	Commercial Zones may utilize any or all of the yard Residential Zones - 25% decrease	Commercial Zones may utilize any or all of the yard Residential Zones – 30% decrease	Commercial Zones may utilize any or all of the yard Residential Zones – 30% decrease	Commercial Zones may utilize any or all of the yard Residential Zones – 40% decrease
Reduction in Open Space	20% decrease	20% decrease	25% decrease	25% decrease
Lot Coverage	25% increase	25% increase	35% increase	35% increase
Lot Width	25% decrease	25% decrease	25% decrease	25% decrease
Total Height Increase – for developments with 50%+ FAR for residential use*	One additional story up to 11 additional feet	One additional story up to 11 additional feet	One additional story up to 22 additional feet	One additional story up to 33 additional feet

Transitional Height Increase – for developments with 50%+ FAR for residential use*	45-degree angle as measured from a horizontal plane originating 15 feet above grade at the property line	45-degree angle as measured from a horizontal plane originating 15 feet above grade at the property line	45-degree angle as measured from a horizontal plane originating 25 feet above grade at the property line	45-degree angle as measured within the first 25 feet of the property line abutting or across the street or alley
*counts as one incentive even if both total and transitional height incentives are utilized.				

Notes

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[2] Atkinson-Palombi, Carol. 2010. "Comparing the Capitalization Benefits of Light-Rail Transit and Overlay Zoning for Single-Family Houses and Condos by Neighborhood Type in Metropolitan Phoenix, Arizona." Urban Studies 47(11): 2409-2426. Bartholomew, Keith, and Reid Ewing. 2011. "Hedonic Price Effects of Pedestrian-and Transit-Oriented Development." Journal of Planning Literature: 26(18). Goetz, Edward G., et al. 2010. "The Hiawatha Line: Impacts on Land Use and Residential Housing Value." Humphrey Institute of Public Affairs. Weinberger, Rachel. 2001. "Commercial Property Value and Proximity to Light Rail: A Hedonic Price Application." University of California, Berkeley
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[4] Spreadsheet from Portland Housing Bureau on Tax Increment Expenditure – 2006-2017. Accessed February 27, 2018.
[5] City of Portland. "HOU-1.06 - Affordable Housing Tax Increment Financing Set Aside Policy." Available at: https://www.portlandoregon.gov/citycode/article/155330
[6] City of Tigard. City Center Urban Renewal Plan Amendment, Approved by voters in May of 2017. Available at: http://www.tigard-or.gov/document_center/CommunityDevelopment/CC_UR_Plan_Amendment.pdf
[7] City of Tigard, City Center Urban Renewal Plan, 2006, Available at: http://www.tigard-or.gov/document_center/CommunityDevelopment/urban_renewal_plan.pdf
[8] North Macadam URA Boundary. City of Portland. http://www.portlandonline.com/shared/cfm/image.cfm?id=189903
[9] Preliminary URA calculations from Prosper Portland, Fall 2017.
[10] This discussion references impacts to taxing districts' permanent rates. Bonds and levies are affected by urban renewal, but if they were approved by voters prior to 2001, or in the unusual situation in which a new urban renewal area contributes to compression (this would affect only levies and not general obligation bonds). These effects, if they exist, would further impact the financial picture for overlapping taxing districts, and would need to be evaluated in more detail before pursuing a new urban renewal area in Portland. In Tigard's URA, the Urban Renewal Report states that there are no levies or bonds that are affected.
[11] Oregon's schools are funded from the state budget, using a per pupil allocation formula. This means that PPS and Tigard's school district are not directly financially affected by urban renewal. However, school districts remain important partners because of their need to plan for student population growth, their potential need for supportive urban renewal investments, and the indirect financial impacts that are possible.
[12] Additional sources on Limited-Equity Cooperative Housing Models include PolicyLink's "Equitable Development Toolkit Limited Equity Housing Cooperatives", 2001. http://www.policylink.org/sites/default/files/limited-equity-housing-cooperatives.pdf (Accessed September 29, 2017).; "Alternative Financing Models – Hybrids of Homeownership Limited-Equity

Cooperative Housing," Enterprise Community Partners: 2007, https://www.enterprisecommunity.org/resources/alternative-financing-models-hybrids-homeownership-limited-equity-cooperative-housing (Accessed September 29, 2017).; and Lillian Ortiz, " Will Limited-Equity Cooperatives Make a Comeback?" *Shelterforce*, April 25, 2017. https://shelterforce.org/2017/04/25/will-limited-equity-co-ops-make-comeback/ (Accessed September 29, 2017).

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14 Accessible at: http://www.forworkingfamilies.org/sites/pwf/ASK/home.html (Accessed December 21, 2018).

15 Josh Cohen, "Seattle Considers Zoning for More "Family-Sized" Apartments", Next City, November 20, 2017. https://nextcity.org/daily/entry/seattle-zoning-family-sized-apartments

16 Robert Hickey, "Seeking True "Multifamily" Housing, Shelterforce, January 15, 2016. https://shelterforce.org/2016/01/15/seeking_true_multifamily_housing/

17 In Portland, the city instituted an overlay zone called the Light Rail Transit Zone in 2004. This designation increased permitted densities, restricts auto-oriented uses, and encourages pedestrian-oriented development in LRT station areas, including small retail shops, restaurants, outdoor cafes, benches, and kiosks. However, the LRT zoning has never been utilized and focuses on the built environment.

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19 Erica Meltzer, "Carriage Houses and Casitas Could Help Fight Gentrification on Denver's West Side," Denverite, November 14, 2017.

20 Ian Carlton and William Fleissig, *Advancing Equitable Transit-Oriented Development: Steps to Avoid Stalled Equitable TOD Projects*, Living Cities, April 2017.

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22 Interview with Eric Engstrom and Ryan Curren, Bureau of Planning and Sustainability, December 2017.

23 Interview with Dave Unsworth and Lance Erz, TriMet, November 2017.

24 Interview with Marshall Runkel, Chief of Staff for Commissioner Chloe Eudaly. December 2017

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[26] Josh Cohen, "No Cost Public Land Gives Seattle Affordable Housing Developers a Boost", Next City, November 27, 2017. https://nextcity.org/daily/entry/no-cost-public-land-seattle-affordable-housing-developers-boost

[27] Sarah Anne Lloyd, "Three affordable housing projects on Sound Transit property move forward", Curbed Seattle, November 17, 2017. https://seattle.curbed.com/2017/11/17/16671580/sound-transit-affordable-housing-projects

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