

Portland GO Bond Multi-Family Rental Housing Project Financing

Program Description & Goals

In 2016, Portland voters approved Measure 26-179, Portland's Housing Bond, which authorizes the City to issue up to \$258.4 million in general obligation (GO) bonds for affordable housing. PHB plans to use Portland's Housing Bond proceeds to develop new affordable housing and purchase non-regulated occupied rental housing. The priorities and goals established by the Bond's Policy Framework guide how PHB identifies, purchases, builds, and renovates new homes. The policies and goals in place regarding how to use the bond funds are to:

- Build or acquire 1,300 or more affordable housing units, of which 650 of the bond funded units should be 'family-sized,' i.e. two or more bedrooms. At least 600 units will be for households earning 30% or less of area median income (AMI), and 300 will be supportive housing for households experiencing homelessness, contingent upon availability of services funding.
- Create access for Priority Communities, identified as: communities of color; families, including families with children, immigrant and refugee communities, and intergenerational households; households experiencing homelessness or at imminent risk of becoming homeless; and households facing imminent displacement.
- Prioritize locations throughout the city where there is little or no existing affordable housing opportunities.
- Prioritize investments where there is a high risk of gentrification, especially with large concentrations of communities of color, and good access to education, transportation, services, economic opportunities, and green spaces.

Explanation of Services

At the time of passage of the authorizing measure, Oregon's Constitution prohibited GO Bond funds from being lent to artificial third-party entities, preventing the ability to utilize private ownership models and financing sources. The Portland Housing Bond program was originally designed in accordance with this restriction. On November 6, 2018, voters changed the Oregon Constitution to allow for the lending of GO Bond proceeds for the creation of affordable housing. This meant that PHB has returned to its typical public-private partnership model for the creation of affordable housing. In this model, the bureau lends resources to make up a financing gap typically found with affordable housing projects. These gap funds cover the difference between the equity a project attracts and the money that can be borrowed against the project as part of the financing package. Without the City's gap financing, projects would not have sufficient funding to be built.

Since the passage of the Portland Housing bond measure, twelve projects have been supported by Portland Housing Bond funds, which are slated to exceed all of the goals stated above. These projects are expected to create 1,490 total new affordable housing units, of which:

- ◆ 691 will be family sized units;
- ◆ 628 will be affordable to households earning 30% AMI or below; and
- ◆ 313 will be supportive housing units for households experiencing homelessness.

Equity Impacts

The Portland GO Bond Housing program supports PHB's mission of addressing the housing needs of the people of Portland through: 1) building and preserving quality, affordable housing; 2) supporting programs that help low income Portlanders find, rent, and retain their homes; and 3) reaching out to communities of color to ensure their participation in economic opportunities that quality housing investments create.

The Portland GO Bond Housing program seeks to advance equity by evaluating each proposer for Portland Bond funds on their commitment to advance racial equity and serve communities of color as priority populations. As part of the Bond Solicitation process, each developer will be asked to submit an equity plan that demonstrates their ability to meet PHB's disadvantaged minority, women, and emerging small business-service disabled veterans (DMWESB-SDV) contracting goals and workforce training goals; effective outreach and marketing strategies to reach priority population; experience with low barrier screening criteria; and provision of culturally responsive resident and supportive services.

Success in this program would be realized when the housing produced by the Portland GO Bonds a) increases the number of affordable housing units available and accessible to BIPOC households; b) achieves an aggregate 30 percent utilization of DMWESB-SDV construction contracts; and c) supports the creation of 300 Supportive Housing units for chronically homeless households.

Changes to Program

Over the course of the past year, two projects have been able to significantly increase its unit production due to changes to zoning and/or more land becoming available. Altogether, the units added to development plans this year means there are now 1,490 units of Bond housing open or in development throughout our city – enough housing for approximately 3,072 people. This represents an increase of 190 affordable housing more units, or 15%, than initially expected to create through the Portland Housing Bond.

Due to the financial impact of COVID-19, investors seeking to provide LIHTC equity in affordable housing projects are hesitant to make future commitments in 2021. Projects without commitments for tax credits may face reductions in pricing not seen since the housing crash of 2007. Therefore, the remaining Portland Bond funds will only be released once the ten projects have secured all other financing to ensure these projects can move forward and be constructed as budgeted.

Program Budget

	Actuals FY 2019-20	Actuals FY 2020-21	Revised FY 2021-22	Requested Base FY 2022-23	Requested with DP FY 2022-23
Bureau Expenditures					
Personnel Services	567,085	1,027,993	1,126,261	1,279,212	1,279,212
External Materials and Services	5,649,145	39,484,853	131,987,929	151,963,632	151,963,632
Internal Materials and Services	472,507	747,472	0	0	0
Bureau Expenditures Total	6,688,737	41,260,319	133,114,190	153,242,844	153,242,844
Fund Expenditures					
Debt Service	621,949	0	15,000	0	0
Fund Transfers - Expense	0	550,000	550,000	550,000	550,000
Fund Expenditures Total	621,949	550,000	565,000	550,000	550,000
Requirements Total	7,310,687	41,810,319	133,679,190	153,792,844	153,792,844
FTE	2.70	8.49	8.19	8.19	8.19

Budget Narrative

Resources	Primary resources for this program are proceeds from the Housing GO Bond. Some bond-related staffing and administrative costs that are not bond reimbursable are paid from the Housing Investment Fund.
Expenses	The primary expenses of the program to date have been the acquisition of apartment properties and land for development. This activity will now shift to disbursements of PHB bond-funded loans made as part of the financing package for awarded multi-family affordable rental housing projects. The secondary cost is staffing costs for the team related directly to the packaging and oversight of the bureau's contribution to projects.
Staffing	Staffing for this program consists of 8.39 FTEs , who collaborate with other bureau staff and the City Attorney's Office in getting project financing delivered. The same positions working in this program also are working on the Multi-Family Rental Project Financing program and the Metro GO Bond Multi-Family Rental Housing program.
Assets and Liabilities	A number of capital assets have been purchased to date through the Portland Housing Bond program, through a combination of the Housing GO Bond, the Short-term Rental Revenue Bond, interim borrowing, TIF, and Housing Investment Fund sources. These assets include the following apartments: the Ellington and East Burnside. The Joyce, NE Prescott, and the Westwind Apartments were sold and developed into new affordable housing under the GO Bonds. As an aging

existing property, the Ellington has significant future major rehabilitation needs and maintenance expense. PHB is working with its contracted asset manager Home Forward on capital asset plans for the Ellington. Property management costs for all properties can be found in the Property Management program offer, along with further discussion of asset and liability issues for these properties.

Program Information

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