

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: May 27, 2009

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 09-63
Revised Small Rental Rehabilitation Loan Program Guidelines

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6707

ACTION SUMMARY

This action will adopt revised guidelines for the Small Rental Rehabilitation Loan Program (Program), last updated by the Portland Development Commission (PDC) Board of Commissioners (Board) on April 11, 2007 (Resolution No. 6468).

Staff proposes several minor changes to make the program more attractive and marketable to potential PDC customers. The changes maintain the original intent and goals of the Program.

Summary of Program changes:

- Eligible borrowers may now include non-profit organizations (that otherwise meet all other Program guidelines).
- The property ownership requirement is reduced from two years to six months to better respond to opportunities (based on inquiries and staff experience).
- Affordability of the units is changed from 50% Median Family Income (MFI) to 60% MFI to synch the Program with other PDC rental housing programs and goals.
- Annual Certification Requirements are included that are current with PDC's Asset Management program.
- Income guidelines for eligible buyers (if the property converts to homeownership) are modified to reflect PDC's current homebuyer program guidelines (80% MFI for units with up to two bedrooms or 100% MFI if the unit has 3 or more bedrooms).

PUBLIC BENEFIT

- Removes blight in targeted urban renewal areas (URAs) through the renovation and repair of rental housing.
- Expands PDC financing assistance products to better respond to the need for safe, decent and affordable rental units, especially in the neighborhood URAs.
- Contributes to achieving citywide housing safety and affordability goals.

- Facilitates local small rental property owner participation in the revitalization of these URAs.
- Results in well maintained small rental properties that add to the livability of neighborhoods.
- Provides incentives and resources for affordable homeownership.
- Helps mitigate displacement of existing low income renters.

This action will support the following PDC goals:

- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Strong Economic Growth and Competitive Region
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

PDC Housing staff engaged the public and key stakeholders in identifying the need for the product as well as the review of specific product elements in 2005 and 2006. There was strong support in both the Lents and Interstate Urban Renewal Advisory Committees (URACs) for the Program. There has not been program-specific public outreach since then, although conversations with various rental property owners have informed the proposed changes. Budget conversations with both the Lents and Interstate URACs have emphasized the goals of rehabilitating and repairing existing housing stock and minimizing displacement.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Program expands the number of home repair programs PDC can offer and helps to achieve the following Urban Renewal, PDC, and City Plans and Policies:

- Urban Renewal Plan and Housing Strategy Goals for Lents Town Center, Interstate Corridor, Central Eastside, and Gateway Regional Center URAs.
- PDC Strategic Plan Goals:
 - 1a: Retain and develop housing and diverse neighborhoods.
 - 1f: Revitalize blighted areas through strategic partnerships and property acquisitions.
 - 4: Develop new and innovative tools to finance the City's livability and development objectives.
- City Comprehensive Housing Policy (Comp Plan): Housing Safety, Housing Conservation, Housing Quality and Balanced Communities.

FINANCIAL IMPACT

The Program funding is identified in the proposed PDC FY 2009-10 budget in the Lents Town Center URA (\$200,000). Future implementation may occur in other neighborhood URAs when appropriate and as funding permits. Currently PDC has no funding available to implement the Program on a citywide basis.

RISK ASSESSMENT

The Program is similar to the home repair loan program that PDC has successfully administered for many years, so risks associated with the program are low.

A risk is that property owners will utilize the funds to repair rental properties and then either “flip” (sell) the properties to an ineligible owner, or rent the units to ineligible tenants. The Program guidelines that require immediate repayment of principal and accrued interest are intended to mitigate this risk.

A potential risk is the timing of the “re-start” of marketing of the Program, due to the transfer of staff and programs to the new Portland Housing Bureau. Marketing and utilization of the Program may be delayed slightly, but staff capacity is anticipated. There is an opportunity after the merger to jointly market the Program with other City rental housing improvement programs and housing safety inspections.

WORK LOAD IMPACT

PDC will utilize the infrastructure (staff and systems) already in place through the Neighborhood Housing Program (NHP), with potential client referrals from Housing Policy, Planning and Development staff and Housing Development Finance staff. NHP Construction Specialists will provide initial property evaluation and project construction monitoring throughout the renovation process. PDC Loan Servicing has experience booking loans, managing the loan forgiveness schedules, monitoring ownership transfers and processing demand requests at payoff. Loan Servicing will also be activated to recapture loans when landlords no longer comply with affordability or eligibility guidelines or when property is sold or refinanced. Asset Management staff will be involved in tenant income certification and annual monitoring of landlord compliance to affordability and eligibility guidelines.

ALTERNATIVE ACTIONS

1. Do not adopt resolution. The effect would be that the current Program guidelines would remain in effect.
2. Implement the Program in additional URAs where appropriate, such as the Interstate, Gateway and Central Eastside URAs. This would require a re-allocation of budget resources in those URAs as part of the budget process. Staff recommends not pursuing this option at this time in light of other competing budget needs in those URAs.

CONCURRENCE

Staff discussed the changes and re-start of marketing the Program with the internal Lents URA team. PDC’s Loan Review Committee reviewed the program changes on May 21, 2009.

BACKGROUND

The Program was first adopted by the Board on July 12, 2006 (Resolution No. 6377), in direct response to requests from community stakeholders to 1) use urban renewal funding for rehabilitating run-down, unsafe rental housing which is blighting their neighborhoods; and 2) for providing safe, decent and affordable rental housing for people living in the targeted neighborhoods and citywide. The Program can also facilitate affordable homeownership for the current eligible tenant or another income-eligible homebuyer in the event the unit is converted to homeownership and sold. The Program can be utilized in any urban renewal areas or citywide, subject to budget availability.

Since the Program was adopted in 2006, no loans have been executed, although staff has discussed the program with several interested rental property owners. In response to Commissioner Ferran's request at the February draft budget review meeting, staff revisited the program guidelines with the goal of mobilizing this tool given the economic recession and availability of funding in Lents. Staff proposes several minor changes to make the Program more attractive and marketable to potential PDC customers. The changes maintain the original intent and goals of the Program.

PDC intends to begin more strategic marketing of the program and has included a specific line item in the proposed budget for FY 2009-10 in the Lents Town Center Urban Renewal Area. While the Program is available in any urban renewal area – as funding permits – initial implementation of the Program will be targeted in Lents. This is in response to that URA's priorities for rehabilitation of existing housing and the prevalence of single family rental homes and small complexes (2-4 units) that are in need of improvement.

ATTACHMENT:

- A. URA Financial Summary

URA FINANCIAL SUMMARY

Financial Summary

Fund Summary - Five-Year Budget Projections

	Revised FY 2008-09	Proposed FY 2009-10	Forecast FY 2010-11	Forecast FY 2011-12	Forecast FY 2012-13	Forecast FY 2013-14
Lents Town Center URA						
Resources						
Beginning Fund Balance	2,218,657	426,735	513,544	586,338	623,417	587,949
Fees and Charges	0	0	0	0	0	0
Interest on Investments	250,000	24,240	65,219	66,905	66,590	66,692
Loan Collections	16,471	278,100	88,100	94,758	101,534	100,000
Property Income	0	0	2,600,000	0	0	0
Reimbursements	0	0	0	0	0	0
Tax Increment Proceeds	15,518,875	18,824,948	12,953,475	18,215,416	17,386,408	18,203,661
Total Resources	18,004,003	19,554,023	16,220,338	18,963,417	18,177,949	18,958,302
Requirements						
Program Expenditures						
Business & Industry						
Community Economic Development						
72030 Community Economic Development	0	250,000	250,000	400,000	500,000	500,000
General Business Assistance						
79020 Business Finance	500,000	1,100,000	1,100,000	1,300,000	1,400,000	1,500,000
79022 Business Retention	100,000	100,000	100,000	100,000	100,000	100,000
Business & Industry Total	600,000	1,450,000	1,450,000	1,800,000	2,000,000	2,100,000
Housing						
Multi-Family - For Sale						
32110 122nd and Pardee	873,000	0	0	0	0	0
33418 New Homeowner Dev	1,414,651	0	0	600,000	0	1,000,000
33438 ROSE/PCLT Homeownership	0	100,000	0	0	0	0
33441 Dahlia Commons Homeownership	0	675,000	0	0	0	0
33442 Habitat for Humanity #3	0	230,000	0	0	0	0
Multi-Family - Rental Housing						
60010 LTC Foster School Hsg Dev	0	0	0	0	0	0
89015 Rental Rehabilitation Projects	0	200,000	0	0	0	0
89030 Affordable Rental Housing	2,400,000	2,300,000	1,900,000	2,200,000	4,000,000	2,000,000
Plans and Strategies - Housing						
37914 Hsg Policy/Planning	5,000	0	0	0	0	0
Portland Housing Bureau						
28025 Administration	0	685,307	468,720	549,900	527,400	553,284
Single-Family - Home Repair						
32131 REACH Home Rehabilitation	125,000	125,000	125,000	150,000	150,000	0
89010 Home Repair Projects	250,000	250,000	250,000	300,000	300,000	550,000
Single-Family - Homebuyer Assistance						
37929 Scat Site Homeownership Acq HAP	2,231,527	0	0	0	0	0
37930 Scat Site Home Rehab & Subs HAP	0	1,308,473	0	0	0	0
89020 Home Buyer Assistance	1,400,000	900,000	200,000	700,000	700,000	800,000
Housing Total	8,699,178	6,773,780	2,943,720	4,499,900	5,677,400	4,903,284
Infrastructure						
Facilities						
60009 LTC Public Facilities	620,600	20,000	0	0	0	0
Parks						
13125 Parks Public Improvements	1,021,000	135,000	95,000	40,000	100,000	269,000
Transportation						
26714 Streets/Sidewalks LID	20,000	500,000	500,000	0	0	0