

**PORTLAND DEVELOPMENT COMMISSION**  
Portland, Oregon

**RESOLUTION NO. 6707**

**ADOPT REVISED SMALL RENTAL REHABILITATION  
PROGRAM GUIDELINES TO ASSIST ELIGIBLE LANDLORD(S)  
RENOVATE AND REPAIR SMALL RENTAL PROPERTIES IN  
URBAN RENEWAL AREAS AND CITYWIDE**

**WHEREAS**, in order to meet the goals and objectives of the adopted Urban Renewal Plans and City Comprehensive Plan Housing Policy, the Portland Development Commission ("PDC") is responsible for carrying out the necessary program development and implementation activities;

**WHEREAS**, on July 12, 2006, PDC Board of Commissioners (the "Board") established the Small Rental Rehabilitation Loan Program (Resolution No. 6377) (the "SRRL Program");

**WHEREAS**, PDC developed the SRRL Program to assist in revitalization of residential neighborhoods, to minimize displacement of existing residents, and to maintain affordable rental housing options in urban renewal areas ("URAs");

**WHEREAS**, goals to rehabilitate and repair existing housing stock are embodied in several adopted URA plans as well as the City Comprehensive Plan;

**WHEREAS**, the purpose of this program is to provide direct financial assistance to owners of small rental properties (one to four units) in the URAs for rehabilitation of rental properties using tax increment funds in exchange for affordability requirements and the preservation of existing rental housing stock;

**WHEREAS**, the purpose of the SRRL Program is also to provide direct financial assistance to owners of small rental properties throughout the city when there are budgeted resources available; and

**WHEREAS**, minor changes to the program guidelines last updated by the Board on April 11, 2007 (Resolution No. 6468), are necessary to respond to market conditions and customers in need of this assistance, and to better meet URA plan goals.

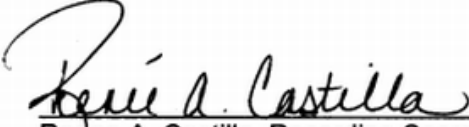
**NOW, THEREFORE, BE IT RESOLVED** that the Board hereby adopts the revised SRRL Program Guidelines, attached hereto as Exhibit A, and replacing any prior version;

**BE IT FURTHER RESOLVED** that the Board hereby authorizes the SRRL Program to be utilized in all URAs and areas outside of URAs subject to availability of budgeted resources;

**BE IT FURTHER RESOLVED** that the Executive Director is authorized to make procedural changes to the guidelines but shall present any policy changes to the Board for approval; and

**BE IT FURTHER RESOLVED** that this resolution shall become effective immediately upon its adoption.

**Adopted by the Portland Development Commission on May 27, 2009.**



Renee A. Castilla  
Renee A. Castilla, Recording Secretary

# Small Rental Rehabilitation Loan

## PURPOSE

- Removal of blight in Urban Renewal Areas through the renovation and repair of existing rental housing.
- To minimize displacement of existing residents
- To encourage existing landlords to maintain and improve their rental properties by providing financial incentives for maintaining affordable rental units for the term of the loan.
- To maintain safe, affordable and attractive rental housing options in existing neighborhoods.
- To facilitate homeownership for current eligible tenants if and when borrower chooses to sell the rental units.

## PRODUCT DESCRIPTION

The Small Rental Rehabilitation Loan (SRRL) provides financing for the rehabilitation or repairs of small rental properties with up to four units. This is an assumable, deferred-payment loan with below-market interest rates and other flexible terms in order to make projects with repair needs feasible while retaining affordable rent levels. The SRRL is assumable if sold to a new owner who agrees to continue to rent to eligible tenants or if sold to an eligible tenant or an income eligible homebuyer.

The SRRL product will have an open application process. Applications will be accepted and processed on a first come, first served basis so long as funds are available.

## SMALL RENTAL REHABILITATION LOAN PRODUCT GUIDELINES

**Service Area:** All Urban Renewal Areas, and citywide, subject to availability of funds.

**Maximum Loan:** \$20,000 single unit; \$30,000 duplex; \$40,000 triplex; \$50,000 four-plex.

**Loan-to-Value:** Combined amount of SRRL and all senior debt cannot exceed 90% of the appraised value of the rental property after the repairs and Improvements have been completed.

**Interest Rate:** 3.00% simple interest

**Term:** 15 years

**Monthly Payments:** This is a deferred payment loan so long as borrower leases the unit(s) to an income-eligible tenant at the designated HUD rent level (see below.)

**Repayment:**

1. Upon refinance or sale to an ineligible buyer the principal plus accrued interest is due and payable.
2. Upon leasing any restricted unit(s) to an ineligible tenant or at an amount higher than the designated HUD rent level, the principal balance and all accrued and unpaid interest will be amortized over the remaining term of the loan and the note rate will increase to 14% fixed interest.

**Fees:** \$500.00 processing/closing fee, recording fees, and any other third party costs.

**Eligible Borrowers:**

- Title to the property must be held in the name of the borrower(s) as an individual(s) or a non-profit organization.
- Borrower must have owned the property for a minimum of six months prior to the SRRL application.
- Borrower must live within 50 miles of the Portland Metropolitan Area or the property must be managed by a licensed property management company knowledgeable and experienced in the rental housing industry approved by PDC at its sole discretion. If self-managed, borrower must be a current member of a landlord association and attend a landlord education program both subject to the approval of PDC at its sole discretion.
- Borrower must have no more than collectively \$60,000 principal outstanding under the SRRL to PDC at any one time.
- Individual borrowers must be US citizens or permanent residents.
- Borrower must be current on any outstanding PDC debt.
- Borrowers must meet the following credit standards: no outstanding liens, judgments, collections, all debt must be current, and no negative mortgage payment history.

**Eligible Properties:**

- An existing 1-4 unit residence or mixed-use project with residential units attached.
- Rented/Leased to an income eligible tenant at the HUD designated income and rent levels.

### **Required Renovation**

- Property repairs must address any major and minor code violations and deteriorating conditions, and may also include general property improvements. Such improvements include, but are not limited to, upgrades to electrical wiring, plumbing, heating systems, structural improvements, roofing, siding, stairway or step improvements, room or living space additions to existing units, as well as general property improvements including windows, carpeting, fencing, etc. and may include retrofitting measures to protect against flooding (as required in floodplain).
- SRRL funds are limited to unit improvements and not management services. Repairs must conform to the habitability section of the Oregon Landlord/Tenant Law. (See Oregon Revised Statutes Chapter 90.)

### **Affordability Agreement**

In order to receive the SRRL, eligible applicants shall enter into an Affordability Agreement with PDC that includes the following:

- Identifies the number of affordable units in the property and the SRRL amount based on the following schedule:

| <u>SRRL Amount</u> | <u>Affordable Units Required</u> |
|--------------------|----------------------------------|
| \$0-20,000         | 1                                |
| \$20,000 – 30,000  | 2                                |
| \$30,001 – 40,000  | 3                                |
| \$40,001 – 50,000  | 4                                |

- **Affordability.** To qualify as affordable, a unit must be rented at an amount no greater than the HUD designated rent level (including utilities) for a unit of comparable size for a 60% median family income (MFI) unit (for updated income and rent guidelines, visit [www.pdc.us/mfi](http://www.pdc.us/mfi)).
- **Eligible Tenants.** To qualify as a lease, the unit must be rented to a tenant(s) whose total household income (including income from all occupants of the unit) does not exceed 60% MFI adjusted for family size.

**Annual Certification Requirement.** Borrower is required to comply with the following annual certification requirements:

- Borrower must maintain a record of tenant's income eligibility during the term of the SRRL subject to PDC audit during the SRRL period.
- Acceptable forms of income verification for tenants include but are not limited to:
  - Paystubs
  - W-2s

- Personal Tax Returns
- Retirement, disability, other
- During the term of the SRRL, borrower, or designee, must file an annual report reflecting compliance through December 31<sup>st</sup> of each fiscal year. The report is due to PDC by January 31. The report must include:
  - Electronic Tenant Survey (ETS) – evidencing compliance with the affordability agreement
  - Proof of property taxes paid
  - Proof of property insurance coverage with appropriate endorsements
- In the event that borrower delegates responsibility for maintaining the data required for income verification and submitting annual reports, borrower shall provide PDC with the name and contact information of the individual/property management company so designated.

#### **Borrower's Assets Limit Before/At Closing**

- Borrower shall have no more than \$50,000 in liquid assets (cash –and equivalent -, stocks, bonds and bank deposit; excluding retirement accounts), unless borrower is a non-profit organization.
- Borrower shall own no more than 8 rental units, unless borrower is a non-profit organization.

#### **Debt to Income Ratios**

- Borrower shall have no greater than a 1.25% debt -to- income ratio on the subject property, or a maximum total debt ratio of 50% including all sources of income and all debts subject to underwriters discretion.

#### **Security**

- Borrower shall grant PDC a Deed of Trust as security for the SRRL

#### **Property Value Determination**

- Property value shall be based on current County Tax Assessed Market Value or, if needed, based on an “as completed” appraisal performed by a state licensed appraiser.

#### **Recapture/Retention**

- If borrower sells or otherwise transfers the property to an ineligible buyer, the entire principal plus accrued interest at the note rate of 3% is due and payable.

- If an affordable unit is leased to an ineligible tenant or is rented to any tenant at an amount higher than the designated HUD rent level, the principal balance and all accrued and unpaid interest shall be amortized over the remaining term of the SRRL and the note rate shall increase to 14%.

### **Title**

- Clear title evidencing ownership

### **Property Taxes**

- Must be current at origination and during the term of the SRRL.

### **Insurance**

- Hazard (Homeowner's) and Liability Insurance in the minimum amount of the tax assessed value of the property with full replacement cost with PDC named as additional insured.
- Flood Hazard insurance required if in a 100-year flood plain.

### **SRRL Assumability/Forgiveness**

- The SRRL may be assumable if borrower sells to a new owner who agrees to assume the obligations of the SRRL and the Affordability Agreement and meets all other SRRL product guideline requirements.
- The SRRL and any accrued interest may be assumed if borrower sells to a current eligible tenant\* or an income eligible homebuyer\*\* The amount assumed will be modified into a Down Payment Assistance Loan (DPAL) (see DPAL guidelines for program information)

\* Tenant eligibility – represents the qualifying tenant reported in the latest Annual Certification

\*\* New homebuyers, other than an eligible tenant, must have a household income at or below 100% MFI if the unit has 3 or more bedrooms, or 80% MFI for units with up to 2 bedrooms.

### **Applicable Federal Regulations**

- Lead Based Paint regulations
- Flood Hazard determination

### **Construction Process/Disbursements**

- PDC shall assign a construction advisor to provide assistance throughout the construction process.

- Repairs and improvements must be completed within six months of the SRRL closing date.
- Copy of “Completion Notice” shall be provided to PDC Asset Management and will trigger the start of the period of compliance.
- Incremental disbursements made as work is completed and approved by both PDC construction advisor and the owner.

### **Tenant Displacement and Relocation**

PDC does not intend to permanently displace any tenants as a result of the SRRL Program, though there may be instances where tenants are required to move temporarily as part of the repairs and improvements. If tenants are temporarily moved as a result of rehabilitation under this program PDC’s Relocation and Procedures Policy must be followed.



# PDC

PORTLAND DEVELOPMENT COMMISSION

## Resolution Number 6707

Title:

**ADOPT REVISED SMALL RENTAL REHABILITATION PROGRAM GUIDELINES TO ASSIST ELIGIBLE LANDLORD(S) RENOVATE AND REPAIR SMALL RENTAL PROPERTIES IN URBAN RENEWAL AREAS AND CITYWIDE**

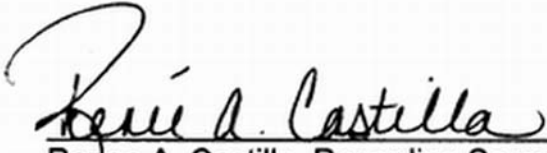
Adopted by the Portland Development Commission on May 27, 2009.

| PRESENT FOR VOTE                        | COMMISSIONERS           | VOTE   |                          |                          |
|---|-------------------------|--|--------------------------|--------------------------|
|   |                         | Yea  | Nay                      | Abstain                  |
| <input checked="" type="checkbox"/>     | Charles Wilhoite, Chair | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/>     | Scott Andrews           | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/>     | Bertha Ferrán           | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/>     | John Mohlis             | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input checked="" type="checkbox"/>     | Steven Straus           | <input checked="" type="checkbox"/>                | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Consent Agenda |                         | <input checked="" type="checkbox"/> Regular Agenda |                          |                          |

### Certification

The undersigned hereby certifies that:

*The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and duly recorded in the official minutes of the meeting.*

  
Renee A. Castilla, Recording Secretary

Date: June 4, 2009