

- Old Town Building and Street Lighting: In support of creating a Night Life District in Old Town, new street lights will be installed on major pedestrian streets. Additionally; the Portland Development Commission provides loans and other assistance for facade lighting in order to enhance the district and provide for an attractive and safe environment.
- Affordable Housing: The City of Portland has one of the most comprehensive and aggressive central city housing strategies in the country. Using a combination of public and private funds, the City successfully has developed more than 2,000 new or rehabilitated low and middle-income housing units within the Central City area to provide safe and affordable housing for downtown workers and others.
- New Federal Courthouse: Located strategically in the heart of Portland's government center and commercial/office core, the new 570,000 square foot federal courthouse is under construction. The project, scheduled to be completed in January 1997, will complement Portland's skyline and strengthen downtown.



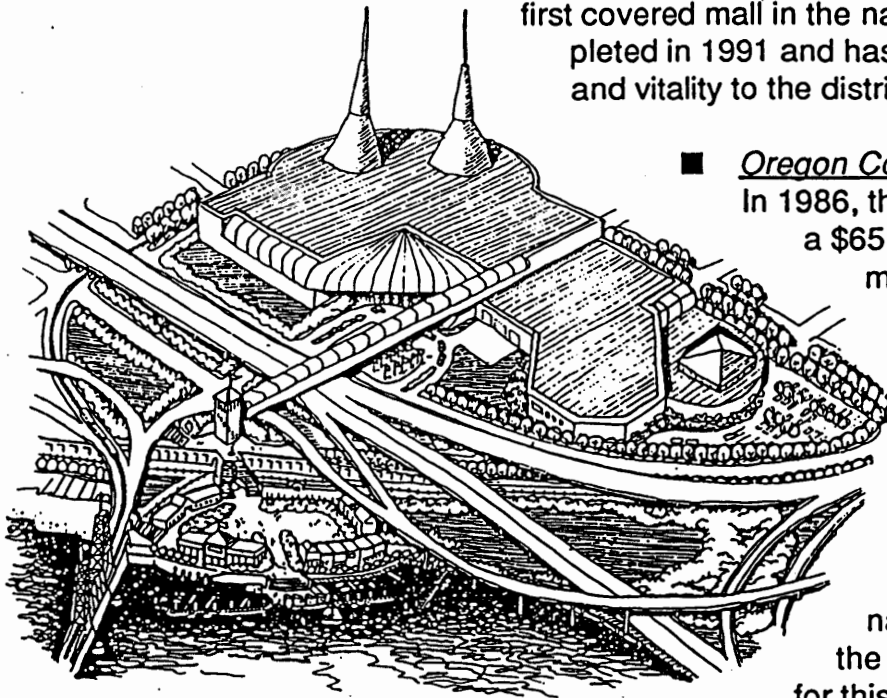
- Westside Light Rail Project: The region is also embarking on the westside extension of its light rail system through the Goose Hollow neighborhood, the City of Beaverton, Washington County and, ultimately, to Hillsboro. When completed in 1997, this \$900 million project will link Portland to new areas of growth and development to the west. As with its other transit projects, the downtown segment of westside light rail will weave together transportation improvements with new development and redevelopment opportunities.
- Oregon Health Sciences University: OHSU's 116-acre campus atop Marquam Hill and its programs and services have a profound impact not only on Portland but also on the state and region. In addition to its mission to improve people's lives and educate the next generation of health professionals and scientists, the institution contributes to the economic well-being in significant ways. OHSU is Portland's largest employer, it attracts 400,000 patient visits each year and receives over \$70 million annually in grant and research awards.

While the Willamette River physically separates the east and west sides, the river really is the heart of the Central City. A program which seeks ways to make the Willamette a unifying force is *River Access and Transportation*, or the RAT program as it is affectionately known. Project elements include a pedestrian and bicycle crossing on the Steel Bridge, specialty lighting of the same bridge which will visually link the east and west sides of the river, a dock system and water taxis which will provide enjoyable connections across and along the river and continued improvements at River Overlook Park to tie into to the Eastside Esplanade.

On the eastside of the river, investments have been focused on creating strong employment and retail centers, as well as connections to and across the Willamette River. In the Central Eastside industrial area alone, there are over 1,600 companies and more than 18,000 jobs within the "industrial sanctuary zone" providing family-wage employment for residents in the surrounding Central City neighborhoods. Examples of some of these strategic public and private investments on the eastside of the river include:

- Lloyd District Development: Fueled by a \$22 million infusion of public and private funding for new streets, pedestrian amenities, street trees, lighting and recreational facilities, the Lloyd District is developing as a healthy and growing extension of downtown. It is the region's second largest employment center and has attracted a new State office building, the renovation of the former Sears building as Metro's headquarters facility and new office and retail space. A major renovation and expansion of the Lloyd Center Mall, the

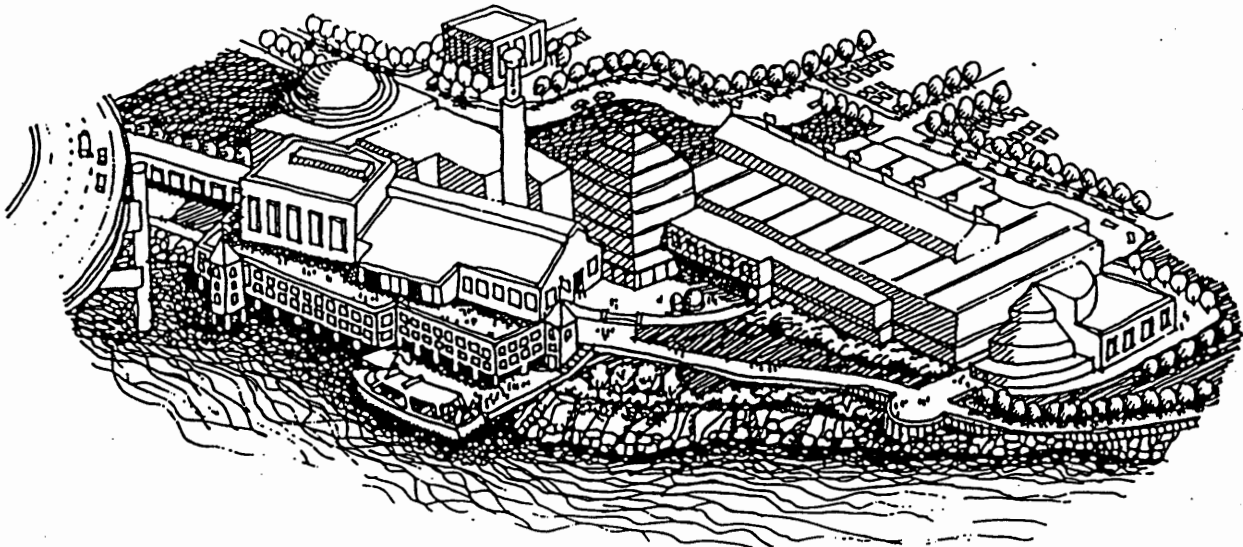
first covered mall in the nation, was completed in 1991 and has brought new life and vitality to the district.



- **Oregon Convention Center:** In 1986, the voters approved a \$65 million bond measure to construct the Oregon Convention Center on the east-side and adjacent to MAX. State and local improvement district financing provided the balance of funds for this \$85 million project

completed in 1990. It is estimated that the Convention Center has an economic impact on the community of approximately \$50-\$60 million annually.

- **Oregon Museum of Science & Industry:** In 1992, OMSI relocated its facilities from Washington Park to riverfront property immediately south of the Marquam Bridge. The new science complex contains 75,000 square feet of exhibit space, an OMNIMAX theater and numerous other attractions, includ-



OMSI and a water taxi on the east side of the river, south of the Hawthorne Bridge

ing the USS Blueback. Visitor attendance to OMSI now exceeds 1,000,000 people annually.

- **Rose Garden:** Now under construction, the \$262 million Rose Garden will become the new home of the Portland Trailblazers. The project is more, however, in that the building complex will include other entertainment facilities, retail and museum space, as well as parking facilities and pedestrianways. Located adjacent to the MAX light rail line, it will be completed and operational in the fall of 1995.

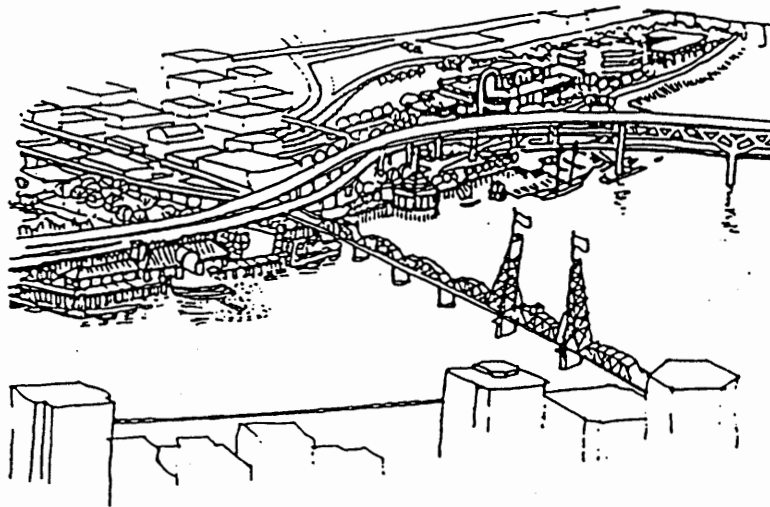
Future Investments

Much has been accomplished, much is underway, but we cannot rest on our laurels if Portland is to be as healthy and appealing to future generations as it is to us today. In a time of increasing demands and constrained resources, it becomes imperative to plan wisely and implement resourcefully. Several areas have been identified which have great potential to further the agenda for Central City development. They include a recognition of the importance of open space amenities, a continued support for the regional light rail system, a desire to champion education and the relationship between housing development and new jobs to the Central City.

- **Park Futures:** After extensive research and a series of public meetings, a list of proposed projects with a cost of \$58.8 million has been developed. It is a blend of projects to renovate deteriorated or obsolete parks and buildings and projects to provide expanded service in parts of the city underserved. The City recognizes that investment is needed now to ensure the continued presence of these valuable resources. The citizens concur, as evidenced by their overwhelming approval of a bond measure to fund these projects. While this is a Citywide initiative, fully 14% of the projects will have a direct impact on the core of the City. The goal is to make our parks safer, more inviting and, not least of all, more efficient to maintain in the future.

■ *Eastside Esplanade:*

Planning recently has been completed and design work has begun on major park, pedestrian and bicycle improvements along the eastside of the Willamette River. The Eastside Esplanade project will focus on enhancing the river's edge and connecting the inner eastside residential



communities to the waterfront. Additionally the linkage from OMSI to the bridges will allow for pedestrian and bike access.

- *South/North Light Rail Corridor Study:* The Portland Metropolitan Region is committed to a regional light rail network as an important means of shaping future growth and development. With Metro as the lead agency, Portland and its other regional partners currently are in Tier I of the Alternatives Analysis phase of the process. This winter or next spring the local jurisdictions will make decisions regarding mode and termini for the corridor which stretches from Clark County, Washington to Oregon City, Oregon. They also will be narrowing the alignment alternatives that will be studied in the Tier II phase of the study. The voters again showed their support for light rail by approving a \$475 million bond measure as the local jurisdiction's share of the total cost. Efforts also are underway to secure a pledge from the State Legislature which will demonstrate to Federal Transportation officials Portland's commitment to future light rail.

- *Portland State University District:* Every great city has a great university to support its educational and cultural needs. As the Portland area grows, Portland State University, in the heart of the Central City, will have a major role as the urban institution which provides for the higher educational needs of the metropolitan community. Not only are baccalaureate and graduate level education essential, but the need for continuing or extended education programs is growing in response to the diverse population of Portland. The City will be a partner with Portland State University as it proceeds to develop the University District Master Plan.

- Housing Development. It is critical for the City to attract a significant number of the new residents expected in the region over the next 20 years. Not only will this action help discourage urban sprawl and its huge draw on infrastructure resources, but it also supports business formation in the City to serve the needs of a growing urban populace. There are several City initiatives, including Community Development Programs, the Livable City Project and Housing for Our City, that work for housing throughout the City. There are, however, two site-specific areas within the Central City that have the potential to provide for significant new downtown neighborhoods. While the interested parties involved with the North Macadam District currently are developing a new vision for the area, the planning for the River District has evolved to the implementation stage.

The next section specifically addresses the potential of the River District.



THE RIVER DISTRICT INVESTMENT STRATEGY

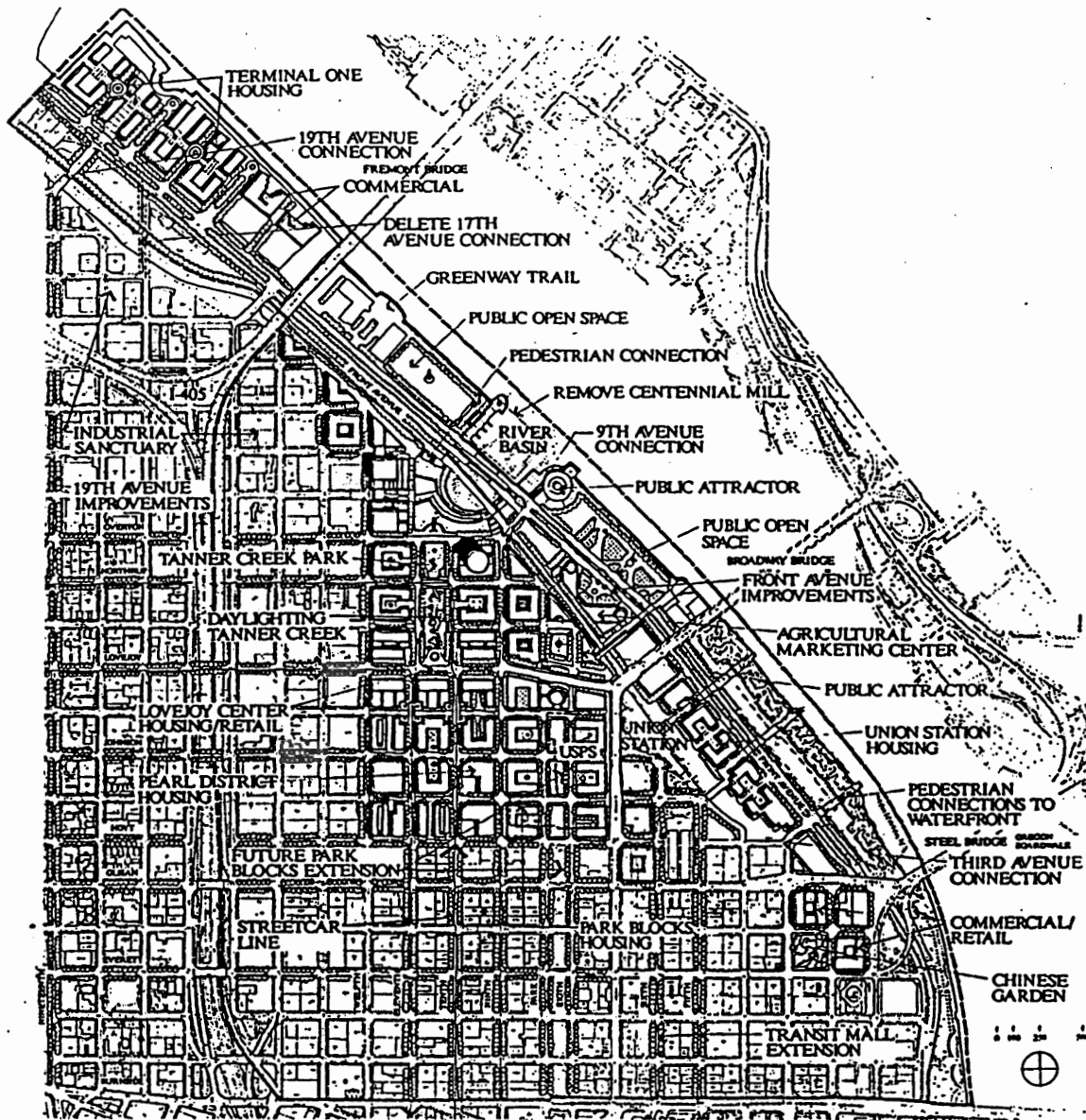
“Capacity exists in the Central City to serve additional residents without the magnitude of capital investment that would be required for development on the urban fringe.”

The River District Steering Committee was appointed by City Council in August, 1992. The charge to the Committee was to recommend a framework for future development in the River District, which is bounded generally by West Burnside Street, the I-405 freeway and the Willamette River and also includes Terminal 1, just north of the Fremont Bridge. The vision guiding the development of the plan was very specific: a new community of residential neighborhoods and a reorientation of the entire district to the Willamette River.

Proponents of the vision believe that the Central City can, and must, play a significant role in helping the Portland region meet the challenge of future growth. Part of the answer lies in making better, more intense use of existing resources in the Central City, including the transportation network, utilities and, most importantly, its underutilized land. The River District provides just such an opportunity.

The Steering Committee members include the major property owners in the district, public sector representatives, neighborhood association representatives and housing and social service advocates. The Committee was responsible for the formulation of the River District Development Plan which was presented to and endorsed by City Council in May, 1994. The Plan identifies up to 5,500 units of new multifamily housing, 1.3 million square feet of office space, 336,000 square feet of retail facilities and the infrastructure needed to support that development.

The Plan is bold. It provides new medium to high-density housing adjacent to existing emerging neighborhoods and industrial areas; the opportunity for people to live, work, learn and play in the Central City with options other than the car for mobility; a commitment to providing a mix of housing styles for a broad range of incomes; an appreciation for the Willamette River; an awareness of the importance of connectivity to downtown, to northwest Portland and other Central City neighborhoods.



The Vision

But the rewards are enormous. It is the objective of the City to provide adequate access between home, work, services and recreational destinations. It is also an objective of the City to provide that access with economy, efficiency and sensitivity to natural and man-made environments. More than any other transportation or land use measure, the attraction and accommodation of a large residential population, proximate to the region's greatest concentration of employment, service and recreational opportunities, will effectively improve access while limiting car trips. Predictions are that 45% of the daily trips from the River District will be on transit, on bikes or on foot. For some perspective, in a typical suburban

development, fully 85% of all trips would be by car. The implication of the impacts on air quality, energy usage and street congestion is extremely favorable. In addition, a new community of 10,000 residents requires substantial utility services, from water, sewer and stormwater services to electricity, natural gas and communications systems. Capacity exists in the Central City to serve additional residents without the magnitude of capital investment that would be required for development on the urban fringe.

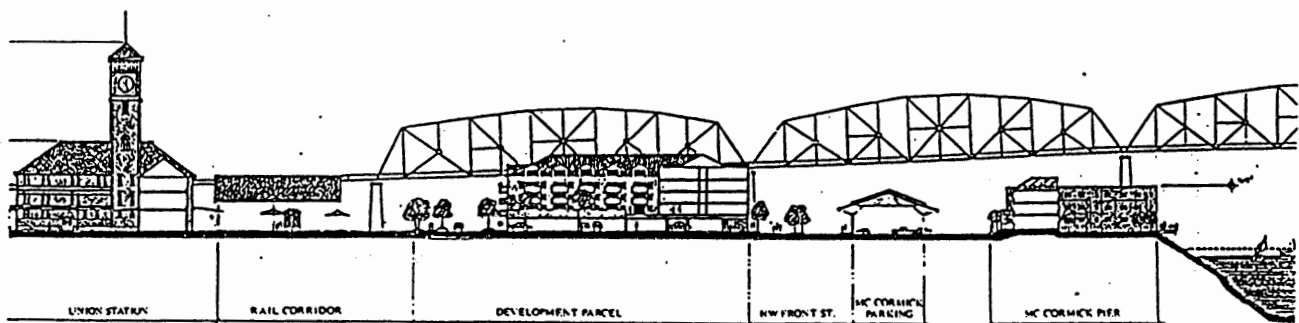
Four discrete yet interrelated areas for action have been identified along with recommendations for investment in infrastructure and development:

- Union Station/Old Town
- Terminal One
- Pearl District
- Tanner Creek Basin/Park

Union Station/Old Town

Action in the Union Station/Old Town area will build on a foundation of existing public and private investment, connect to Old Town/Chinatown and capitalize on established improvements, including the extension of the Transit Mall which was dedicated in June, 1994.

It is in this part of the River District that the vast majority of office space is provided for. In fact, 1,240,000 square feet out of a total of 1,331,340 square feet of facilities are to be found here and are located near Union Station and on the Pacific Square properties. Each of these employment centers has strong transit ties, either to the new Transit Mall or to the MAX light rail line. Additionally, the Agricultural Marketing Center will have a positive effect on job creation, both in the District and throughout the Pacific Northwest. Activities at the Center will build



on the success of the Wheat Marketing Center to create additional demand for Northwest agri-businesses, domestically and in the increasingly important export markets. Other development investment includes a Classical Chinese Garden and new parking structures tied to this new development.

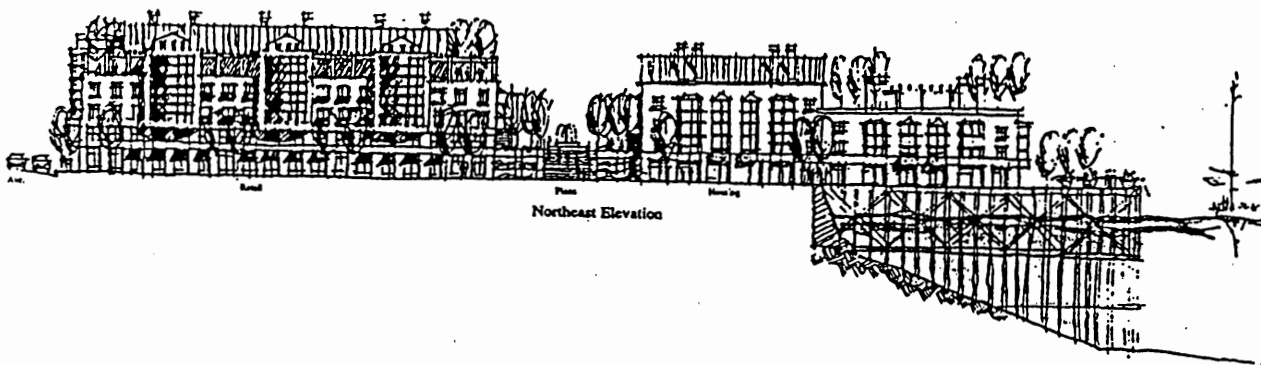
The housing component in this area is to be found on the vacant Union Station property and the goal of the Portland Development Commission is to facilitate the development of up to 600 units of new multifamily housing on the site and to provide connections to the river and to the commercial and retail activities in Old Town/Chinatown.

Key infrastructure projects have been identified to support the private development. They include the acquisition of waterfront property to allow for the extension of Waterfront Park, modifications to the existing crossings of the railroad tracks for improved circulation, additional pedestrian accessways to the riverfront and improvements to Front Avenue to provide for pedestrian amenities, street trees and lights.

Terminal One

The Port of Portland has declared the upriver portion of Terminal One to be surplus industrial property. While its use as an efficient marine facility is not viable, the property location presents a very unique opportunity for housing directly on the river. The aim is to develop up to 700 units of housing on the site, 45,000 square feet of neighborhood retail space and 90,000 square feet for office use.

The critical infrastructure improvements relate to street improvements and the relocation of a railroad crossing.



Pearl District

The Pearl District has become a vital and eclectic neighborhood of lofts, galleries, restaurants and shops mixed with industrial and commercial uses. The River District Development Plan builds on this spirit by enhancing existing neighborhoods while extending the Pearl District in the Hoyt Street Railyards south of Lovejoy. Densities indicate 1,212 new housing units in the Pearl District, as well as 84,000 square feet of neighborhood retail and commercial space and a parking structure.

The reconstruction of NW Lovejoy Street to grade will remove a barrier to the north and provide the River District with a "main street" of shops. The Central City Streetcar will provide the essential link to both downtown and to the Northwest Portland neighborhoods.



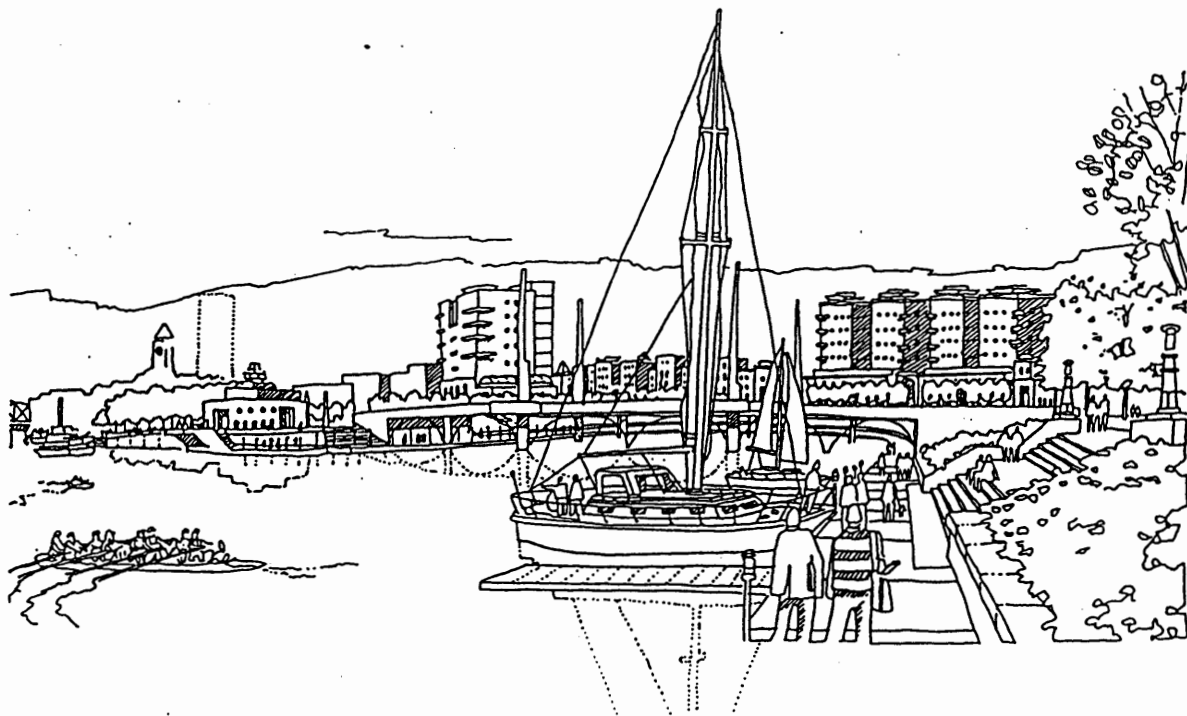
Historic NW 13th Avenue

Tanner Creek Basin/Park

Tanner Basin and Tanner Creek Park will bring the Willamette River into the heart of the River District, creating the focus for a compact urban community while acknowledging the natural history of the area and enhancing water quality. It is here that the highest densities will occur. There will be 3030 new housing units and 92,000 square feet of neighborhood retail and commercial space to become the basis for this new neighborhood. Additionally, a public attractor in the form of a conservatory or aviary is planned along the waterfront.

The emphasis of the infrastructure focuses on the water and its relationship to the activities of the River District. As part of the Combined Sewer Overflow

Program, the City intends to separate the clean storm water from the Upper Basin near Washington Park Zoo and carry it in a pipeline to the Willamette River with an outfall at the Basin. Not only will this be a cost-effective way to free up capacity at the sewage treatment plants, but it also provides an opportunity to create year-round water features. Tanner Creek will be "daylighted" at Lovejoy Street and flow north through the Park and into the Basin extending under Front Avenue and the railroad tracks. This also will create important pedestrian access to the riverfront. The waterfront will be improved north and south of the basin to create significant public space on the river – to be enjoyed not only by the residents of the new housing units, but by all of Portland's residents.



FINANCIAL PARTNERSHIPS

“The key to moving forward is the establishment of a financial partnership for the provision of the public improvements.”

The River District Steering Committee recognizes that development in the River District will not occur in total without the formation of an alliance of the various stakeholders. Yes, some of the private investment might happen over time without any public stimulus. However, the shape of that development would not be as desirable as that envisioned for the River District. The key to moving forward is the establishment of a financial partnership for the provision of the public improvements and using that partnership to secure strong commitments in the form of development agreements from the private sector for the housing and commercial components of the program. Additionally, there will be a need to provide public subsidies for a portion of the residential development if we are to meet our goals for both affordability and density.

The Steering Committee also recognizes that in this time of limited resources we must plan carefully and in a manner which builds from what is there and respects those generations yet to come. If we can provide people with the opportunity to live near their workplace with options for mobility and access other than by car, and do so in a compact urban environment, we will indeed use our existing resources in a wise way.

The following pages describe what that financial partnership could look like. We propose to phase the plan over several years and through several budget cycles. Our intent is for this Financial Partnership Plan to stimulate discussions and agreements with the development community and to guide the allocation of the City's resources.

River District Finance Plan

	Investment (1994 dollars in millions)		
	Public	Private	Total
Residential (5,500 units)	50.0 ¹	450.0	500.0
Office (1.3 million s.f.)		155.0	155.0
Commercial (300,000 s.f.)		35.8	35.8
Chinese Garden	2.0	6.0	8.0
Agricultural Marketing Center	8.8 ²	28.6	37.4
Conservatory		5.6	5.6
Parking		14.1	14.1
Front Avenue	4.1	1.5	5.6
Railroad Crossings	9.1		9.1
Streetcar	19.4 ³	11.7	31.1
Lovejoy / Northrup	11.8		11.8
Tanner Creek Basin / Park	53.3	3.1	56.4
Totals	158.5	711.4	869.9

¹ Public assistance from existing sources to facilitate between 1,900 and 3,100 units of affordable housing

² \$4.4 million Congressional appropriations approved; \$4.4 million State funds approved

³ Includes \$1.8 million City / HUD funds approved for preliminary design (underway)

Project Description

Infrastructure Finance Plan River District

	Cost (1994 dollars in millions)
Front Avenue	
– Sidewalks	
– Intersections / Ped Crossings	
– McCormick Pier Corridors	
– Landscaping / Trees	5.60
Rail Crossings	
– Front Avenue Grade Separation	
– 3rd Avenue Crossing	
– 14th Avenue Crossing	
– 17th / 19th Avenue Crossing	9.10
Lovejoy / Ramps	
– Lovejoy / 10th Viaduct Demolition	
– Ramp (Broadway Bridge to 9th)	
– Rebuilt Lovejoy (9th to 14th)	
– Rebuilt 10th (Hoyt to Northrup)	11.80
Streetcar (23rd to PSU)	
– Track	
– Electrification	
– Vehicles	31.10
Tanner Creek Basin / Park	
– CSO Diversion Project (Zoo to Willamette River)	
– Property Acquisition: River Queen, Albers Parking, Centennial Mills, Hoyt Street Yards, Mt. Hood Chemical / Fremont Place	
– Basin (with minimal amenities)	
– Front Avenue / Rail Bridges	
– Park Improvements	56.38
Total Cost	113.98

Project / Funding Source

Infrastructure Finance Plan River District

	Amount (1994 dollars in millions)	
Front Avenue		
- LID	1.50	
- General City Revenues	<u>4.10</u>	5.60
Rail Crossings		
- General City Revenues	4.55	
- ODOT / Other	<u>4.55</u>	9.10
Lovejoy / Ramps		
- Regional Transportation Funds		11.80
Streetcar (23rd to PSU)		
- LID	4.20	
- General City Revenues	3.90	
- Utilities	7.45	
- Federal HUD (Approved)	0.90	
- Federal DOE	<u>14.65</u>	31.10
Tanner Creek Basin / Park		
- BES	24.00	
- General City Revenues	1.07	
- Land Donation	3.12	
- Federal Corp / EPA / BOR / Other	<u>28.19</u>	56.38
Total Cost		113.98

Funding Source

Infrastructure Finance Plan River District

		Amount	
		(1994 dollars in millions)	
City			
-	General City Revenues	13.62	
-	BES	<u>24.00</u>	37.62
Private			
-	LID	5.70	
-	Utilities	7.45	
-	Land Donations	<u>3.12</u>	16.27
Regional			
-	ODOT / FHWA / Gas Tax / Other		11.80
State			
-	ODOT / Other		4.55
Federal			
-	Federal HUD (Approved)	0.90	
-	Federal DOE	14.65	
-	Federal Corp / EPA / BOR / Other	<u>28.19</u>	43.74
Total			113.98

By Budget Cycle

Infrastructure Finance Plan
River District

<i>By Project</i>	1995	1996	1997	1998	1999	2000	Total
Front Avenue							
Front Avenue South	0.12	1.10	0.88				2.10
McCormick Pier Corridors		1.23	1.17				2.40
Front Avenue North					0.16	0.94	1.10
Subtotal							5.60
Rail Crossings							
Front Avenue Separation					0.73	4.16	4.89
3rd Avenue Crossing		0.21	1.50				1.71
14th Avenue Crossing					0.14	0.77	0.91
17th / 19th Avenue Crossing					0.24	1.35	1.59
Subtotal							9.10
Lovejoy / Ramps		1.96	6.59	3.25			11.80
Streetcar (23rd to PSU)	1.80	8.51	13.86	6.93			31.10
Tanner Creek Basin / Park							
Property Acquisition:							
Centennial Mills		8.65					8.65
Mt. Hood Chemical / Fremont		2.10					2.10
Hoyt Street Yards		3.12					3.12
River Queen		0.98					0.98
Albers Mill		1.16					1.16
CSO Diversion Project (Zoo to Willamette River)							
Basin / Park		0.43	1.26	5.04	16.82	16.82	40.37
Subtotal							56.38
Total	1.92	29.45	25.26	15.22	18.09	24.04	113.98

By Budget Cycle

Infrastructure Finance Plan River District

By Funding Source

	1995	1996	1997	1998	1999	2000	Total
City							
General Revenues	1.02	3.74	3.66	0.71	0.67	3.82	13.62
BES	0.00	4.03	0.63	2.52	8.41	8.41	24.00
Subtotal							37.62
Private							
LID	0.00	1.85	2.55	0.99	0.05	0.26	5.70
Utilities	0.00	2.17	3.52	1.76	0.00	0.00	7.45
Land Donations	0.00	3.12	0.00	0.00	0.00	0.00	3.12
Subtotal							16.27
Regional							
ODOT / FHWA / Others	0.00	1.96	6.59	3.25	0.00	0.00	11.80
State							
ODOT / Others	0.00	0.11	0.75	0.00	0.55	3.14	4.55
Federal							
HUD	0.90	0.00	0.00	0.00	0.00	0.00	0.90
DOE / Others	0.00	4.25	6.93	3.47	0.00	0.00	14.65
Corp / EPA / BOR / Other	0.00	8.22	0.63	2.52	8.41	8.41	28.19
Subtotal							43.74
Total	1.92	29.45	25.26	15.22	18.09	24.04	113.98

Funding Source
Affordable Housing Finance Plan
River District

An important characteristic of the housing goals for the River District is the desire to serve a wide variety of household incomes. The targets established for affordable housing range from 1,900 to 3,100 units depending on the ultimate build-out of the District. The details of the assumptions and the methodology which led to these goals can be found in the *River District Housing Implementation Strategy – September, 1994*.

An estimate of the mid-range subsidy needed to provide for affordability is \$50 million over the life of the project or approximately \$2.5 million per year. As we look at the financial tools available to implement affordable housing, the following allocation of resources would more than meet the annual subsidy need.

Source of Funds	Annual Requirement
City Credit Enhancement (estimated indirect costs to the City)	\$ 25,000
Community Development Block Grants	500,000
Contingent Interest Loan Fund with Federal Low-Income Tax Credit Syndication Proceeds	2,000,000
Land Cost Write-Down	25,000
Multi-Family Revenue Bond Financing (estimated value of reduced financing costs)	250,000
Other State Grant Programs	200,000
PDC Program Income	25,000
State Lender Tax Credits	300,000
Estimated Annual Funding Available	\$3,325,000

Return on Investment to the City of Portland

Infrastructure Finance Plan River District

The annual cost to the City of Portland for designing, constructing and operating infrastructure improvement in the River District area from 1995 through the 2025 time period is estimated to be between \$2.25 and \$3.17 million. This includes the amortization on approximately \$13.6 million in capital improvements and land acquisition and between \$891,000 and \$1.8 million in annual police, fire, parks and other operating costs. Once build-out is reached, River District development is expected to support over 15,625 person-years of construction employment, nearly 5,200 direct permanent jobs and generate an additional 7,700 indirect permanent jobs.

As indicated in the table below, the City's total infrastructure and land acquisition cost of \$13.6 million is projected to be recovered over an approximate 13-year time period.

RETURN ON INVESTMENT ANALYSIS SUMMARY	
(Amounts in Real 1994 Dollars)	
City's Total Capital Investment	\$13,620,000
Annualized City Investment (@10%)	\$1,362,000
Average Annual City Tax / Fee Revenues:	
Years 1-20	\$756,000
Years 11-20	\$2,061,000
Years 21-30+	\$4,053,000
Years to Recover City's Capital Investment	13

	Low-Cost Scenario	High-Cost Scenario
Average Annual City Operating Cost:		
Years 1-10	\$446,000	\$1,013,000
Years 11-20	\$891,000	\$2,026,000
Years 21-30+	\$1,337,000	\$3,039,000
City's Net Cumulative Return:		
Years 1-20	(\$10,520,000)	(\$16,220,000)
Years 11-20	(\$12,440,000)	(\$29,550,000)
Years 21-30+	\$1,100,000	(\$33,120,000)

The low-cost scenario related to City operating costs represents the provision of efficient police and fire services and operational cost economies realized by dense urban development. The high-cost scenario uses average citywide costs for these services.

In general, this return on investment analysis takes a definitely conservative approach, which can be seen in the assumptions applied:

- Use of an annualization rate of 10% instead of calculating annual bond service requirements.
- Exclusion of direct material expenditures as part of the total direct economic impact.
- Using an economic indicator of 2.5, instead of a higher rate of 3.0-3.5.
- Exclusion of miscellaneous tax revenues, such as lodging/bed taxes, County franchise fees, fuel taxes, and the like.
- Not estimating the infrastructure cost savings and the annual operating and maintenance costs savings which will result from the higher density River District development in place of lower-density, sprawling development.

**CHARTER
LIVABLE CITY HOUSING COUNCIL**

The Livable City Housing Council is charged with assuring that Portland builds 50,000 new housing units by 2014 that people want to live in, that people can pay for, and that the development community can afford to build.

How Portland has met challenges in the past

Twenty years ago, the City of Portland undertook a series of initiatives that dramatically shaped the civic fabric and urban form of the City. Under the leadership of former Mayor Neil Goldschmidt, the City:

- Formally recognized and supported neighborhood organizations
- Adopted a downtown plan
- Built the transit mall
- Began aggressive support for housing development in downtown and elsewhere in the City
- Killed a freeway that would have destroyed neighborhoods and began planning the Eastside Light Rail line

Aggressive action twenty years ago put in place the policies and programs that have preserved our neighborhoods and assured the economic vitality of downtown. During the last twenty years, the City's neighborhoods have gained in strength and number. There are now 92 City neighborhoods and 39 neighborhood business organizations.

But the news has not all been good. Growth in the suburbs has had a significant impact on the City. Since 1970, population in the region has increased 53% percent. During the same period, the area within the City boundary as it existed in 1970 lost population. Even though population within the 1970 boundary decreased, vehicle miles traveled within the City increased dramatically. As every long time Portland resident knows, traffic congestion on neighborhood streets is worse than it was 20 years ago.

12/15/94

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12/15/94

What is the current challenge?

The Challenge for the next twenty years is to maintain and enhance the livability of our neighborhoods in the face of significant population growth in the region. If the trends of the last 20 years continue, nearly all of that growth will occur in the suburbs outside Portland. The risk to the region is obvious: the resulting sprawl will increase the cost of public services and destroy valuable farmland and forests. For Portland, unmanaged growth will place enormous pressure on existing neighborhoods as auto traffic pounds through our City. With it will come congestion, deteriorating air quality and reduced safety.

Even in the face of growth we can maintain the livability of our neighborhoods and the economic vitality of our central city. At the same time, the region's quality of life can be kept, and at lower cost, than the sprawl alternative. How? By putting new housing in the city, not just on suburban farmland.

The Portland Metropolitan area is projected to increase by 500,000 people by the year 2010. The City has established an objective of capturing 20% of that growth--100,000 people. At 2 people per household, 50,000 new housing units are required. If this is accomplished, Portland will attract a share of regional growth which can

- reinforce the quality of existing neighborhoods,
- be accommodated in existing schools,
- maximize the efficiency of City infrastructure,
- be easily served by existing and planned public transportation, and
- improve air quality and minimize congestion.

A City commitment to meet this objective is essential--but it is not sufficient. The challenge is larger than City government, it is community-wide. City government should exercise leadership, but it is the citizens of Portland, acting through community leaders and elected officials, who must make new housing a priority.

How we meet this challenge: The Livable City Housing Council

The Livable City Housing Council is charged with assuring that Portland builds 50,000 new housing units by 2014 that people want to live in, that people can pay for, and that the development community can afford to build.

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The Livable City Housing Council will **act with commitment and leadership** in accomplishing the objective. To address a full range of housing needs with appropriate public and private resources, the Livable City Housing Council will **develop a strategy for each segment of the housing market** that establishes an annual production goal and allocates public financing. For each market segment, The Livable City Housing Council will execute the following Strategic Work Plan Elements that

- **raises and directs money,**
- **targets sites, and**
- **assures quick permitting.**

The general charge and strategic work plan elements for the Council are based upon the deliberations of a group of development and community representatives. Additional work plan details on the group's work is attached as Appendix A.

What can the Council do?

The City Council will contract with the Livable City Housing Council to meet the Objective and execute the Strategic Work Plan Elements. The Livable City Housing Council will bring together the leaders of both the private sector and existing public agencies involved in housing production. These leaders, working together, will create the mechanisms needed to increase and support housing production. The Livable City Housing Council will not produce housing nor will it administer the mechanisms put into place.

The Livable City Housing Council is authorized by City Council to:

- Enroll the public and private sector in the value of accommodating 20% of the projected regional growth within the City of Portland.
- Direct the administration of the Local Housing Trust Fund on a interim basis and lead a team to develop a permanent funding and administrative structure.
- Create a strategy for each market segment that establishes an annual production goal, determines the amount of public assistance that will be offered and targets development sites.
- Recommend policies, procedures and budgets that expedite permitting and apply public financing tools in accordance with the strategy for each identified market segment.
- Institute actions within their respective private organizations and influence others in their field to take actions that support the strategy for each market segment.

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- Contract with private and public entities, as needed, to perform work supportive of the objective and strategic work plan elements.
- Execute other activities that the Livable City Housing Council determines are needed to achieve the Objective.

For example, the Livable City Housing Council may determine that housing production in the market segments identified requires speedy permitting. Then the Livable City Housing Council will ask City Council and the bureaus involved with permit approvals to approve the needed policies, procedures and budget to expedite the process.

Another example: the Livable City Housing Council may determine that a pool of funds is needed to finance certain housing types. The Livable City Housing Council calls upon their peers in the financial community to set up and participate in a financing pool available to projects that help meet the production goal for the identified market segments.

In all cases, the Livable City Housing Council causes the mechanisms that will increase housing production to occur. There is an existing public agency or private resource that implements the mechanism. Housing developers then apply directly to the resource with no further Livable City Housing Council involvement.

What is the Council's organizational structure?

The Mayor will appoint Livable City Housing Council members including the Chair. Each member will possess all of the following characteristics:

- be a top decision maker within their respective organization,
- represent an organization that affects the production of housing,
- act with City wide interests in mind, and
- have the ability to influence other organizations within their industry.

The Livable City Housing Council will consist of no more than sixteen(16) members representing the following categories:

1. non-bank lender
2. equity investor
3. conventional lender
4. large housing developer
5. housing developer
6. non-profit housing developer
7. utility executive
8. At large position with neighborhood business focus

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9. Mayor of the City of Portland
10. Commissioner in charge of Bureau of Planning
11. Chair of Portland Development Commission
12. Commissioner in charge of Bureau of Housing & Community Development
13. Tri-Met General Manager
14. Housing and Community Development Commissioner

The Livable City Housing Council will be staffed by an Executive Director who will perform at the direction of the Housing Council. The Executive Director will have one assistant. The Executive Director activities include:

- voicing the vision and strategies established by the Livable City Housing Council,
- managing any contracts for services, and
- coordinating Livable City Housing Council activities with member public agencies and private sector organizations

Any other services required by the Livable City Housing Council to carry out their charge will be contracted services. Contractors, a public or private person, organization, or agency, will be selected based on who is the most likely to do the best job.

How is the Council funded?

The City Council has budgeted \$330,000 a year in City funds for the next two years for the Housing Initiative. In addition, the Mayor has committed to secure private contributions to match these funds. These funds will be conveyed to the Livable City Housing Council under a contract with City Council to perform the authorized tasks stated above.

Using these funds, the Livable City Housing Council will hire an Executive Director and an Assistant to the Director. All other funds will be allocated by the Livable City Housing Council for contracted services as needed.

How long will the Council serve?

The Livable City Housing Council will be a permanent and forceful leader of the effort to meet the housing objective. To assure continued accountability and productivity, the Livable City Housing Council shall be reviewed every two years based on established performance criteria including meeting production goals. If the Livable City Housing Council meets these goals, then the City Council will re-authorize their work and budget for another two years.

The Livable City Housing Initiative

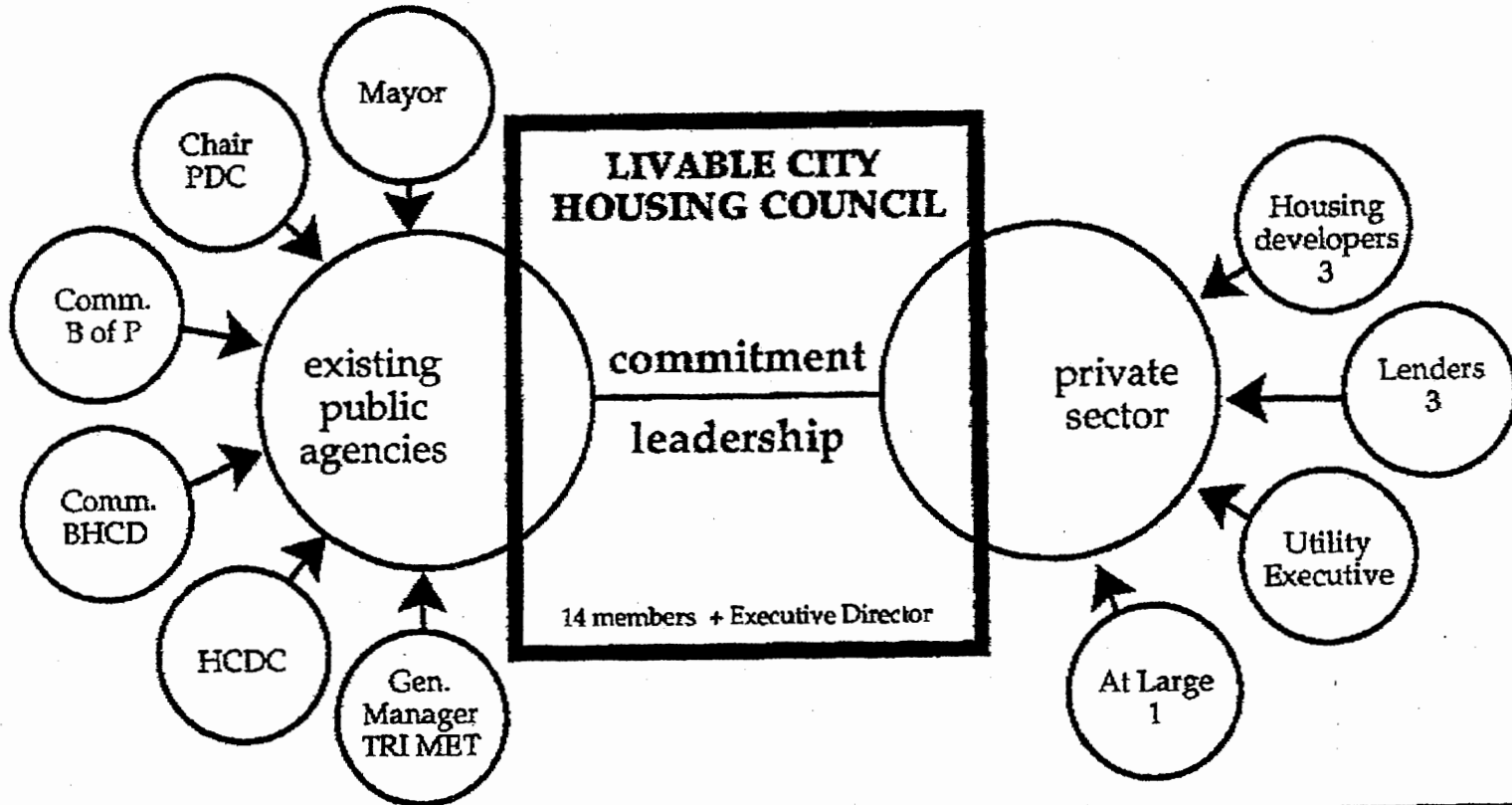
Recommended Organization

WHO SERVES:

The Livable City Housing Council brings together the leaders of both the private sector and existing public agencies involved in housing production.

KEY FUNCTION:

- create the mechanisms needed to increase and support housing production
- institute and influence actions within their respective private organizations and in their field



SUMMARY OF NEW HOUSING PRODUCTION GOALS OF HOUSING AGENDA

Following is a summary of the housing production goals outlined in the draft agenda. Goals were based on the total production goal for the Housing Initiative of 50,000 units in 20 years, and divided to reflect the current diversity of housing in the City of Portland. That diversity not only includes housing for households of identified income levels, but also a split between housing for owner-occupants or renters.

HOUSING TYPE	PERCENTAGE OF MARKET	ANNUAL GOAL	20-YEAR GOAL
Home Ownership	50%	1,250	25,000
Very Low Income Households	16%	200*	≈4,000
Low Income Households	17%	312	≈4,240
Market Rate Households	67%	938	≈16,760
Rental Housing	46%	1,250	25,000
Very Low Income Households	41%	513	≈10,260
Low Income Households	23%	287	≈5,740
Market Rate Households	36%	450	≈9,000
Special Needs	20%-25% of total	250	≈5,000

Very Low Income Households: Households with incomes of less than 50% of area median

Low Income Households: Households with incomes of less than 80% of area median

Market Income Households: Households with incomes of 80% or more of area median

* Units for very-low income households are not included as "new" units, and are maintained units to mitigate increasing housing costs. An additional number of new units is credited to low and market rate figures.

City Of Portland 1994 - 1995 Housing Agenda

* * * DISCUSSION DRAFT * * *

This document is intended to serve as a model of the segmented market strategy, ultimately to be developed and recommended for use in implementing the Housing Initiative. It illustrates how the City of Portland can determine its allocation of resources and support necessary to achieve long-term housing development goals further defined in specific policies and planning documents. This Housing Agenda will ideally be updated on an annual basis to reflect changing market conditions and emerging public-private developer partnerships and housing initiatives.

The document is developed with the policy framework and background that, as a community, the City has determined that it has an obligation to ensure the availability of safe, decent, and affordable housing for Portland citizens -- both current and future. This housing is in turn the prerequisite for neighborhood stability and the cornerstone of community revitalization. To take that objective one step further, an important point of this Agenda is to address the full-range of housing needs of our citizenry, in recognition of the principle clearly expressed in *Portland Future Focus* that we "take the initiative to see that quality housing is available to people of all income levels in Portland."

The Housing Agenda is organized in three major categories -- representing the types of housing required and/or desired by citizens based on their personal desire or economic situation. Within each category (Homeownership, Rental Housing, Special Needs Housing), a separate discussion and agenda is presented for housing that meets the needs of three different market segments -- Very-Low Income, Low-Income, and Market Rate.

What is obvious in analyzing this information is that today, while the mandate for more housing may be perfectly clear (accommodate 50,000 housing units in the next 20 years), the strategies to accomplish this mandate are not necessarily in place, or coordinated with each other. This discussion draft presents a framework for identifying necessary components of a housing agenda, and illustrative annual production goals required to achieve the long-term goal of 50,000 housing units. As a starting point, these goals were calculated to reflect maintaining the current proportionate mix of housing types and income market segments.

- I. **HOMEOWNERSHIP** -- As a means to stabilize and revitalize our neighborhoods, homeownership is an essential desire and strategy repeatedly endorsed by community residents in their neighborhood planning documents. In Portland, approximately 50% of our housing units are owner occupied, although different neighborhoods exhibit ratios that are considerably

higher (65% in Central Northeast) or lower (7% in Downtown). The majority of homeowners (67%) earn >80 of Median Family Income (MFI), and are considered herein as market rate.

Long-Term Objective: 25,000 units/ 20-years (50% of 50,000)

Short-Term Goal: 1,250 units/year

A. Very-Low Income Homeowners (\leq 50% MFI) - This market segment represents 16% of all owner occupied homes, and is composed primarily of senior citizens (61%) who are living on fixed/reduced incomes now, but own their home outright or are making very low, but 'affordable' payments. Because new production for this segment is not feasible, these figures represent a maintenance effort and new production figures are included in low income and market rate segments.

1. Public Policy Support - The needs of this market segment are addressed primarily in the Comprehensive Housing Affordability Strategy (CHAS) and individual neighborhood/community planning documents.
2. Barriers/Issues
 - Rising property values and construction costs have reduced available 'affordable' homeownership opportunities.
 - Market forces and past City success in rehabilitating vacant and abandoned structures have reduced this resource of inexpensive housing that can be economically rehabilitated and offered to homeowners at an 'affordable' cost.
 - Requires very deep subsidy to offer homeownership opportunity to very-low income household.
 - Public sources for subsidy are limited to federal block grants and private sources are virtually nonexistent for households with poor credit or insufficient incomes.
3. Strategies
 - Assist current homeowners in maintaining and rehabilitating their houses to preserve their equity and the long-term integrity of the housing stock through home repair loan programs.
 - Continue work to make deep subsidy programs more efficient, and able to create more units available for ownership.
 - City policy should encourage the use of public funds to stimulate private development of housing citywide.
4. Production Goal: 200 units (16% of 1,250)

neighborhood and community plans and in Livable Cities. These planning documents have recognized the need for and benefit of a wide range of housing types serving residents of all income levels.

2. Barriers/Issues

- Rising property values and construction costs have reduced available homeownership opportunities for households in the lower portion of the market rate spectrum
- Market forces have reduced the availability of inexpensive housing that can be economically rehabilitated at a cost households can afford without public assistance
- Home buyers may be forced to look at suburban neighborhoods to get affordable new construction/existing homes in quality neighborhoods

3. Strategies

- Use shallow subsidy programs to promote homeownership for households at the lower end of the market rate income category (i.e. 80-120% of median area income)
- Make housing rehabilitation loans available for households at the lower end of the market rate income category (i.e. 80-120% of median area income)

4. Production Goal: 838 units (67% of 1,250)
- Private sector: 838 units
 - Public sector: 0 units

II. RENTAL HOUSING - In Portland, approximately 46% of our housing units are rentals. The majority of renters (64%) earn \leq 80 of Median Family Income (MFI).

Long-Term Objective: 25,000 units/ 20-years (50% of 50,000)

Short-Term Goal: 1,250 units/year

A. Very-Low Income Housing (\leq 50% MFI) - This market segment represents 41% of all renter occupied units.

1. Public Policy Support - The needs of this market segment are addressed primarily in the Comprehensive Housing Affordability Strategy (CHAS) and neighborhood plans.

2. Barriers/Issues

- Rising property values and construction costs have reduced 'affordable' rental housing availability.
- Requires deep subsidies to create or retain affordable rental housing.
- Public sources for subsidies are limited, so their allocation must provide the most benefit to those most in need for the longest amount of time possible.

3. Strategies

- Focus federal resources for rental housing to provide the level of affordability that the open market does not reach.
- Structure subsidies to maximize private participation and produce the largest number of units now, even though this may reduce the amount of future program income generated by the investment.
- Use public subsidies to achieve rent burdens which do not exceed 40% of the targeted population's income.
- Secure minimum 10-year affordability commitments when providing public financing to rental housing; increase the length of the affordability period as the amount of subsidy increases.

4. Production Goal: 513 units (41% of 1,250)
- Private sector: 0 units
 - Public sector: 513 units (in partnership, where possible, with private lenders and equity investors)

B. Low Income Housing (51% - 80% MFI) - This market segment represents 23% of all renter occupied units.

1. Public Policy Support

The needs of this market segment are addressed primarily in the Comprehensive Housing Affordability Strategy (CHAS) and neighborhood plans.

2. Barriers/Issues

- Rising property values and construction costs have reduced 'affordable' rental housing availability.
- Requires deep subsidies to create or retain affordable rental housing.
- Public funding should fill the gap between what private lenders will provide and the cost of the housing.
- Public sources for subsidies are limited, so their allocation must provide the most benefit to those most in need for the longest amount of time possible.

3. Strategies
 - Focus federal resources for rental housing to provide the level of affordability that the open market does not reach.
 - Structure subsidies to maximize private participation and produce the largest number of units now, even though this may reduce the amount of future program income generated by the investment.
 - Use public subsidies to achieve rent burdens which do not exceed 40% of the targeted population's income.
 - Secure minimum 10-year affordability commitments when providing public financing to rental housing; increase the length of the affordability period as the amount of subsidy increases.
 - Encourage low income housing throughout Portland by supporting multi-family rental housing projects citywide.

4. Production Goal: 287 units (23% of 1,250)
 - Public sector: 287 units
 - Private sector: 287 units (gap financing or partnership loan programs are provided cooperatively)

C. Market Rate Housing (>80% MFI) - This market segment represents 36% of all renter occupied units. Historically, City policies and programs have emphasized supporting programs and incentives for low and very-low income rental housing rehabilitation and development. The lack of focus on assisting in the development of market rate rental housing is alarming in light of the fact that this type of development complements business and economic development throughout the city.

1. Public Policy Support - Again, the City's adopted policies for market rate rental housing range from general goals requiring a broad mix of housing serving all income groups (such as the Comprehensive Plan and Livable Cities) to very specific plans such as the Downtown Housing Policy, Central City Plan and the South Park Blocks Urban Renewal Plan. These last three documents pertain only to the Downtown/Central City area. Neighborhood plans also address the need for a balanced mixed of housing serving all income groups.

2. Barriers/Issues

- High land and development costs compared to the rest of the Portland Metro Area coupled with moderate rental rates has made the development of affordable market rate housing at medium to high densities infeasible without public sector investment.
 - The loss of tax increment financing has removed the most effective and flexible financing tool to stimulate new private investment in affordable market rate housing.
 - The development of affordable market rate housing has consistently been ranked as a second priority in the allocation of scarce financing resources by the City.
3. Strategies
- Mixed-income rental housing development should be encouraged near employment centers and transit areas.
 - Traditional and innovative funding mechanisms need to be developed to assist in the construction of infrastructure to facilitate rental housing development and reduce development costs.
 - Create a revolving loan fund for higher-density rental housing production to offset infeasibility of projects.
 - Focus highest density development in Central City and in station areas
 - Mixed low income/ market rate rental housing should be promoted and supported near employment centers and transit stations.
 - Actively promote the use of tax exempt revenue bond financing for mixed low income/market rate projects.
 - Develop a form of limited City backed credit enhancement for bonds or other project financing.
 - Create a fund for the assembly of land by the City which can be offered for development of medium to high density housing.
 - Traditional and innovative funding mechanisms need to be developed to assist in the construction of infrastructure to facilitate rental housing development and reduce development costs.
4. Production Goal: 450 units (36% of 1,250)
- Public sector: 200 units
 - Private sector: 450 units (gap financing or partnership loan programs are provided cooperatively)

III. SPECIAL NEEDS - Special needs populations are categorized by the following: Elderly, Frail Elderly, Severely Mentally

Ill, Developmentally Disabled, Physically Disabled, Addicted, AIDS or related illness and the homeless.

- A. Public Policy Support—The needs of this market segment are addressed primarily in the Comprehensive Housing Affordability Strategy (CHAS).
- B. Barriers/Issues
- Obtaining funding for projects may require several funding sources and therefore expands the timeframe from initial planning to occupancy.
 - Federal subsidy programs do not provide adequate funding
 - Housing programs must fully fund capital costs and may need to provide ongoing rent subsidy for operating costs.
- C. Strategies
- Develop a strategic plan to prioritize and stimulate development of special need housing which is not currently being developed.
 - Continue to produce 20% - 25% of overall rental units for special needs populations
 - Begin implementation of the Shelter Reconfiguration Plan
 - Locate and begin development of a facility for homeless families.
 - Initiate a community campaign to increase funding for homeless programs
- D. Production Goal: units (20-25% of 250)
- Public sector: 250 units
 - Private sector: 250 units (gap financing or partnership loan programs are provided cooperatively)

REGIONAL AND LOCAL REGULATORY STRATEGIES

Regional Policy Strategies

The Portland housing initiative is of regional importance. Some strategies that will encourage certain kinds of development need to be applied regionally in order to avoid simply shifting development to other areas.

A recent White Paper prepared for the Housing and community development Commission summarizes the following regional public policy tools. While the approaches recommended are currently being used elsewhere in the United States to force development of low-income housing, there are impediments they pose to development that have not been fully considered. In order to consider these or other strategies that protect or support a particular market segment, the Housing Council will need to maintain its perspective on the *whole* agenda, and counterbalance strategies that are successful at achieving the goals that have been established.

Other regional approaches include a Metro-area CHAS , greater consistency in development regulations, and the establishment of regional financing tools such as a Housing Trust Fund, dedicated real estate transfer taxes or construction excise taxes, consistent waiver policies for fees, systems development charges and liens, and limited tax abatement policies for housing.

- Review CM zoning and Main street locations for effectiveness in encouraging new mixed-use development; develop expedited zone change process for non-conforming Main Streets sites.
- Adopt amendments to the zoning code and Comp. Plan to comply with the State Transportation Planning Rule.
- Review height, parking, and other requirements that may be a barrier to residential use in some zones. Develop expedited Adjustment Process for projects that demonstrate Livable City Concepts.
- Review rowhouse regulations to ensure better design with less emphasis on parking and garages.
- Consider creating a Specific Area Development Plan process in the zoning code.

Planning and zoning tools could be adopted by local jurisdictions within a consistent regional framework. Some are already in place in Portland.

1. Density Bonuses for Affordable Housing Overlay Zones
2. Transfer of Density or Development Rights.

3. Identify Regulatory or Procedural barriers on a Metro-wide basis.
4. Identify Infill Opportunities and Allow development on Substandard Lots.
5. Uniform Regulations and Permitting for PUD's, Cluster Subdivisions and Mixed Use Development.
6. Coordinate Zoning for Light Rail and Employment Centers.
7. Consistent Fee Waiver Policies for Affordable Housing.
8. Cooperative Sharing of Federal and State Housing Funds.
9. Regional Limited Property Tax Abatement.
10. Coordinated Lobbying for Housing and financing.
11. Link Employer-Assisted Housing to Tax abatements and other economic development incentives.

Regulatory Issues

Portland's processes for reviewing and permitting applications for new construction have been criticized for slowness and uncertainty. Meanwhile, the interests of neighborhoods, compliance with land use laws, maintenance of health and safety of tenants and owners, and general land use planning requirements have had to be accommodated in the regulatory process. Regulations are designed to ensure that development occurs in a safe and well-managed way, but more needs to be done to streamline the permitting process and provide certainty in order for development to occur.

Some of the actions considered and recommended for adoption have contrary results: in some cities, removing historic preservation requirements, while lowering costs of construction, has resulted in the loss of neighborhood character. Regulatory reform is a desired result, but few interests are willing to remove regulations that protect their advocated positions on development.

The following strategies are examples of the initiatives that may be considered and guided by the Housing Council:

- The Development Review Team (DRT) has been working for several months to identify ways to improve the development review process for new single family residential projects. While a number of actions are underway, this approach to the review process may be useful in achieving more predictable outcomes for mixed-use and other innovative projects. Adequate staff levels should be ensured to meet these goals.

- The DRT has tentatively identified a large number of regulations that should be reviewed to remove redundancy, increase ease of administration, and ensure effectiveness. Priority should be given to eliminating regulations that are barriers to innovative housing products.
- The new Title 34 should ensure that new subdivisions and PUDs demonstrate good transportation and land use, design compatibility, and minimum densities in a manner that strengthens existing development. This process, in order to fulfill ambitious home ownership goals, should be expedited.
- Council will soon consider a Tax Abatement Policy that will give us clearer guidelines for directing abatements to areas where this strategy is needed when we know it will be effective.
- While community-based development organizations (CDCs) have greatly increased their capacity to deliver affordable housing units, their role as owners, developers, community-based organizers and businesses continues to need refinement. Council will be asked to consider a fund to reimburse bureaus which waive development fees for all non-profits which are producing low-income and special needs housing, as we do now for the Northeast CDC.
- Zoning code amendments and other strategies were defined during Livable City Phases I and II nearly two years ago. These include:
 - Allow accessory rental units in new construction and detached accessory units that meet certain development standards (A Overlay).
 - Review FAR and height limitations in all commercial zones for potential housing incentives.
 - Review minimum lot size requirements in R1 and RH zones for possible barriers to infill development.

Financing Tools

Introduction

In March, 1994 the Affordable Housing Resources Task Force Report demonstrated that housing development becomes economically feasible through a complex balancing of cost factors: the amount of debt, the cost of debt, the cost of development and operating costs. The Report suggested new ways in which the City can work to stimulate housing development by identifying opportunities to influence or subsidize these costs. Permit fee waivers, expedited regulatory processing and tax abatement are ways in which the City can influence the expense side of the equation. The City can influence the debt side of the equation by participating in a variety of debt structures.

Permanent Gap Financing

Below market rate long term financing is sometimes needed to bring rents down to market rates or lower levels of affordability. Filling this "gap" has been the typical form of City participation in housing development using tax increment and federal resources.

Most of the City funded housing financing has used lower interest rates, flexible lending terms and liberal underwriting standards to stimulate development or achieve affordability goals. PDC has developed a high skill level in selecting projects and determining the necessary public subsidy. This is most visibly demonstrated by a default rate lower than that of private lenders.

Recently PDC added Equity Gap Investments as a financing tool for rental housing. Under this concept equity funding is provided to projects and the City receives a return on the investment if the project performs better than anticipated.

While the City has had ample experience in providing permanent financing, additional housing development can be stimulated by expanding the City's participation using other financing tools such as bridge financing and credit enhancements.

Short Term "Bridge" Financing

Lenders are often reluctant to commit long-term mortgage financing until a project is completed and operational. Short term financing is often needed to meet a variety of needs including pre-development costs, construction financing or front end cash which will be replaced with later equity contributions.

The City has provided bridge financing from the general fund for the Twelfth Avenue Terrace and has used a CDBG "float" loan to provide construction financing to NECDC. In both cases permanent financing was already secured, but not available until after the development phase was completed. Because the bridge financing is only needed for a short time, bridge financing can use reserves or funds allocated but not yet needed for other purposes.

Credit Enhancements

Many housing projects can be made to pencil out, but may not provide the "cushion" that private lenders or bond purchasers prefer. In these cases, some form of additional security or credit enhancement can persuade lenders and investors to participate in projects. Credit enhancements take two basic forms: default reserves and guarantees.

The City has provided credit enhancements in the form of loan loss reserves under the Private Interest Lender and Public Lender Participation Agreements at PDC, and for a loan guarantee supporting U.S. Bank's loan to Portland Community Reinvestment Initiatives (PCRI) for the Dominion Capital properties.

Because credit enhancements are pledges made only under the assumption that a default will not occur, it allows the City to leverage increased private participation in project financing without actually spending City fund.

HOUSING FINANCE TOOLS

FINANCING TOOL	APPLICABLE RESOURCES	NEXT STEPS
PERMANENT GAP FINANCING	<ul style="list-style-type: none"> •FEDERAL FUNDS •NEW TRUST FUND 	<ul style="list-style-type: none"> •CONTINUE TO HONE EXISTING PROGRAMS •IMPLEMENT TRUST FUND
BRIDGE FINANCING	<ul style="list-style-type: none"> •CDBG FLOAT •SECTION 108 •GENERAL FUND •NEW TRUST FUND 	<ul style="list-style-type: none"> •ESTABLISH POLICIES
CREDIT ENHANCEMENTS	<ul style="list-style-type: none"> •PLEDGES: FEDERAL FUNDS GENERAL FUND 	<ul style="list-style-type: none"> •ESTABLISH POLICIES
	<ul style="list-style-type: none"> •RESERVES: FEDERAL FUNDS GENERAL FUND NEW TRUST FUND 	



CITY OF

PORTLAND, OREGON

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WHY THE CITY COUNCIL SHOULD INVEST IN HOUSING NOW***The Current Situation:***

The Portland City Council has set a goal of building 50,000 new housing units in the city over the next twenty years, an average of 2,500 units per year. City policy also recognizes the need for 10,000 of those units to be affordable to very low income people. There is general agreement that the development of this housing is crucial to the future viability of both Portland and the region.

The current pace of housing development in Portland is at a record level of about 1000 units a year— which is still far short of what we need. In addition, urban development demands more compact housing that is currently difficult to build and sell at an affordable price. It is clear that we will not reach our production goal without significant changes.

There is significant concern over this situation, and significant thought has gone into addressing it. To address this concern, the City Council must address three things:

- 1) How to build more units that people want to live in.
- 2) How to assure that people can afford to buy or rent these units.
- 3) How to assure that the development community can afford to build these units.

Possible Solutions:

Improvements in the following areas will help:

- 1) Better coordination by all sectors
- 2) Streamlined regulatory process for appropriate projects
- 3) Better and more consistent use of existing financial resources

However, it seems unlikely that improvements in those areas alone will spur a 150% increase in production—especially considering the fact that the construction economy is currently booming.

Three significant changes must be added to the current mix:

- a) ***New urban housing products need to be developed and introduced into the market place.*** These products must demonstrate feasible ways to build on denser lots, to structure mixed use and/or mixed income projects, to add accessory rentals, and other innovative ideas.
- b) ***Local government must invest in housing.*** Much as Portland did in the 1970's and 1980's in downtown, the City must now find the political will to make "patient" money available to the housing market. By making long-term investments, the City will ultimately grow the tax base, and see substantial savings in the long term cost of providing services. As this approach succeeds, Metro and other jurisdictions can be enrolled in building on it elsewhere in the region.
- c) ***Local government's investment needs to attract and leverage private sources of financing for housing.***

The Proposal:

A LOCAL HOUSING TRUST FUND

The following pages describe a proposal to begin a ***Local Housing Trust Fund***. A Local Housing Trust Fund would be a flexible, innovative and simple way to invest missing money into projects that otherwise wouldn't happen.

The Housing and Community Development Commission's Task Force on Affordable Housing Resources issued a report last spring that recommended establishing a Trust Fund. The thinking in that report was clear, and the premise quite simple: We must make flexible money available to fill the gaps in projects that we want built.

We have the money to seed this right now, and we have the projects waiting to be built. That combination will build the consensus we need to move to a larger solution. As the initial seed projects are moving forward, The Livable City Housing Council will develop options for ongoing funding and will explore the best permanent structure.

Portland's Local Housing Trust Fund The first step in building 50,000 units in the City of Portland.

Proposal: The City Council should move immediately to create a Local Housing Trust Fund that could be used to invest in innovative approaches to building more housing in Portland.

Use of the funds should be competitive. Criteria will focus on innovation, affordability, ability to develop new prototypes, and ability to repay the fund over time.

How Much and How To Do It

Short Term: 500-1,000 Additional New Units 1995

The City Council should appropriate \$5 million for a demonstration phase that will take place in calendar year 1995. Funding can bridge the two fiscal years.

Initially, the Livable City Housing Council will be responsible for directing the administration of the Fund. During the same time frame, the Housing Council will lead a team to develop options for ongoing funding and will explore the best permanent structure.

The key assumption is that the City Council begin to treat housing as a capital investment, much in the way tax increment financing acted for the last twenty years. The Trust Fund will essentially work as a tax increment financing tool free of urban renewal zone boundaries.

Long term: 2,500 Units per Year for Twenty Years

To invest \$10,000 dollars a unit in 2,500 units, the City would need \$25 million dollars a year. If this number seems big, keep in mind that the amount is very similar to the amount we have invested in our Downtown each year for the last twenty years.

However, that much may or may not be necessary. Housing is a market that changes over time. The key is, given current market economics, housing production is not where we want it to be. By moving quickly on a first phase of projects, we will learn more about what the long-term need really is and what roadblocks need to be removed to achieve our housing production goals.