TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING

a. It is the policy of the City of Portland that an aggregate citywide minimum of 30% of Tax Increment Financing (TIF) ~~over the life of an Urban Renewal District~~ shall be dedicated to the development, preservation and rehabilitation of housing affordable to households with incomes below ~~80%~~ 100% median family income, in accordance with the Policy Implementation Plan and Income Guidelines, in the aggregate, across all urban renewal areas in existence as of July 1, 2006, other than Airport Way and Willamette Industrial Urban Renewal Areas, and future urban renewal areas created after the adoption of this policy.

b. This Tax Increment Financing for Affordable Housing Set Aside Policy ~~is hereby amended to~~ shall allow funds to also be used for the development of, or homebuyer assistance to, units with three bedrooms or more which are restricted to 100% MFI and below. The purpose and intention of this additional use is to provide financing for programs that encourage homeownership within the City of Portland for families with children to the extent permitted under federal, state and local Fair Housing Laws, and other applicable law, including ORS Chapter 457. For these units ~~in the central city PDC~~ PHB will require binding long term affordability calculated, in part, based on purchaser household size.

c. This policy shall apply to all urban renewal districts, other than Airport Way and Willamette Industrial Urban Renewal Areas.

d. In approving the Urban Renewal Plan for a new district or a substantial amendment to the Urban Renewal Plan for an existing district, City Council will consider whether the Plan meets this Set Aside policy, and if not, explain the exception to this policy.

e. This policy shall apply to existing urban renewal districts in the manner outlined in attached ~~Attachment A:~~ Tax Increment Financing Set Aside Implementation Plan and Tax Increment Financing Set Aside Income Guidelines. Future City Council action may impact individual urban renewal areas' Set Aside percentages, through a joint recommendation by the Portland Housing Bureau (PHB) and the Portland Development Commission Board, but should not impact the aggregate 30% Set Aside across current and future urban renewal areas, excluding Airport Way and Willamette Industrial Urban Renewal Areas.

~~f. The City Council hereby adopts The PDC Tax Increment Financing for Affordable Housing Proposed Income Guidelines which are herein outlined in Attachment B.~~

~~g~~ f. ~~PDC~~ PHB will report affordable housing expenditures by tenure (rental and homeownership), by income level, by unit size (number of bedrooms) and by urban renewal district annually to City Council and, if necessary, recommend changes to income guidelines to achieve maximum public benefit in housing projects.

~~h~~ g. City Council, PHB and PDC will review the implementation of this policy and its impacts on other city policies and priorities in the annual budget process.

~~i~~ h. By ~~December 2010~~ June 30, 2015 the City Council and ~~PDC~~ PHB will conduct a thorough review of this policy and its impact on tax increment revenues, city housing and other goals. At that time they will consider changes to program, if necessary.

~~j~~ i. This Tax Increment Financing Set Aside for Affordable Housing Policy and the attached Implementation Plan and Income Guidelines are binding City Policy under Section 1.07.020 A of the City Code.

TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING

POLICY IMPLEMENTATION PLAN

1. OVERVIEW:

A. Policy will be applied to TIF debt proceeds using the blended methodology (see Section 2.B.iv.) beginning July 1, 2006.

B. Policy Implementation Plan will establish individual urban renewal targets that equate to an aggregate citywide minimum of 30% of tax increment resources over all existing and newly formed urban renewal areas, with the exception of Airport Way and Willamette Industrial that will be available to be spent on Affordable Housing. See Summary of Impact of Implementation Plan Table in Section 1. H.

C. The Policy will apply to any newly formed urban renewal area. Portland Housing Bureau (PHB) and Portland Development Commission (PDC) will jointly recommend individual urban renewal targets for new districts that are appropriate to the purpose of those districts, but will not impact the aggregate citywide minimum 30% Set Aside across current and future urban renewal areas, excluding Airport Way and Willamette Industrial Urban Renewal Areas; and PHB will work with the Office of Management and Finance and PDC to develop provisions that allow new districts to establish a timeline for which the Set Aside will be implemented in instances where there is limited bonding capacity and taxable investments are necessary before tax increment is available sufficient to invest in affordable housing.

D. Any changes to the established individual urban renewal targets shall be made through a joint recommendation by Portland Housing Bureau and PDC Board to City Council through the annual budgeting process or budget amendment.

E. The Tax Increment Financing Affordable Housing Policy will continue to be implemented as part of the annual PHB budgeting process.

   i. The Affordable Housing allocation will occur as part of PHB's current budget process in concert with PDC.

   ii. PHB will report to the City Council annually on Set Aside Affordable Housing expenditures as well as the resulting housing and community facilities production.

   iii. PHB will also report on tax increment expenditures and Affordable Housing production as part of the City Auditor's Services, Efforts and Accomplishments Report.

F. Community Facilities with programs primarily intended to serve low income people and homeless populations in support of adopted City policy (such as youth shelters, homeless day center, drug and alcohol treatment, social services, congregate meal programs, etc.) will be considered Set Aside expenditures as part of the Affordable Housing funding.

G. The adopted Income Guidelines shall guide investment of tax increment financing for affordable housing.

H. Using the tax increment debt proceeds blended methodology (see Section 2.B.iv.) the table below outlines the individual urban renewal targets that add up to the aggregate citywide minimum 30% Set Aside requirement. The individual urban renewal area targets are consistent with the targets set at the time the Set Aside Policy was adopted in 2006, and are reaffirmed. The individual targets are based on the following method:

   i. Urban renewal areas with bonding authority beyond June 30, 2013 (Gateway Regional Center, Interstate Corridor, Lents Town Center, North Macadam, and River District) are anticipated to spend 30% of tax increment resources on Affordable Housing with the exception of "industrial districts".

   ii. Urban renewal areas that do not have bonding authority beyond June 30, 2013 (Downtown Waterfront, Oregon Convention Center, and South Park Blocks) have specific targets based on factors including Affordable Housing expenditures prior to 2006, Set Aside expenditures from 2006 to 2010-11, urban renewal plans, and committed tax increment resources to non-Affordable Housing projects and programs.

   iii. Urban renewal areas located in "industrial districts" (Airport Way, Central Eastside, and Willamette Industrial) have specific targets below 30% of tax increment resources based on factors including zoning, Affordable Housing expenditures prior to 2006, Set Aside expenditures from 2006 to 2010-11, urban renewal plans and committed tax increment resources to non-Affordable Housing projects and programs. Airport Way and Willamette Industrial Urban Renewal Areas are not included in the Set-Aside Policy given the zoning requirements and the exclusion of housing in those districts. Central Eastside Urban Renewal Area's target is based on a target of 15% on the first $35,000,000 in tax increment resources and 30% of tax increment resources thereafter are dedicated to Affordable Housing.

Summary of Impact of Implementation Plan July 1, 2006 – June 30, 2015[1]

Urban Renewal Area	Amount Available Over 10 Years	% of Total URA TIF Budget
Central Eastside	$8,370,877	18%
Downtown Waterfront	$20,364,829	21%
Gateway	$9,621,360	30%
Interstate	$33,057,009	30%
Lents Town Center	$32,331,491	30%
North Macadam	$31,872,273	36%
Oregon Convention Center	$18,210,435	26%
River District	$90,586,515	30%
South Park Blocks	$32,956,202	52%
Total	$277,370,990	30%

[1] Figures in this table represent a current estimate of Set Aside resources over 10 years. They include actual expenditures (FY 06/07 – 09/10), non-audited expenditures (FY 10/11) and forecasted available revenue (FY 11/12 – 15/16). This calculation involves a blended methodology (see Section 2.B.iv.) given the proposed policy change to shift Set Aside budgeting from expenditure-based to revenue-based.

2. METHODOLOGY:

A. Program income generated from investment of TIF funds should remain with the agency which created it. Program income will not be considered in calculation of the 30% beginning July 1, 2011.

i. All program income will be retained by the agency that owns the asset generating the program income. Assets include real property, outstanding loan principal, and cash held during the fiscal year.

B. Beginning on July 1, 2012, The 30% for affordable housing calculation will be applied toward total annual tax increment debt proceed revenue net of four percent (4%) which PDC will retain as compensation for overhead and staffing necessary for the issuance and management of tax increment debt and urban renewal area management .

i. The new methodology will reserve 4% of TIF debt proceeds to cover TIF and URA management expenses and then split the remainder between affordable housing (PHB) and non affordable housing (PDC) purposes.

ii. The amount required for staffing and overhead costs not associated with TIF and URA management will come from out of the remaining resources split between PDC and PHB.

iii. PDC and PHB will annually update the budget and five-year forecast to take into account changes in project timing and updates to the TIF resource assumptions, and resulting impact to the TIF forecast.

iv. To recognize cumulative progress in meeting affordable housing goals since the beginning of the policy, cumulative affordable housing spending since FY 2006-07 through FY 2011-12 (expenditure based methodology) will be taken into account in determining how much of total TIF Debt Proceeds will be split for the remainder of the current five-year forecast, FY2012-13 through FY 2015-16 (revenue based methodology). This, in effect, will result in a **blended methodology** to reach cumulative affordable housing goals by district by FY 2015-16.

v. Airport Way and the Willamette Industrial Urban Renewal Areas will continue to have no requirement for budgeting or spending on Affordable Housing expenditures and will not be included in the Set Aside methodology.

vi. The 30% set aside for affordable housing will be an aggregate citywide minimum across all applicable urban renewal districts. Cumulative progress to meet the Set Aside will be based on the blended methodology.

TAX INCREMENT FINANCING FOR AFFORDABLE HOUSING

Income Guidelines

1. **Neighborhood Urban Renewal Areas**: The neighborhood urban renewal areas include:

- Interstate Corridor Urban Renewal Area (ICURA)
- Lents Town Center Urban Renewal Area (LTCURA)
- Gateway Regional Center Urban Renewal Area (GWURA)
- Oregon Convention Center Urban Renewal Area (OCCURA)

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	35% - 50%
31-60% MFI Rental & 0-60% MFI Homeownership	20% - 45%
61-100% Homeownership[1]	20% - 40%
Low Income Community Facilities	0% - 10%

[1] Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

2. **River District and North Macadam Urban Renewal Areas**: The following guidelines apply to the River District Urban Renewal Area (RDURA) and North Macadam Urban Renewal Area (NMURA).

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	50% - 70%
31-60% MFI Rental & 0-60% MFI Homeownership[2]	20% - 40%
61-100% Homeownership[3]	0% - 20%
Low Income Community Facilities[4]	0% - 10%

[2] It is not anticipated that 0-60% MFI Homeownership will be achieved in the Central City due to the cost, but the Income Guidelines do not preclude this investment if new innovative models are developed.

[3] Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

[4] In North Macadam, if spending levels allowed in this category are not spent, they can be reallocated to the other spending categories resulting in excess spending above the allowed maximums.

3. Central Eastside Urban Renewal Area: The following guidelines will apply to the Central Eastside Urban Renewal Area (CESURA)

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	35% - 50%
31-60% MFI Rental & 0-60% MFI Homeownership[5]	20% - 50%
61-100% Homeownership[6]	10% - 30%
Low Income Community Facilities	0% - 25%

[5] It is not anticipated that 0-60% MFI Homeownership will be achieved in the Central City due to the cost, but the Income Guidelines do not preclude this investment if new innovative models are developed.

[6] Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

4. Downtown Waterfront Urban Renewal Area: The following income guidelines will apply to the Downtown Waterfront Urban Renewal Area DTWURA:

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	50% - 70%
31-60% MFI Rental & 0-60% MFI	20% - 40%

Homeownership[5]	
61-100% Homeownership[6]	0% - 20%
Low Income Community Facilities	0% - 25%

5. South Park Blocks Urban Renewal Area: The following income guidelines will apply to the South Park Blocks Urban Renewal Area (SPBURA):

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
0-30% MFI Rental Housing	75% - 90%
31-60% MFI Rental & 0-60% MFI Homeownership[5]	10% - 25%
61-100% Homeownership[6]	0% - 10%
Low Income Community Facilities	0% - 10%