

## City of Portland Housing Bureau

### East Portland Rental Rehabilitation Program Guidelines

#### Purpose

The City of Portland Rental Rehabilitation Program is intended to prevent further displacement of low-income renters living in East Portland neighborhoods by providing owners of rental properties with forgivable loans up to \$25,000 per unit to correct property habitability and maintenance issues. Assisted properties will remain affordable for a period of 10 years.

#### I. Geographic Requirements

East Portland neighborhoods as identified by the City of Portland Office of Neighborhoods.

#### II. Eligible Properties

Rental properties currently occupied by low-income households as defined by annual HUD income limits (see chart below). At the time of application, 80% of units in the property must be occupied by households earning 60% of area median family income (MFI). At the time of application, the remaining units may be occupied by households earning up to 80% MFI. Applicants must have determined tenant incomes at the time of application by having each tenant complete PHB's Tenant Income Certification (TIC) form which must be included with the application.

2016 HUD Median Family Income Limits		
Family Size	60% MFI	80% MFI
1	\$30,840	\$41,100
2	\$35,220	\$46,950
3	\$39,600	\$52,800
4	\$43,980	\$58,650
5	\$47,520	\$63,350
6	\$51,060	\$68,050

Units must be able to be restored to decent, safe, and sanitary condition with the maximum

grant amount provided as determined by the City.

Eligible properties must be fully covered by comprehensive fire and hazard insurance as well as be current on property taxes at the time of closing the forgivable loan.

#### III. Eligible Activities

Rehabilitation activities necessary to address outstanding or potential code violations, energy efficiency improvements, or lead hazard reduction are eligible. Limited soft costs and relocation assistance for existing occupants when absolutely necessary to complete the scope of work are also eligible.

#### IV. Eligible Applicants

For-profit property owners are eligible to apply for properties not already covered by a restrictive covenant which restricts rents. The property may be owned by an individual, trust, limited liability company or corporation. Applicants must be in title to the properties proposed in the applications.

#### V. Eligible Costs

Eligible costs include, but are not limited to expenses associated with the following:

- A. Correction of all identified or potential code violations under Title 29, the City's Housing Maintenance Code;
- B. Reduction or elimination of any lead-based paint hazards identified by a certified risk assessor;
- C. Energy efficiency improvements that are not able to be funded by the Multnomah County Weatherization Program;

- D. Soft costs necessary to refine and complete the scope of work as well as required permit fees; and
- E. Relocation costs of tenants during the renovation period.

Current or potential code violations and lead-based paint hazards must be addressed before energy efficiency or other general property improvements can be considered for funding. The maximum rehab cost per unit for which PHB funds may be used is \$25,000. Rehab costs in excess of that amount must be contributed by the Owner into an escrow account prior to the closing of loan documents.

PHB funds will be disbursed directly to the contractor as work progresses. Progress payments will be allowed. Submission of backup documentation of expenses will be required to verify costs. An applicant may not function as a contractor to perform work funded under this program.

**VI. Financing Requirements**

**A. Tenant Income**

During the 10-year affordability period, any new tenant must income qualify at initial occupancy with a household income at or below 60% of Median Family Income. Once tenant income requirements (60% MFI) are met at initial occupancy, rising incomes of the same tenant will not require that tenants vacate the unit.

**B. Rents**

During the 10-year affordability period, landlords may charge the maximum allowable rent affordable to a household at 60% MFI as established annually by HUD.

**C. Property Maintenance**

Assisted properties may be subject to annual housing maintenance inspections.

**D. Compliance and Enforcement**

Annually, owners must submit Tenant Income Certification (TIC) forms for each tenant. Requests to refinance will be evaluated on a case by case basis. Failure to meet tenant income or rent restriction requirements within 30 days of written notice from the City will result in City-imposed penalties being recorded as a lien against the property.

HUD 60% MFI Restricted Rents (including utilities)				
Bedrooms	1	2	3	4
Max Rent	\$825	\$990	\$1,143	\$1,276

**VII. Regulatory Agreement**

Applicants enrolling properties in the Rental Rehabilitation Program will be required to enter into a Regulatory Agreement with PHB which will detail the ongoing requirements of PHB funding during the 10-year affordability period. Failure to meet the requirements for the full 10-year affordability period will result in repayment of all forgivable loan resources. The Regulatory Agreement and its affordability requirements may be assumed by subsequent property owners. Forgivable loans may be assigned upon approval of the PHB. Should owners of assisted properties wish to sell the property within the 10-year affordability period, both the City and Tenants will be provided with a 90-day notice. During the 90-day notification period, the Owner may not sell or contract to sell the property, but may engage in discussions with other interested parties. Within this period, the City or its designee may make an offer to purchase or attempt to coordinate a purchase by an owner committed to maintaining affordability.

**VIII. Additional Requirements****A. Relocation**

It is the intent of the Rental Rehab Program that tenant relocation will not be necessary for the completion of funded repairs.

However, if an approved scope of work does require temporary relocation of tenants, Owners must work with City staff to facilitate the relocation process.

**B. Tenant Protections**

It is the intent of the Rental Rehab Program to prevent involuntary displacement of low-income tenants residing in East Portland from the properties assisted by this program. As such, tenant rents may not be increased from the amounts included in the initial application for a period of 12 months. Additionally, the following tenant protection requirements apply for the full 10-year affordability period and will be detailed in the Regulatory Agreement:

1. All tenants occupying properties assisted by the Rental Rehab Program must be offered 12 month leases.
2. Lease agreements may only be terminated (or not renewed) for cause. For cause shall be defined for this program as it is currently under ORS 90.932.
3. A copy of the notice of lease termination issued to tenants occupying assisted units must be provided to PHB.
4. Should an assisted property be listed for sale, the City and tenants will be provided with a written 90-day notice prior to the Owner entering in a contract for sale of the property.

**C. Lead-based Paint Hazards**

Properties built before 1978 receiving assistance from the Rental Rehab Program will be tested for lead-based hazards that must be addressed.

**IX. Rental Rehab Program Process**

- A. Owner completes program application and provides current tenant and rent certification forms to PHB.
- B. Applications will be reviewed by PHB and a housing construction coordinator will schedule a site visit to develop a proposed scope of work.
- C. Proposed scopes of work will be reviewed with the property owner. City staff and Owner will agree on the scope of work which will be limited to the maximum grant amount.
- D. Construction scope of work will be bid to contractors on the City's approved contractor list.
- E. Bids will be reviewed by City staff and the Owner. The lowest cost reasonable bid will be selected.
- F. Approval by the PHB Housing Investment Committee (HIC) prior to loan closing.
- G. Forgivable loan documents will be drafted by PHB and signed by the City and Owners. The City will record the Regulatory Agreement on the property.
- H. The contractor will pull permits and begin work. Construction invoices must be approved by the Owner and City staff. A progress payment schedule will be established as part of funding agreements. Payments will be made directly to the contractor.

- I. For the length of the 10-year affordability period, the Owner will provide annual reports on the occupancy, rents charged, and physical condition of the property.

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# RENTAL REHABILITATION CONDITIONAL GRANT

## PURPOSE

A Rental Rehabilitation Conditional Grant (RRCG) provides public subsidies to fund rehabilitation costs in privately-owned rental properties. A RRCG is intended to provide financing to address habitability and deferred maintenance issues in privately owned rental properties in exchange for affordability of rental units for existing low-income tenants.

## DESCRIPTION

An RRCG provides financing for identified repairs and is designed to work in conjunction with other public and private financing sources. Assuming compliance with the RRCG Agreement, a RRCG accrues no interest, requires no payments, and converts to a grant after ten years.

The following summary outlines the general product characteristics available to program applicants. A more detailed description of terms specific to the RRCG is outlined in the Product Specific Guidelines section below.

## SOURCES OF FUNDS & LEGAL COMPLIANCE

Funding for this conditional grant may be through tax increment financing (TIF) or other city or federal funds. Borrowers must comply with any and all requirements related to the funding source. The terms and conditions of the grant will be contained in a Grant Agreement.

## CONDITIONAL GRANT OVERVIEW OF TERMS

<b>Maximum Amount:</b>	<p>There is no programmatic maximum for any project or grantee, however:</p> <ol style="list-style-type: none"> <li>1. The maximum grant per unit is \$25,000;</li> <li>2. The Director of the Portland Housing Bureau may approve a total grant per project of up to \$500,000;</li> <li>3. The Commissioner in Charge of the Portland Housing Bureau may approve a total grant per project of up to \$1,000,000;</li> <li>4. Grant amounts above \$1,000,000 may be approved by City Council at its sole discretion.</li> </ol>
<b>Interest Rate:</b>	0%
<b>Term:</b>	Up to 10 years
<b>Repayment:</b>	<p>The grant requires no periodic payments. However, the entire amount of the grant is due and payable upon the occurrence of any of the following:</p> <ul style="list-style-type: none"> <li>• Unapproved sale or transfer;</li> <li>• Unapproved change of use;</li> <li>• Unapproved refinance;</li> <li>• Any material violation of terms and conditions of the Grant Agreement.</li> </ul>
<b>Forgiveness:</b>	<p>The entire amount of the grant may be forgiven at the end of the Term provided the grantee is and has been in compliance with the terms and conditions of the Grant Agreement.</p>
<b>Recapture:</b>	<p>At any time, if the Grantee is found to be in violation of the terms and conditions of the</p>

## EXHIBIT B

Grant Agreement, the Grantee may be subject to any/all remedies contained in the Agreement including repayment in full of the grant amount.

**Underwriting:**

Borrower/project financial information, including the Total Loan to Value (TLTV) and Total Debt Coverage Ratio (TDCR) will be evaluated to determine risk.

**MINIMUM QUALIFICATIONS**

Program Applicants who meet all of the following criteria may be eligible to receive an RRCG:

1. The Program Applicant must be a for profit entity.
2. The Program Applicant must own the subject property or have site control.
3. Designated Affordable Units must be affordable for 10 years (as required by Title 30 of the City Code).

**PHB funds are limited. PHB may not be able to provide loans to all eligible projects.**

**SPECIFIC GUIDELINES**

**Eligible Project Sponsors:** A for-profit entity with ownership or site control of a rental property may apply for an RRCG.

**Eligible Projects:** A vacant or occupied rental property that is occupied or will be occupied primarily by households below 60% Area Median Income (AMI) may be eligible for a RRCG upon approval by PHB.

**Security/Collateral:** PHB ensures security through a recorded instrument, a Rental Rehabilitation Grant Agreement. The Agreement describes the amount, the conditions and the terms of the RRCG. Also, the Agreement describes the conditions under which the RRCG may be recaptured by the PHB. The Rental Rehabilitation Conditional Grant Agreement is recorded to evidence the program applicant's obligation, and a Trust Deed is recorded as a lien against the property.