



# PORTLAND HOUSING BUREAU

**Portland Housing Advisory Commission**  
**Tuesday, December 6, 2016**  
 3:00 p.m. – 5:00pm  
 Portland Housing Bureau, Ste. 500  
 421 SW 6<sup>th</sup> Ave.  
 Portland, OR 97204

- ✓ = PHAC public member action item
- ▶ = PHB staff member action item

## December Meeting Minutes - FINAL

**Members Present:** Amy Anderson, Tom Brenneke, Betty Dominguez, Dike Dame, Maxine Fitzpatrick, Nate McCoy

**Members Excused:** Stephen Green, Elisa Harrigan, Cobi Lewis, Dan Steffey, Sarah Zahn

**Staff Present:** Matthew Tschabold, Cheyenne Sheehan

**Guests Present:** Karl Dinkelspiel (Ellington Apartments Acquisition), Dory Van Bockel (MULTE)

As always, find all PHAC meeting materials archived at PHAC's website at <http://www.portlandoregon.gov/phb/phac> and click "Meeting Archives" in the gray block on the left side of the page.

Agenda Item	Discussion Highlights	Outcomes / Next Steps
<b>Call to Order, Roll Call, Minutes</b>	Sarah was unable to attend the meeting. Matthew acts as PHAC Chair and opens the meeting – quorum is not reached so minutes approval is moved to the December meeting. Matthew asks for public testimony.	
<b>Public Testimony</b>	<p>Shannon Singleton, Executive Director of <a href="#">JOIN</a> testifies. She wants to encourage the PHAC to ensure that PHB stays linked and connected with ending homelessness work in the community. She would like to see housing development closely connected with that effort. There are a lot of people in the homeless community who have income, usually 0-30% Area Median Income (AMI) incomes but often up to 60% AMI and even higher and there needs to be linkage with housing development to make sure they can access opportunities for housing that become available.</p> <p>She would also encourage PHAC to take a look at how public process, input, and oversight will be handled not only on currently existing funds coming through PHB, but additionally around the GO Bond dollars that will be coming in in the new year. She wants PHB and PHAC to be very intentional about getting community input specifically by people directly impacted by affordable housing development.</p> <p>Jes Larson, Executive Director of the <a href="#">Welcome Home Coalition</a> testifies. Welcome Home lead the effort behind the GO Bond for Affordable Housing which was passed with 62% voter support in</p>	

	<p>November. She spoke to the PHAC last fall in anticipation of this revenue tool to let the PHAC know that while the policy is very well written and thoughtfully laid out, there were still questions and considerations to be made regarding community goals, community involvement, priorities, populations, geographic distribution, access to the housing by way of screening criteria and more. These questions have not yet been fully answered and are very important considerations in spending this \$258 Million. When last she spoke to PHAC because the bond was a ballot measure, election laws prohibited commissioners from taking a political position on the bond. Since the bond passed Welcome Home has learned that there is a purchase being considered for the Ellington Apartments, which is part of today’s agenda. The purchase was put forth preceding and contingent on the passage of the bond. She believes this was a positive and strategic move, but she is concerned that these community conversations of which she speaks have not yet begun. She thinks these conversations need to happen urgently and she is here to ask for the PHAC’s support, involvement, questions, and engagement with PHB to ask for clear community involvement around programming priorities in relation to both the Ellington, as well as all future projects that will utilize bond dollars. Welcome Home is theoretically in support of the Ellington Acquisition. She thinks it looks like a good property and it makes sense, but she wants to stress the need for a venue that allows for deeper, more meaningful community involvement. She also believes that an oversight committee should be appointed as soon as possible. She also provides the following <a href="#">handout</a> on Welcome Home’s Priorities for the GO Bond revenue. She can’t stay for the meeting tonight as Welcome Home is having an event in celebration of the passage of the GO Bond for Affordable Housing at the <a href="#">Mercado</a> on Foster Blvd.</p>	
<p><b>Inclusionary Housing Update</b></p>	<p>Matthew presents an update on the <a href="#">Inclusionary Housing Program Recommendations</a>.</p> <p>Due to feedback from the development industry, the Panel of Experts, and the Bureau of Planning and Sustainability with respect to concerns around the original program recommendation from Dan Saltzman. In response to that feedback Commissioner Saltzman has modified his program recommendations to modify development requirements in the mixed use zones so that the program phases in over 24 months. The inclusion rate in the mixed use zones has been lowered to 15% at 80% AMI and 8% at 60% AMI. The full program will be in force by 2019. In addition there is a proposal to waive the mandatory parking minimums in the mixed use zones when affordable units are onsite or dedicated in an offsite option.</p> <p>Betty asks where mixed use zones are centered. Matthew responds that they are all over the city. They are not all in effect yet, but are part of the 2035 Comprehensive Plan. Mixed use zones are defined as any multi-family zone in the city.</p> <p>Betty asks, in reference to waiving parking requirements in mixed use zones, if there has been any consideration given to access to transit. Matthew responds that many of the mixed use</p>	

zones are along high capacity corridors. Commissioner Saltzman has proffered an amendment that would exempt any mixed use zone if they include affordable units. There has been discussion among council of applying that exemption if the developments are close to high capacity transit. At this time, it's still be discussed and he doesn't know yet what will ultimately be adopted by City Council.

Matthew thinks the higher density mixed zones like CM2 and CM3 will be the most impacted by the parking exemptions.

The modified program recommendation were released on 11/29/16 at a City Council work session. City Council will have its first hearing of the modified proposal on Thursday December 8<sup>th</sup> – he anticipates City Council will vote either next week or the week after.

**ADMIN NOTE:** *Due to inclement weather, the December 8<sup>th</sup> hearing was delayed to December 13<sup>th</sup>. Watch the entire hearing right [here](#).*

Matthew goes over the offsets in the program (see slide 15 of presentation).

Tom asks if the Panel of Experts is supportive of the program changes. Dike answers that he doesn't believe so.

Matthew adds that it is split. He expands on that by saying that a number of the panel members who work for development firms have proffered an alternative proposal that would include a full property tax exemption across the city, full SDC waivers across the city for all inclusion and market rate units in the building, fee waivers on all BDS fees, and a lower inclusion rate, around 5-6% in the mixed use zones and 8-12% in the central city being phased in over 3 – 5 years.

Tom states that the Bureau of Planning and Sustainability (BPS) recommended 100% offset. He asks Matthew what the percentage of the existing offsets is. Matthew answers that it depends on the area and what feasibility analysis you look at. PHB's feasibility analysis that the Bureau contracted with David Rosen and Associates (DRA) for in the central city in projects that receive the full tax exemption, that more than offsets the inclusionary requirement at 80% or 60% AMI units. [LOCUS](#)'s analysis does not come to the same conclusion.

The discussion of the value of tax exemptions and their long term effect on market feasibility continues.

	<p>Amy asks about the impact on communities of these developments who are exempted from parking requirements – she is especially interested in 60-80% units and the impacts of parking exemptions on neighborhoods, since she knows that people in that income range, do have cars.</p> <p>Matthew explains that there hasn't been an extensive study, but they have run some numbers. If there were full utilization of the program in the mixed use zones (outside of the central city, onsite units, no offsite units, and no parking requirements) the City anticipates seeing between 300-400 regulated units per year over the next 20 years. BPS projects that in the next 20 years 60,000 multi-family units in the mixed use zones.</p> <p>Cheyenne asks for clarification for her notes on the difference between AMI (Area Median Income) and MFI (Median Family Income) since both terms are being used.</p> <p>Matthew explains that Portland has used MFI in the past, but the rest of the country uses AMI; the terms are interchangeable, but the City is trying to change terminology to match the rest of the country and since not everyone eligible for housing is a family, sometimes it's a single person, which makes AMI a more inclusive term.</p> <p>Matthew closes by saying, the final program structure is still being discussed and is in the hands of City Council from here.</p>	
<b>Income to Rent Policy Update</b>	<p>Matthew doesn't present slides. PHB has taken a look at its portfolio, met with the Asset Management and Policy Teams, and concluded that PHB will maintain an income to rent ratio of 1.5:1 on its properties. There are no documents available for this meeting today, but documents will be distributed at a future meeting. PHB will bring the policy to City Council for adoption to make it an official, rather than an unofficial, policy document. The council calendar has been very heavy, but he hopes to have the policy finalized and adopted before Spring 2017.</p>	
<b>2016 State of Housing Report</b>	<p>Matthew goes over his presentation on the <a href="#">2016 State of Housing in Portland Report</a>. Download and read the full report <a href="#">here</a>.</p> <p>Interesting note, as of the beginning of November 2016 the number of multi-family units in the current permitting pipeline is around 14,000. This high number is due to many developers pulling permits prior to the start of inclusionary housing (IZ) requirements which are scheduled to begin in February 2017. Matthew anticipates because of this, the number of multi-family units will grow between now and February.</p>	

Betty notices that multi-family permitting in the central city far exceeds development in any of the other neighborhoods in the city and yet IZ incentives are being put in place to build even more in the central city. She is concerned about equitable development in other areas of the city like Lents, East Portland, Gateway etc., especially since families living in poverty are moving further and further east.

Matthew thinks the production levels shown in the presentation reflect where market rate developers are able to receive higher rents. The consequence is that with such high market rate rents there is a larger gap between market rate rents and regulated affordable rents and thus a higher level of incentive is needed to get affordable units in the central city.

Amy asks if there is any limitations on continuing to build new developments in the central city when it seems as if some areas in the central city are being overdeveloped.

Matthew answers that there are always new developments going into the Pearl district, South Waterfront, but the idea is to encourage building in areas where there is a larger gap between the affordable and market rate units. That being said, he doesn't think this is an issue for this year or next year, but it will be an issue in the years to come. Of the 14,000 units in the pipeline, 6,600 of them are in the central city. While the central city is a large area and has the largest concentration of multi-family housing in the city, almost 50% of regulated affordable units are in the central city. As the city becomes increasingly multi-family, the question becomes if the city is trying to promote income diverse communities, then the balance between building in high opportunity areas and geographical distribution of units becomes more important.

Betty comments that as Jes Larson suggested, having an oversight committee to help direct development funds is important. She thinks Portland should have learned a lesson about gentrification with what happened in North/Northeast Portland. It is happening again in SE Portland. She works closely with cities and neighborhoods in East County and they are struggling to deal with it. She doesn't know how many years we can wait to see if we should work harder to balance development in all of Portland.

Matthew responds that part of the challenge is that a vast majority of the City's resources, with the exception of the recent bond, in the next 10 years is still urban renewal money that can only be used in specific areas that add up to only 17% of the city. Even though progress has been made in the last 18 months expanding a resource base that can be used city-wide most of the current funding restricts us to a small segment of the city.

Betty understands and adds that she thinks an oversight committee is truly necessary to make sure that revenue that can be used outside of URAs, is used outside of URAs.

Amy thinks there is a myth that everyone needs to live downtown to be close to services and it's important that myth is broken. There are services spread out over multiple counties.

Nate asks if there has been any intentional analysis in regards to the disparities in minority communities regarding that \$258 Million or the ongoing revenue of PHB that can speak to those disparities rather than just producing more units.

Matthew answers that with respect to the bond, he hasn't heard conversation about that. As for the other resources that PHB has, given the TIF Lift occurred and significant increase in resources in the Interstate Corridor Urban Renewal Area (ICURA) PHB made a decision to apply the [Preference Policy](#) to all the resources PHB has/will have in N/NE Portland.

Betty wonders how that works when many communities of color have been displaced further East. Matthew agrees that is a topic that must be discussed on future agendas.

Matthew wraps up the presentation by saying that with as much action as PHB has seen in the last 14 months in terms of new revenue and programming, affordability continues to be an issue that very much affects people's lives and will continue to remain very much front and center for our elected officials and PHB staff.

City Council is currently debating their legislative agenda and the two big items on it that relate to housing on the draft for consideration are lifting the pre-emption on the just cause eviction standard and lifting the pre-emption on rent stabilization. Government relations sent the draft out to all City Bureaus just before the meeting today, so he was not able to print it for the group, but he will send it out. Kurt is not at the PHAC today because he is at the City Council work session. It was requested that he attend because Housing is a topic being spotlighted both on the Federal, due to Senator Wyden's Middle-Income Housing Tax Credit (MIHTC) proposal, and local level given all of the interest in reexamining landlord tenant law.

**ADMIN NOTE:** *Read an article on Senator Wyden's MIHTC proposal [here](#).*

Tom asks if the new office of renter protections will be on a future PHAC agenda.

Matthew responds that yes, it will be. He goes on to say that there will be two PHAC budget meetings in January. PHB is still compiling the recommended budget items and doing analysis on

	<p>the Office of Renter Protections before bringing the items to the Budget Advisory Committee (BAC) in order to craft the PHAC budget recommendation letter to the Mayor’s office.</p> <p>Someone asks if housing items related to the legislative agenda will be discussed at all.</p> <p>Matthew responds that prior to the submission of the legislative agenda, he sent an email out to PHAC asking for PHACs input on items for PHB to include in the legislative agenda. There wasn’t much PHAC feedback, and while City Council does take guidance from the Bureau, City Council makes the final decision on legislative agenda items.</p> <p><b>ADMIN NOTE:</b> <i>If PHAC members would like to review the email message to which Matthew refers above, it was crafted by Victoria James and sent to PHAC Members by Cheyenne Sheehan on September 14<sup>th</sup>, 2016 titled <u>Legislative Agenda: PHAC Input</u>.</i></p> <p>Once Matthew has had a chance to review the work session, he will send a summary to PHAC members. He believes Council will be voting on adoption of the legislative agenda early in the new year once the new Council convenes. The legislative session begins on February 1<sup>st</sup>.</p>	<p>Matthew will send out a summary of the Council Work Session setting the legislative agenda.</p>
<p><b>Ellington Apartments Acquisition</b></p>	<p>Javier opens by saying PHB is very excited about the opportunity to purchase the Ellington Apartments to preserve housing affordability in that area and on those family sized unit types. The apartments occupy a very large parcel of land, over 10 acres, which in the long-term will allow the City to grow the site for public purposes.</p> <p>Karl Dinkelspiel, who manages PHB’s rental housing, presents the <a href="#">Ellington Apartments: Purchase Presentation</a>. The Ellington Apartments were built in the 1940’s, have two-story townhome style apartments, and a campus-like feel with plenty of greenspace. It abuts Rose City Golf Course. It is close to Max and bus lines around 67<sup>th</sup> and NE Halsey. The construction quality of the Ellington is good. Varying degrees of updates have taken place over the years. The unit mix is mostly two- and three- bedroom units with a few studios and one-bedrooms.</p> <p>The Ellington has a requirement to provide 30 years of affordability at 60% AMI or below on some units (currently 44 units out of 263) due to a settlement agreement that was entered into by the owners. The remaining 219 units have no rent restrictions and rents on 150 of those units have been raised to approximately market rates over the years. PHB purchasing the property allows the City to preserve all of the Ellington’s units as affordable, in perpetuity.</p> <p>Next steps in the process are City Council approval for purchase, close of purchase by 2/6/17, complete rehab surveys, rent and tenant income surveys at acquisition, permanent acquisition,</p>	

rehab, and resetting rents over a 24 month period to regulate affordable levels at 8 units at 0-30% AMI and 182 units at 60% and below AMI.

An initial rehab scope has been completed and PHB knows about some of the structural and drainage issues associated with the property. When the purchase is complete a more thorough evaluation of the property will be completed. PHB expects some repairs to begin immediately and others will happen over time.

The purchase will be completed with a short term line of credit and permanent financing will come from the affordable housing bond revenue – the timeline for permanent financing is about 18 months.

Nate asks if families currently living there who may be over-income will be relocated.

Karl responds that PHB knows for sure that many of the tenants currently living at the Ellington are over 60% AMI. PHB does not want to kick people out of their homes. The current plan is to allow over-income renters to stay for the first year. By the second year they will begin asking the over income tenants to find housing elsewhere, but there is no plan to evict them and the intention is to allow them the time they need to find a new situation. The property is currently 100% occupied.

Nate asks if PHB will manage the property and Karl responds that PHB will go through an RFP process to determine the property manager.

Once the purchase is complete and permanent financing is secured, \$202 Million will be left in the bond fund for additional acquisition and new construction units. Karl opens the floor for questions and further discussion.

Jes Larson asks to come back to the comment about oversight and why it's important. She doesn't think the Ellington is a bad purchase, but it doesn't meet the goals of 45% of the units at 30% AMI and below. She thinks it might be ok for this one purchase but over time it's a dangerous road to go down, especially when using bond funds.

Karl responds that the Ellington was a timing issue. When PHB heard the owners were selling it presented a good opportunity to preserve affordable units. Regarding oversight and how bond money should be spent, there are still decisions to make and framework to be put into place. He doesn't want to give the impression that the way the Ellington was purchased is the standard way that bond funds will be spent. There will be a community engagement process and an oversight committee.



Someone from the audience comments that the Ellington does have a history. They remember several years back that someone purchased it and many of the tenants had to leave because rents became unaffordable for them.

Karl adds that the purchase and rent increases led to a lawsuit by some of the tenants that ended in a settlement agreement that produced those 44 affordable units and three years of affordability for tenants that stayed.

Javier explains that PHB and Commissioner Saltzman are committed to put an Oversight Committee for the bond funds in place by the end of January. They would like the two new council members to be able to participate in that, and that's part of the reason for the delay as they are not yet seated. As Karl mentioned the desire of PHB is to proceed with the committee and with that committee develop a plan for bond fund investment. The oversight committee will consist of at least five members.

Kurt adds that the voter authorization indicates that the commissioner in charge of housing will appoint the chair of the oversight committee and at this point, we aren't sure who the commissioner in charge of housing will be. We are awaiting an announcement from Mayor Wheeler – in January that decision will have been made. If it's Commissioner Saltzman he will want the five members of the oversight committee to have some manner of engagement with the stakeholder community in regards to the strategic alignment of bond resources. The charter only requires that they look at expenditures but many people would like to create a strategic plan before expenditures are made. That decision will be made by whomever ends up as commissioner in charge.

When Amy thinks of an oversight committee she thinks of something that is more community based rather than public officials. She wonders if anyone who is being impacted by affordability will be placed on the committee – she thinks an additional advisory committee makes sense, otherwise she doesn't feel the consumers will have a voice in the decision making process.

Kurt responds that whoever the commissioner in charge of housing will be will make decisions like that. PHB has heard feedback from the community to agreeing with Amy and concerns about resident involvement, neighborhood involvement, and MWESB contracting opportunities in the construction of new, and renovation of existing, and maintenance and operation of affordable projects.

Nate appreciates the purchase of the Ellington but he would ask PHB to look more eastward. He lives in the Gateway neighborhood and knows that there is a lot of dilapidated/blighted housing stock that could probably be acquired for low prices and rehabilitated. He also knows of vacant

	<p>properties that PHB may want to inquire about. He hopes that PHB will focus more energy out further east to accommodate renters fleeing to somewhat more affordable areas away from the central city but close enough in to still have transit options.</p> <p>Karl agrees and says that PHB has made some commitments in the <a href="#">Powell/Division Transit and Development Project</a> area.</p> <p>Karl wraps up by thanking Jill Chen and numerous other staff who worked really hard on the Ellington purchase.</p> <p>Betty asks if PHB can provide a link to the presentation for later viewing. Cheyenne will post it online and send a link to members.</p>	<p>Cheyenne will send a link to the Ellington Presentation to members.</p>
<p><b>MULTE Applications Hearing</b></p>	<p>Dory Van Bockel presents <a href="#">MULTE Program Hearing Presentation</a> for N Interstate &amp; Willamette and SE Hawthorne and 23<sup>rd</sup>.</p> <p>Dory opens by taking a few minutes to describe the MULTE program (see first five slides of the presentation).</p> <p>The total 2016 applications created 335 affordable rental units and 12 affordable homeownership units.</p> <p>The MULTE is getting more attention lately as year-end arrives and the cap is closer to being reached. Because of increased permitting ahead of inclusionary housing requirements going into effect, more developers are interested in using the incentives that come with the MULTE program. PHB is looking at keeping the MULTE program so projects that aren't required to provide inclusionary units can participate in the voluntary program. Once the interim period is passed, it is likely the MULTE will not exist as a standalone program anymore.</p> <p>Tom congratulates Dory on the progress of the program in 2016. The changes that were made to the program in the last few years really made it successful. He asks if she remembers the total unit count for 2015.</p> <p>Dory doesn't remember specifically, but reminds Tom that because of the changes made to the program it was on hold for most of the year, applications were only accepted for about three months in 2015.</p> <p>Nate agrees with Tom, but adds that some of the developers have been lackluster to work with on the technical assistance side related to MWESB contracting. Some developers are great to work with while others seem to sabotage this portion of the program and are not being held</p>	

accountable. Some developers have gone so far as to draft documents that are contracts and then rewriting them after there have been agreements made based on those documents. Dory is aware of the issues, but he thinks this is something that needs to be addressed going forward. All the other aspects of the program are working well.

Dory adds that while there has been progress working toward MWESB goals, there is definitely a lot more work to do.

Dike asks what are the penalties for non-compliance with that portion of the program.

Dory responds that they are looking at whether there is a need to implement financial penalties.

Tom adds going back a couple of years, the discussion was if there were too many penalties, no one would use the program, now the concern is, it now appears that the program is popular but there isn't enough accountability built into the program to make sure that developers follow through on their agreements regarding MWESB contracting.

Dory adds that part of the problem is that PHB hasn't tracked closely enough the results of the contracts and making sure that developers are delivering what they agreed to deliver. In order to do that PHB would have to invest more staff time in order to ensure that the agreements are being kept and PHB hasn't had the staff available to do that.

Dike thinks this is an area where different city bureaus could work together.

Dory agrees and says that PHB partners with City Procurement in the tracking itself, but implementing the third party technical assistance provider and having that consultant on board, like Nate and others, because they have the relationships and know the ways to be effective reaching those goals, is how the plan gets made. What PHB hasn't specifically required is that they use the plan that the technical assistance provider helped them to create. So while Procurement can track the outcomes, the link between the requirement for a developer to make a MWESB plan to reach MWESB contracting goals and the developer being required to follow that plan, is where the issue is happening and needs to be fixed.

The exemption doesn't go into effect until after the project is built. Betty asks whether the tax exemption can be rescinded if they don't follow the plan and Dory explains that the program changes made in 2015 require that the developer would create a plan and the steps in that plan would have to be taken, but if the developer did not reach the 20 % MWESB goal after following the steps in their plan, for any variety of reasons in this challenging market, then PHB would be satisfied. The Bureau needs to be sure to hold them to plan implementation.

	<p>PHB recognizes that it's important to hold developers to their plans, of course none of the projects that have been approved have been completed yet, and PHB has been learning and implementing as the projects progress and is working on some options that will enable PHB to hold developers to their MWESB plans.</p> <p>Amy thinks there should be an MWESB contractor fast track list that could be made available. Maybe it can be made easier for developers to find the right contractors for their project that they can implement along with a checklist that will provide information on why certain contractors were used, or unused.</p> <p>Nate responds that this is similar to a process they are using with developers. Most of the projects are meeting the marks. The challenge is that there is no one holding developers accountable. He believes that there should be a quarterly or more frequent check-in to look at progress. Currently when a bidding opportunity is announced, many of the contractors can't respond in one week. More time is needed for the technical assistance provider to make the connections necessary as in construction relationships are very important. These smaller contractors aren't prepared on very short notice to spend money and time bidding on projects without any level of certainty that they will be seriously considered. Some developers come to the technical assistance providers who help them with a plan, but the developer just bids their jobs as they would normally, without using the suggested methods in the plan. He thinks the Bureau should have numerous check-ins and conversations with the developer about these goals at multiple points in the process so necessary adjustments can be made as needed. He is confident that this issue can be resolved, it will just take some work.</p>	
<p><b>Good of the Order</b></p>	<p>Matthew wraps the meeting by asking if there are outstanding items. There are none. The next meeting of the PHAC will be a Budget Advisory Committee meeting scheduled to take place on January 10<sup>th</sup> which is later in the month than normal to accommodate holiday vacations.</p> <p>Minutes will have to be finalized at the next meeting for November and December due to lack of quorum today.</p>	