



Portland Housing Bureau

Portland Housing Advisory Commission
 Tuesday, May 1, 2012
 3:00 p.m. – 5:00 p.m.
 Steel Bridge Conference Room
 421 SW 6th Ave, Portland, OR
 97204

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

Meeting Minutes

Members Present: Jesse Beason, Marc Jolin, Carter MacNichol, Sarah Zahn, Christine Lau, Deborah Imse, Elisa Harrigan, Rey Espana,

Members Excused: Carmen Rubio, Brian Wilson, Andrew Colas, Shannon Singleton

Agenda Item	Discussion Highlights	Outcomes / Next Steps
Welcome & Review Meeting Purpose	Christine Lau chaired this PHAC meeting. Christine asked the group to review the April minutes. Minutes were approved. Traci asked for a standing item to be added to future agendas to review and approve minutes.	
Budget Update	Traci told the group she did not yet have a budget update. The Mayor should release his update this Friday or early the following week. Alissa provided the group with a budget timeline handout.	
Big Look Background	Traci provided the group with a short briefing on the Big Look process. The group included City, County, and PDC members. It was assembled in 2010. The intent of the committee was to review the effectiveness, foregone revenue and public benefit of the LTE programs. They group also made recommendations to improve these aspects of the programs. One priority was the need to be both transparent and	

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	<p>accountable. Additionally, it became important to align the LTE program goals with City and County goals. The Big Look Committee drafted recommendations which included: (1) cleaning up Code language, (2) strengthening the eligibility requirements for both single- and multi-family units, (3) increasing the predictability of the program for government institutions and (4) having useful and accurate maps. Important players in the Big Look process included Commissioner Fish, Jeff Cogan, Commissioner Fritz, John Miller, Deborah Kafoury and others. Kate Allen and other PHB employees staffed the committee, as did staff from BPS.</p>	
<p>Homeownership LTE Recommendations</p>	<p>Kate introduced herself to the group. She reminded everyone to please sign up for public testimony if so interested. Kate mentioned there would be two parts to today's meeting: provided thorough updates on the proposed LTE program changes and taking public testimony. PHAC has previously heard some information on the proposed changes, but today's meeting should bring everyone up to speed on current recommendations and the current map. Kate reminded the group that we will hear public testimony today as related to program changes. Any public testimony related to the maps should be directed to the PSC public hearing occurring May 3 and June 12.</p> <p>Kate invited Andrea Matthiessen and Dory Van Bockel to discuss the homeownership program, policy and implementation. Andrea said there are about half a dozen proposed changes to the single family program. One is to better focus the program on minority homeownership. Other changes are administrative, such as capping the number of approved applications at 100, reducing sales price to \$245k and to codify the three bedroom requirement. The program</p>	

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	<p>also includes green building requirements.</p> <p>Andrea mentioned that the requirement that the property be occupied by the owner will stay the same. A new requirement is for builders to meet equity goals. This refers to both homeowners and contractors. Carter asked why there is a three bedroom requirement. Andrea said this is to encourage families to move in. This will support neighborhoods, schools and communities. She mentioned there is the potential for single bedrooms in condos and denser neighborhood.</p> <p>Sarah asked how many applications are anticipated to come through the pipeline. Andrea said it fluctuates. Dory added there are approximately 120 new builds but sales vary annual. The 100 application cap would be a decrease. Carter asked why we are doing this. Dory talked about the capacity of staff being limited and the associated costs of implementation.</p> <p>Marc asked what the criteria are for inclusion. Andrea said the team looked at the HOA map. The map details state statutes. The LTE tool is designed to address distressed neighborhoods and blight. Planning reviewed data regarding neighborhood blight, crime and home value, etc. This process determined threshold criteria and which neighborhoods qualified for inclusion. One example of a proposed inclusion is the area east of I-205. It is also proposed to remove some areas in NE Portland. A City-wide review of the data was conducted to determine these decisions. We looked at gentrification and which neighborhoods could most benefit from the program.</p> <p>Kate added that the Big Look process helped identify how to put homeownership tools to good use. We may look at legislation in the future. Some homebuyer opportunities are now removed from the map statutorily. We have flagged this</p>	

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	<p>on our to-do list. Marc asked what causes ineligibility. Andrea said there are statutes and we let the City define our own indicators. Dory mentioned there are some limitations with the data we have available. Marc asked if neighborhood property values rise and there is less crime then can the tool no longer be used? Dory said a property must fit the distressed neighborhood criteria. Elisa asked if the tool helps reduce the distress or does it put people in neighborhoods with fewer opportunities. Andrea said that yes, the tool is limited in this way. When looking at the small number of properties that have used the LTE program, it is clear we have had little impact on gentrification. Jesse added the tool is designed to help the overall neighborhood rather than specifically an individual. Carter asked if this tool is limited to new construction and the group responded yes.</p> <p>Dory provided two scenarios of how the LTE works and compared costs with and without the LTE in use. These were provided on handouts to the committee. Carter asked how much data is collected of the ten year abatement period, stating it would be an effective tool for reviewing the program. He also asked if recipients are required to report income annual. Dory said no, annual income is not reported and most data is collected at time of sale. Andrea added that we track information such as foreclosures, sales and other information which helps. Carter reiterated it may be helpful to accumulate other data to show the effectiveness of the program. Marc asked if a homeowner's income rises, would they lose the abatement. The answer is no.</p> <p>Elisa added that the savings from an abatement can make a big difference to homeowners.</p> <p>Kate thanked Dory and Andrea and reminded the group we will take public testimony as related to the program recommendations and segued to the multi-unit discussion.</p>	

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<p>Multi-Unit LTE Recommendations & Map</p>	<p>Kate referred the group to the three-page LTE program description handout for an overview of the multi-unit program. She welcomed Tom Armstrong from BPS who attended today’s meeting to discuss the new map. The map represents a recommended set of changes. We will continue to dialogue with communities and neighborhood coalitions, etc. Kate will give a sense of the feedback we have so far received in today’s meeting.</p> <p>The substantial change to the multi-unit program is that it merges the NMUH and TOD programs into one new program. NMUH covered downtown and central Portland neighborhoods and focused on urban renewal. TOD was transit-oriented and areas were designated by BPS. The multi-unit program is under a new cap of \$1M in foregone revenue. This is based on last year’s receipt of six projects which came in at about \$700k in foregone revenue. Having limited resources resulted in creating a competitive process which will bring PHB the most desirable projects. One proposed change is the application period will occur only once per year. Developers can self-score against the priorities of the program to get a sense of predictability in the result of their applications. Another proposed requirement is 20 percent affordable units at 60 percent MFI. Many PHB projects target 0-30 and 0-50 percent MFI. This tool is available to developers who can leverage 20 percent affordability. Under the proposed changes, additional points would be awarded for accessibility/universal design, family-sized units, family-friendly amenities, grocery stores, day care, schools, walkability and transit. Bonus points could be awarded for having a portion of residents served by social services, such as foster care, domestic violence assistance or veteran services.</p> <p>Tom discussed changes to the program areas. PSC discussed</p>	

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	<p>the program areas as related to the Portland Plan. They looked at areas that could be expanded. A new map was released in March which included SE corridors. We received a lot of public feedback about this map, including questions about why SE was singled out. Some neighborhoods wondered why they were not included on the map. Tom said they revamped the criteria and built the new map off of Metro 2040 main streets/transit corridors. Jesse asked what criteria are used to exempt commercial. Kate said commercial properties were historically eligible. Now, commercial is eligible if it makes up a portion of a residential neighborhood and the commercial use is of benefit to the neighborhood. We also looked at Neighborhood Prosperity Initiatives and overlaid this on the map to leverage this activity. Sarah asked if this falls under the \$1M cap, and the answer was yes. Marc asked if we look at actual rents for scoring purposes. 60 percent is market in some areas; are we flexible? Kate said that we can measure the benefit of price reduction from market. Some areas that are currently at 60 percent may become less affordable over time. Marc asked if the affordability commitment is for 10 or 60 years. Kate said it is for 10 years. In the event a developer wants to extend the exemption, they could apply for an exemption, which, if approved, would apply only to the affordable units in a building.</p> <p>Rey asked for clarification regarding the requirement for a single family house to have three bedrooms unless on a frequent corridor—is that the same definition of corridor discussed earlier. Kate said yes, and clarified that in some instances less bedrooms can be approved in transit-heavy areas. Rey suggested this could be clarified on the map.</p> <p>Carter asked how this applies for condos. Kate said we do not expect much condo development in the foreseeable future. Deborah mentioned the \$1M cap is a drastic change. Kate</p>	

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	<p>said two projects were approved in 2009 and were under \$200K. She told the group all of the proposed changes are part of a three-year pilot. We will review the changes and any unintended consequences. PSC is looking to the update of the Comprehensive Plan. We will need to catch up to this Plan by the end of the pilot. Kate mentioned the \$1M cap is part of a compromise struck among Commissioner Fish, Jeff Cogan and others. There has been a disconnect between foregone revenue and workforce living opportunities. Jesse asked if it is correct that foregone revenue is currently around \$15M per year and will drop to about \$10M. Kate said that is approximate, and it varies depending on location around the city.</p> <p>Marc asked for clarification of the list of social services mentioned in the handout. Is that a comprehensive list or merely examples? Kate said they are just examples. Marc asked if homelessness services are included, and Kate said yes.</p> <p>Kate said we have had ongoing public testimony. When we close testimony today, we will post testimony and emerging policy response online. She mentioned that many of the responses have been related to the map, and Tom's new map responds to many of these. Kate mentioned some of the comments we have received: (1) price cap for single-family housing is seen as a barrier for some, (2) equity and minority homeowner goals are difficult for small business owners, (3) nonprofits should not be subject to the homeownership cap and (4) there are concerns multi-family housing is contributing to gentrification. Elisa asked if projects at 60 percent are given priority over 80 percent. Kate said yes, market rate is higher in some areas. If a developer proposes a project with 80 percent and can provide a market study showing it is a reduction to market, they may be approved. Kate now opened the meeting to public testimony.</p>	

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<p>Public Testimony</p>	<p>Matina Kaufman, Habitat for Humanity Portland/Metro East: Habitat’s single family program targets 30-60 percent MFI. They offer 0 percent loans to clients but also rely on the LTE. They plan projects a year in advance. Matina thinks non-profit developers should be exempt from the cap. Habitat contributes to reducing the minority homeownership gap. Habitat is also increasing building; they will pull 47 permits this year and all of these projects will apply for the LTE.</p> <p>Laurie Butler, Homebuilders Association: Laurie attended the meeting to read written comments prepared by Justin Wood regarding single family units in LTE areas. Laurie and Justin are both concerned with the lack of representation of homebuilders on the committee. They have not had input until this point. Laurie said the cap of 100 homes per year limits their single-family building options. She said they could use all 100 themselves. Laurie also mentioned the difficulty of family-run and other small businesses to meet equity goals. Laurie said regarding lowering the maximum sales price, she doesn’t think the data is accurate. Including condo and Habitat numbers will bring down the sales price average. She said lowering the maximum sales price will push families into outer neighborhoods. Laurie added the LTE helps her organization build nicer homes closer in. She added that building a home does not guarantee it will sell.</p> <p>Ted Gilbert, private citizen: Ted is concerned with the effects of the program changes on the Gateway and Lents neighborhoods. He mentioned he does own property in Gateway. Ted thinks there will be unintended consequences in these neighborhoods. He said they have been working on a developing a community center for 14 years and have produced few results. Ted would like to see more private developers building in Gateway. He said it costs the same to build there as in a more affluent neighborhood but projects</p>	

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	<p>cannot command the same rents as they would in NW or elsewhere. Ted mentioned that urban renewal helped areas like the Pearl and Interstate neighborhoods. He said the Gateway URA gets few TIF resources. There has been a lot of investment in transit in Gateway, but the area is still suffering. Currently, average housing stock is at 50 percent MFI. Ted would like to see increased mixed income in Gateway. Ted said if developers meet all requirements of the TOD program, they can count on a 10-year exemption on improvements only. He said developers will need to spend more money to meet new requirements. The new rules create a city-wide competition. Ted said neighborhoods such as NW and Prescott and reached a tipping point for success which East Portland is lacking. Ted said the \$1M cap puts Gateway and Lents at a disadvantage. He said many areas would have to raise rents to qualify for the level of affordability necessary for scoring. Ted suggested keeping the current program requirements intact for Gateway and Lents. He said this could be an incentive to comply with design standards and could be predictable. He reiterated he would like to see the LTE requirements stay the same for Gateway and Lents and would like the \$1M cap to not apply. He said he would like the process to not be competitive.</p> <p>Linda Robinson, Gateway Urban Renewal Advisory Committee: Linda is concerned about the program changes affecting the David Douglas School District. She thinks there needs to be more incentive for a wider range of affordability and mixed income. She said the neighborhood is at a disadvantage because there are only two grocery stores in the area which are far from many properties. The neighborhood does not have buying power to attract more stores. Linda said Gateway cannot compete with other neighborhoods. She added the changes add many new areas which only increases competition.</p>	

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	<p>Colleen Gifford, Gateway EcoDistrict: Colleen said that Gateway is a low-income and diverse area. It has good transportation but no reason for people to come to the neighborhood. Collen would like to see economic growth and more jobs in Gateway. She said the cap requires developers to compete, which is sending the wrong message. She would like to see the existing policies remain the same for the eastside.</p> <p>John Miller, OON: John said he was on the Big Look Committee. He said there was discussion around the 100 home cap and under extraordinary circumstances that number could increase. He said there could be unintended consequences of a strict cap. Marc asked what kind of extraordinary circumstances could lead to raising the cap. Would Habitat applying for 47 be considered? What if Proud Ground puts in 40 and another opportunity for 40 comes up—would we pass that by? The group discussed extraordinary circumstances as including affordability, population served, and equity goals.</p> <p>John Miller mentioned the multi-unit map. He said in the past, the map delineated large areas that were eligible for the program. Now the map is more specific to current zoning. He said we can always change zoning and it would be more helpful to see those boxes carved out on the map as potential areas, regardless of current zoning.</p>	
PHAC Discussion	<p>Christine thanked Kate for her presentation and discussion. She asked if, due to timing in today’s meeting, we should push the rental housing discussion to June. Traci said yes, today’s focus was for public testimony. Christine invited the committee to discuss the proposed changes and public testimony heard today.</p>	

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	<p>Carter asked how the policy will be written or codified. Kate said the information provided today are guidelines. We have more detailed information that will be captured in City Code and administrative rules.</p> <p>Deborah brought up the concerns of Gateway residents. She asked if these issues were discussed during the Big Look process. Kate said there were similar concerns. She said they need to find a balance with the impact of taxable properties in East Portland. Annette Matson of the David Douglas School District participated in the Big Look Committee. The issue is not foregone revenue but is exempt properties. There are complications when the school district wants to pass a levy to tax properties. Additionally, East Portland wants to stimulate mixed and middle incomes. The LTE tool is limited by caps. If this is seen to disadvantage developers in East Portland, we will need to hear more. Kate said the competitive process is seen as the fairest way to address the cap. She suggested the possibility of adding bonus points for certain geographic areas.</p> <p>Carter said the tool is limited. He asked if there is any analysis related to the ten-year exemption spurring development of mixed-use, mixed-income properties. Carter said it probably wouldn't impact growth that much. Kate said two of this year's projects were in Hazelwood. Carter asked if they received incentives other than the LTE. Dory said they received no other major funding.</p> <p>Elisa asked if we can capture information on missed opportunities during the pilot, such as if Gateway were to miss out because of the competition. Kate said this is what leadership intends for the pilot. She said there is a residential boom right now. Some developers may skip applying for the program if it causes too much work or</p>	

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	<p>stress. However, it can be a great tool for developers to get affordability into projects they are planning on building anyway. Sarah said it may be hard to gauge missed opportunities. If developers think the risk of applying is too high, they may not even consider applying. She added there is a problem with decision-makers not being very familiar with areas like East Portland. She said the pilot is important, but we need to continue discussions with East Portland.</p> <p>Carter asked why the process is annual and the application window is once per year. Kate said this is a response to having a cap. Because availability of the program is limited, a competitive process is the most equitable way of choosing submissions. Carter asked if we could open the application window more often. It is difficult to wait several months to hear back. Kate said this is under consideration. There are complications with syncing the process with statutory filing dates.</p> <p>Marc asked about geographic dispersal and criteria for East Portland to benefit. Was this considered but not included? Kate said geographic dispersal is a live consideration. The new map addresses some of these issues. The tool is designed to be available everywhere but we are counting on developers to apply for the program. There are many market variables. Having a requirement such as needing to have a certain number of projects in each quadrant, we could run into unintended consequences. However, our six projects this year represented a wide geographic breadth. The 100 unit cap for the homebuyer program is also a topic of discussion. There may be some opportunity to open this up during the pilot period.</p> <p>Jesse recognized the tension between having a tool that is designed to build in opportunity areas rather than create that opportunity. He would like scoring to be clear and</p>	

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	<p>accessible in order to have an idea how an application is looking. Kate said the process is designed to allow for self-scoring.</p> <p>Marc asked how many of this year's projects are for-profit v. non-profit. Kate said they are all for-profit. Carter said non-profit developers have other resources. It is important to discuss the differences between for- and non-profit developers and how to treat these different circumstances. Kate reiterated that staff capacity is a big part of the issue.</p> <p>Traci urged the committee to make recommendations. By charter, PHAC is an advisory body to City Council. Unofficially, the County also looks to PHAC's recommendations.</p> <p>Marc asked about the impacts of reducing the home price. Dory said that distressed neighborhoods have lower sales prices. This is not the best program for those higher opportunity areas. She added that the \$245k sales price was adjusted to remove condo prices. She said they looked at the data in a number of ways and the average only varied by a few thousand dollars in each scenario. Dory said the old number of \$275k was not average. We were around 116 percent which is below the 120 percent of the old program. This puts a slight restriction on the range of eligible homes.</p> <p>Marc asked why we propose to reduce foregone revenue. Kate said this is more to do with what sales price homebuyers can afford. They may qualify for a slightly higher home with the exemption. This was a staff recommendation for alignment purposes. Jesse said the price is a result of location and size, etc. Many homes would not be eligible. Some smaller homes may fit the criteria. Marc said a higher price would provide more options, so why would we give up this additional flexibility and reduce choice? Jesse said that this results in a</p>	

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	<p>reduction of maybe 20-30k in purchase power. With tax abatements, 100 percent MFI could end up at 120 percent.</p> <p>Rey brought up the single family cap of 100. He asked about the criteria to consider different project types. Kate mentioned one of the public suggestions that non-profit developers or sponsors should not be under the cap or bedroom requirement. She said we can look at adding these criteria.</p> <p>Rey asked if staff has heard concerns regarding exempting Gateway and Lents before. Kate said Ted Gilbert has shared these concerns before. We need some ability to ensure East Portland is not disadvantaged in competition. There needs to be some balance.</p> <p>Traci said recommendations come from officials not staff.</p> <p>Jesse said reiterated the notion of building in an opportunity area v. creating an opportunity area. Many developers are taking a risk and we should consider this.</p> <p>Rey said we should look at the frequency of applications to mitigate unintended consequences. What happens if we meet the cap in only one year.</p> <p>Sarah outlined the two main concerns/recommendations she heard from PHAC today: (1) 100 unit cap—should non-profits be able to exceed this cap and (2) geographical consideration (given the issues with areas like Gateway) should be considered in rulemaking.</p> <p>Elisa recognized the staff capacity issue and the need to be sensitive to this. Jesse said if Proud Ground were unable to receive LTE resources, they would look at other investment opportunities from PHB which would affect PHB funding</p>	

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	<p>anyway.</p> <p>Dory mentioned if a developer applies this year, the funding will go into effect in one and half years. This is a statutory requirement. Single family projects will receive funding the following tax year.</p> <p>Christine asked the group if they want to make final recommendations or continue the discussion.</p> <p>Rey and Jesse agreed with Sarah’s two recommendations. Rey commended the inclusion of equity requirements. It is important to spur development but not be counterproductive. Carter said he also agreed with Sarah’s recommendations but would add the suggestion of increasing the frequency of the application submission process.</p> <p>Marc asked why limit the exemption to 100 units to non-profits only. If a for-profit otherwise meets equity requirements, etc., could they be included in this exemption? It could mean the ability to take advantage of good opportunities. Carter said non-profits have similar programs for this. Sarah said non-profits have other income requirements and this could add additional benefit. Marc said the affordability and equity requirements are good criteria. Non-profits can meet most of these goals.</p> <p>Sarah said there may be unintended consequences of the 100 unit cap. It could lead to lost opportunities. She reiterated the PHAC recommendation to Council would be to increase the cap under certain circumstances (including but not limited to non-profits). Carter reiterated the need for geographical consideration and more frequent application periods. Marc asked if we should draft a written recommendation to vote on.</p>	

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Rental Housing Discussion: How should PHB determine which projects to fund?	This agenda item will be discussed in the next PHAC meeting.	
Meeting Wrap-Up and Planning for Next Meeting: Rental Housing	Traci said the next meeting will include the rental discussion/What is a Good Project. She would like to recommend the agenda in the next two weeks. We will also discuss when to hold the July meeting.	<ul style="list-style-type: none"> ✓ Draft written recommendations for LTE program and vote through email. ▶ Provide June agenda in the next two weeks. ▶ Survey PHAC regarding July attendance/meeting dates. ▶ Make minutes review a standing agenda item.