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RIVER DISTRICT  
HOUSING IMPLEMENTATION STRATEGY  
UPDATE

APRIL 1999

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Prepared For:

City of Portland, Mayor and City Council

Prepared By:

Portland Development Commission  
with the assistance of Bureau of Planning

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## INTRODUCTION and BACKGROUND

In 1994, the Portland City Council adopted Resolution No. 35274 in support of the River District Development Plan. The Development Plan (Plan) describes a community of socially, economically and culturally diverse neighborhoods that are linked to each other, the downtown core, and the Willamette River. In addition to encouraging high and medium density housing serving people of all income levels, the Plan supports development of parks and open spaces, neighborhood retail and commercial activities, and an efficient transit network.

The 1994 Resolution also included a provision for the development of a "Housing Implementation Strategy" (HIS). Specifically, the Council directed the Portland Development Commission to:

"...Develop, in cooperation with the River District Steering Committee and other agencies, a housing implementation strategy. The strategy should be managed by PDC through specific agreements with individual property owners. PDC should coordinate with City bureaus and negotiate agreements with these property owners to insure that the public investment in infrastructure and other public assistance results in a corresponding commitment by the property owners for the development of housing at the desired densities and of the desired type. The goal of the housing strategy is to achieve, at build-out, 5,555 new housing units, as well as commercial and residential support amenities to encourage a stable resident population in the District. The housing in the River District should serve a variety of household incomes which will reflect the diversity of the City of Portland as a whole. To accomplish this, the housing strategy will establish specific targets and the City Council will, at least annually, review the progress being made in achieving those goals".

The *River District Housing Implementation Strategy*, adopted on December 21, 1994, was intended to complement other city housing policies by applying them to a targeted area of the city. The *Housing Implementation Strategy* established specific goals for new residential development in the district and provided assurances to the individuals and agencies concerned that the goals and objectives established by the City Council would be accomplished. (The *1994 River District Housing Implementation Strategy* is available on request by calling PDC at 823-3334.)

Since the adoption of the *1994 RD Housing Implementation Strategy*, PDC has provided an annual report to the Housing Evaluation Group, (a sub-committee of the Housing and Community Development Commission) and to the City Council. This report, published each Spring, summarizes all new housing development in the district by the income affordability categories outlined in the original HIS: 0-50% Median Family Income (MFI), 51-80% MFI, and 81%+MFI. To date, the development of housing in the district has occurred within the target ranges established in 1994 and the total number of new housing units produced has exceeded targets. Accordingly, PDC has not recommended that City Council revise the targets or modify the development program.

In September 1997, the City executed a development agreement with Hoyt Street Properties (HSP), the single largest private property owner in the district. This agreement was amended and restated in March, 1999. The HSP Development Agreement details minimum housing density and affordability targets for HSP; these targets are a subset of the housing targets established for the entire district in the 1994 Housing Implementation Strategy. HSP targets will not change as a result of the new affordability targets proposed in this report and recommendation. Hoyt Street Properties is in compliance with the terms of their agreement with the City, and in fact, they have exceeded the minimum density requirements. HSP housing targets are monitored annually by PDC and are reviewed for compliance at 5 year intervals.

**In December, 1998, Portland City Council adopted Resolution No. 35746 requesting that the Portland Development Commission update the River District Housing Implementation Strategy and monitor implementation efforts.** This resolution was adopted in response to concerns and issues raised throughout the public process associated with establishing the River District Urban Renewal District in 1998. Some of the concerns raised were: changing market conditions, increasing rents (especially for extremely low-income households), perceived dislocation of low-income people and a desire to better understand the market demand for family housing in this rapidly growing Central City district. **This report and the recommendations included in this report are PDC's response to Resolution No. 35746.** (Resolution No. 35746 is provided in the appendix as Attachment #1.)

The *1994 Housing Implementation Strategy* was developed to help guide public investment in the River District, both in terms of public infrastructure and affordable housing. Similarly, this *1999 Housing Implementation Strategy Update* will be used to guide public investment, particularly the use of tax increment financing now available throughout the River District. It is the City's intent to maximize private investment by leveraging that investment with the minimum amount of public resources necessary to accomplish the goals in the River District Plan. It is anticipated that the private sector will carry the lead for development of the retail and commercial uses, and a majority of the housing whether or not it is subsidized.

This report summarizes the findings of a River District housing inventory completed in March 1999 and offers recommendations for an *Updated 1999 River District Housing Implementation Strategy*. Also included are estimates of public financial resources needed to accomplish the housing goals and a summary of the types of public and private financing resources available to accomplish housing goals.

# HOUSING IMPLEMENTATION STRATEGY UPDATE

## 1999 Survey and Findings

Resolution No. 35746, adopted by Portland City Council in December, 1998, directed the Portland Development Commission to update the *1994 River District Housing Implementation Strategy* and to monitor implementation efforts. Specifically the Resolution requested that PDC conduct a comprehensive survey of all housing, both rental and ownership units, in the River District, by level of affordability, bedroom size, and housing type. Council directed PDC to collect and report affordability data using the following five income categories: 0-30% MFI, 31-50% MFI, 51-80% MFI, 81-120% MFI, and 121+% MFI. In addition, Council requested information regarding the demand for family housing defined as units with 2 or more bedrooms. Timeline for completing HIS Update was 180 days.

### Survey Area:

As prescribed by Council in the Resolution, the boundaries for the survey were the same as those for the original 1994 HIS and the River District Plan Area: North of Burnside, East of I-405, West of the Willamette River, and the South portion of Terminal 1, located North of the Fremont Bridge. (A map of the survey area is provided in the appendix as Attachment # 2).

### Advisory Group:

To assist with the project PDC established the River District Housing Implementation Strategy Advisory Group. This broad based group included representatives from the River District Steering Committee, business and neighborhood associations, the Association for Portland Progress, the League of Women Voters, and the Community Development Network. The role of the Advisory Group was to review and provide feedback on: the survey format and process, the completeness and accuracy of the data, and the draft recommendations. In addition, the group served as a communication link to various other stakeholders and community groups interested in the River District. The group met three times and provided valuable feedback throughout the process. (A list of the members of the River District Housing Implementation Strategy Advisory Group is provided in the appendix as Attachment # 3).

### Survey Process:

Commission staff designed survey forms for rental and owner-occupied buildings and modified them in response to feedback provided by the Advisory Group. Martha Gies, an independent contractor, was hired to conduct the housing survey in February and March of 1999. She surveyed the 46 properties previously identified in the PDC's *1996 Central City Housing Inventory*, updating and correcting data as necessary. She also surveyed the area on foot, adding recently constructed and/or rehabilitated buildings, those currently under construction, and four newly identified housing sites. See Attachment #6 for complete list of all buildings included in the 1999 survey.

### Methodology:

The objective of the survey was to update the inventory of new and existing housing in the River District by: 1) unit types; and 2) affordability by income level, unit size, and housing type. In order to complete the inventory the consultant was asked to collect actual rents and sales price

information for each unit whenever possible. She also collected information on unit size/number of bedrooms, type of unit, utilities paid by tenants, and the number of households with children.

PDC staff used the information collected to categorize housing by income level. The categorization of housing as affordable at the various income levels is based on imputing an income level from rents levels and not on actual tenant income data. The charts on the following pages (Charts 2-5) do not reflect the *actual* incomes of River District households, rather they reflect the theoretical affordability of River District housing stock based on HUD formulas. This approach is consistent with the methodology and assumptions underlying *The 1994 Housing Implementation Strategy*. The 1994 HIS goals were based on Portland household incomes as documented by the 1990 Census and illustrated in Chart 5 later in this document. Annual HIS performance is measured by calculating the rents and sales prices of new units which, in theory, are affordable to the categories of household incomes established by the HIS.

#### Rental Units:

The consultant collected and reported actual rents whenever possible. In a number of buildings, the consultant was not able to collect actual rents for each unit because it was too time consuming for the owner/manager. For units in these buildings she reported rents in ranges that were consistent with 1999 HUD rent income categories which are based on HUD standards for median family income and adjusted for family size, for the Portland area. For subsidized rental units in which a tenant pays 30% of his or her individual income for rent, the consultant reported the tenant's portion of actual rents paid within a given month. For units in which utilities were not included in rent, PDC added utility costs using the 1999 HUD utility allowance worksheet provided by the Housing Authority of Portland. (The 1999 HUD rent and utility allowance worksheets are provided in the appendix as Attachments #4 and #5.)

#### Ownership Units:

Condominiums and townhouses are significant new housing types in the district. For these units, the data collected included square footage, number and type of bedrooms, actual price paid, and date of sale. The asking/sales price was recorded for units which had not yet been sold and for those currently under construction. Commercial units (typically on the ground floor) are noted in the inventory but not included in housing unit totals. To determine the appropriate income category for ownership units PDC used a methodology based on a number of standard assumptions such as: 3% down payment, 30 year fixed mortgage, 30% housing cost burden. Included in monthly housing costs are property taxes, insurance, homeowner association fees, mortgage insurance (where customarily required), and an interest rate based on historical information at time of sale.

#### Vacant Units:

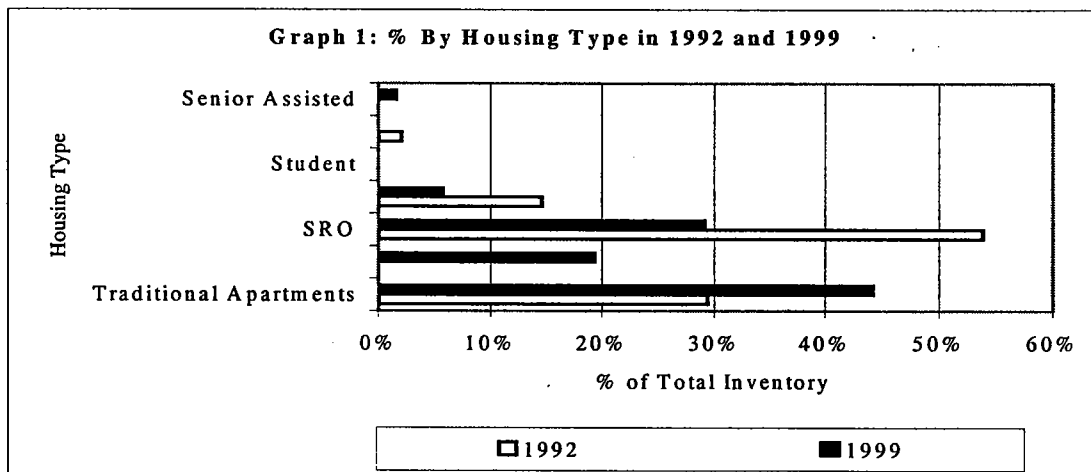
For each property, the consultant reported the number of vacant units on the day surveyed. For market rental units these vacancies are included in total number of units by rent range. For subsidized rental units, the rent on a particular vacant unit often depends on the income of the tenant who eventually occupies that room, ranging from \$0 to the ceiling set for that building by HUD. In an effort to provide as complete information as possible, PDC contacted property managers and obtained additional information regarding the expected income level of tenants who would normally fill those vacancies. This information was then included in summaries for units at the appropriate rent level.

### Findings Regarding Existing Housing in the River District:

The total number of buildings surveyed is 54. This includes 36 rental buildings and 18 ownership buildings. The number of housing units identified is 3,486, including 198 shelter beds and 44 units in which we were not able to get complete affordability information. This is an increase of 1,572 units since the 1992 *Central City Housing Inventory* which was the basis for the 1994 *Housing Implementation Strategy*. Chart 1 below and the accompanying graph compare 1992 and 1999 housing stock by type.

**Chart 1 – Comparison 1992 and 1999 Housing By Unit Type**

Housing Units by Type Compared to 1992 (A)				
Housing Type	1992	% of 1992 Total	1999	% of 1999 Total
Traditional Apartments	563	29%	1,529	44%
Condominium	0	0%	702	19%
SRO	1,031	54%	1,003	29%
Shelter/Mission	280	15%	198	6%
Student	0	0%	0	0%
Group Living	40	2%	0	0%
Senior Assisted	0	0%	54	2%
<b>Total</b>	<b>1,914</b>	<b>100%</b>	<b>3,486</b>	<b>100%</b>



### Notes

A. Please note that the above figures include shelter/mission beds and group living units that were not included in the inventory by income level. The following is a reconciliation of these two totals.

a) 1999 Inventory	3,486	1999 inventory by housing type, total rental and ownership
	-198	less shelter beds
	<u>-44</u>	no affordability information
	3,244	total inventory by income level
b) 1992 inventory	1,914	1992 inventory by housing type
	-40	group living
	<u>-280</u>	less shelter beds
	1,594	inventory by income level, total rental and ownership

The current data suggest significant changes in the types of housing now available in the River District. There are about 950 more rental apartments available in 1999. Another significant finding is the introduction of condominiums as a major housing type. No condominiums were identified in 1992, and now they are 19% of the housing mix. The number of shelter beds has been reduced by almost one third. This is due to the successful implementation of the Shelter Reconfiguration Strategy which included the closure of the SHAC, a temporary shelter for singles, which was located on City owned property in the heart of the River District. These shelter beds have been replaced in two facilities located on the Eastside of the Willamette River: Jean's Place and the Clark Center.

The survey identified a total of 2,795 rental units including 198 shelter beds, 11 units currently being used for commercial purposes, and 7 units for which rental information was not confirmed. Chart 2-A below illustrates rental units by unit size and assumed level of affordability.

The consultant identified 1,252 units as subsidized (those units which have been subsidized with public funds) and 2 buildings which currently accept tenant based Section 8 certificates. Detailed data on the various affordability agreements and terms for each building were not collected. It is worth noting that almost 300 units currently affordable for low and extremely low income households are located in aging buildings which are in private ownership and do not have long term affordability agreements with the City. (The background data sheets for each building surveyed are available upon request by calling Devan Reiff at 823-3408.)

**Chart 2-A: Rental Units by Size and Affordability**

<b>Chart 2-A: Total Rental Units (A, B, C)</b>							
	<b>0-30%</b>	<b>31-50%</b>	<b>51-80%</b>	<b>81-120%</b>	<b>over 120%</b>	<b>Total</b>	<b>% of Total</b>
<b>SRO</b>	489	364	150	0	0	1,003	<b>39%</b>
<b>Studio</b>	75	95	398	25	39	632	<b>25%</b>
<b>1 Bedroom</b>	0	31	250	362	20	663	<b>26%</b>
<b>2 Bedroom</b>	0	2	81	118	80	281	<b>11%</b>
<b>3 Bedroom</b>	0	0	0	0	0	0	<b>0%</b>
<b>4 Bedroom</b>	0	0	0	0	0	0	<b>0%</b>
<b>Total</b>	564	492	879	505	139	2,579	<b>100%</b>
	<b>22%</b>	<b>19%</b>	<b>34%</b>	<b>20%</b>	<b>5%</b>	<b>100%</b>	

**Notes**

- A. PDC surveyed 2,795 total rental units; reconciliation to 2,579 units shown in Chart 2-A follows:
  - 2,795 units surveyed
  - 198 less shelter beds
  - 11 less commercial units which could be used for housing in future
  - 5 less Downtown Chapel Rectory
  - 2 less units with no available rental information
  - 2,579 units analyzed for affordability
- B. SRO's do not contain both a kitchen and a bathroom.
- C. Studios contain both a kitchen and a bathroom.



The Advisory Group requested that rental units in which the occupancy is restricted to people based on sex, their enrollment in Alcohol and Drug Programs and/or Employment Programs be broken out by income level. Chart 2-B illustrates this.

**Chart 2-B Rental Units that are Occupancy Restricted**

Chart 2-B: Occupancy Restrictions for Rental Units Surveyed (A)							
	0-30%	31-50%	51-80%	81-120%	over 120%	Total	% of Total
<b>Restricted / Subsidized</b>	280	153	7	0	0	440	17%
<b>Restricted / Unsubsidized</b>	46	81	0	0	0	127	5%
<b>Unrestricted / Subsidized</b>	238	80	624	175	0	1,117	43%
<b>Unrestricted / Unsubsidized</b>	0	178	248	330	139	895	35%
<b>Total</b>	564	492	879	505	139	2,579	100%
	22%	19%	34%	20%	5%	100%	

**Notes**

- A. Occupancy Restricted units are those restricted to people in treatment, in jobs programs, or by gender.
- B. Subsidized units are those with rent subsidies and/or those which have received development subsidies from public agencies.

**Chart 3: Ownership Units by Affordability and Size**

Chart 3: Homeownership Units Surveyed (A) (B)							
	0-30%	31-50%	51-80%	81-120%	over 120%	Total	% of Total
<b>SRO</b>	0	0	0	0	0	0	0%
<b>Studio</b>	0	0	0	0	8	8	1%
<b>1 Bedroom</b>	0	0	0	15	341	356	54%
<b>2 Bedroom</b>	0	0	0	2	267	269	40%
<b>3 Bedroom</b>	0	0	0	0	13	13	2%
<b>4 Bedroom</b>	0	0	0	0	19	19	3%
<b>Total</b>	0	0	0	17	648	665	100%
	0%	0%	0%	3%	97%	100%	

**Notes**

- A. PDC surveyed 795 total homeownership units; reconciliation to 665 units shown in Chart 1 follows.
  - 795 units surveyed
  - 56 less Union Station B - construction scheduled to begin Fall 1999; no permits yet
  - 37 less commercial units
  - 37 no sales price information available
  - 665 units analyzed for affordability
- B. PDC assumed all Tanner Place units are over 120% MFI; unit type information provided by Hoyt Street Realty.

**Chart 4: Combined Rental and Ownership Units by Affordability and Size**

Chart 4: Total Surveyed Units							
	0-30%	31-50%	51-80%	81-120%	over 120%	Total	% of Total
SRO	489	364	150	0	0	1,003	31%
Studio	75	95	398	25	47	640	20%
1 Bedroom	0	31	250	377	361	1,019	31%
2 Bedroom	0	2	81	120	347	550	17%
3 Bedroom	0	0	0	0	13	13	0%
4 Bedroom	0	0	0	0	19	19	1%
Total	564	492	879	522	787	3,244	100%
	17%	15%	27%	16%	24%	100%	

**Discussion of Findings on Affordability by Income Levels:**

Whereas the 1994 HIS found that the rent levels in the River District area were predominantly affordable to extremely low-income (0-30% MFI) households, the 1999 survey data indicate that housing is now affordable to a diverse range of households. In fact, the current distribution of housing affordability is much closer to the goal, established by the River District Steering Committee and adopted by City Council, that the area reflect the income distribution of the city as a whole.

Chart 5 below shows the 1990 Citywide Household Census Data which was the basis for the original goal adopted by Council and continues to be the basis for determining the Citywide Household Income Distribution in this report.

**Chart 5: 1990 Census Citywide Household Income Distribution**

Medium Family Income Category	Percentage of Citywide Household Income Distribution
0-30% of MFI	14%
31-50% of MFI	13%
51-80% of MFI	20%
81-120% of MFI (c)	20%
Over 120% of MFI (c)	33%
<b>Total</b>	<b>100%</b>

Chart 6 compares the current mix of housing in the district with the profile of housing reported in the 1994 Housing Implementation Strategy. It also illustrates the mix of new housing needed to be built over the next 20 years if housing in the River District will be affordable to the mix of households found citywide. It is important to emphasize that these figures are for *new* housing and assume that the current stock of housing in the district will be preserved and/or replaced in the existing affordability categories. If units are lost they will need to be replaced at these specific income levels. Of particular concern are the almost 300 low and extremely low income units found in several aging buildings which do not have long term affordability agreements with the City. Market forces are likely to spur redevelopment of these buildings.

**Chart 6: Balance of Housing in River District:**

	Citywide totals from 1990 Census	1994 HIS		1999 HIS Survey (A)		Units to Do 1999-2020		Buildout in Year 2020 (B)	
		Units	%	Units	%	Units	%	Units	%
0-30%	14%	1,009	63%	564	17%	359	11%	923	14%
31-50%	13%	26	2%	492	15%	365	11%	857	13%
51-80%	20%	158	10%	879	27%	440	13%	1,319	20%
81-120%(C)	20%	374	23%	522	16%	797	24%	1,319	20%
Over 120%(C)	<u>33%</u>	<u>27</u>	<u>2%</u>	<u>787</u>	<u>24%</u>	<u>1,389</u>	<u>41%</u>	<u>2,176</u>	<u>33%</u>
<b>Total</b>	100%	1594	100%	3,244	100%	3,350	100%	6,594	100%

**Notes**

- A Totals from Chart 4.
- B Total units at 2020 buildout derived as follows:  
1,594 1994 existing units (see 1994 HIS Exhibit 4)  
5,000 5000 new units  
6,594
- C The 1994 HIS categorized middle and upper income levels as 81-150%, and 150+%, therefore numbers do correspond to each other exactly.

Below are a few possible explanations for the changes reflected in the data:

- There has been a significantly higher amount of moderate, middle and upper-income housing units constructed recently, especially ownership units. This was expected and demonstrates a strong market for market rate housing, including condominiums and townhouses in the district;
- Redevelopment of older buildings to market rate housing or other uses;
- Increases in rent. Over 400 of the units which were affordable to households in the 0-30% MFI range in 1994 are now affordable to households up to 50% of MFI;
- The inclusion of tenant paid utilities in the monthly housing costs in the current survey information has resulted in an overall upward shift in units to higher levels of affordability. Tenant paid utilities were not included in monthly housing costs in the 1994 HIS background data.

**Findings on vacancy and other factors:****Vacancies:**

The survey identified 116 vacancies: 9 in owner occupied units and 107 in rental units. The survey did not gather additional information regarding vacancies.

**Households with children:**

The survey identified 16 households with children: 8 in owner-occupied units and 8 in rental units. Although we were not able to get detailed information on the ages of the children, property managers reported that they thought that most of the children were either infants or high school age. None of the buildings were found to have facilities for children (day care, play areas, etc). The survey identified 550 units with 2 bedrooms, 13 units with 3 bedrooms, and 19 units with 4 bedrooms. All of the 3 and 4 bedroom units were found in ownership developments.

## RECOMMENDATIONS

Based on the recently completed 1999 survey of existing housing in the River District, the Portland Development Commission offers the following recommendations for an Updated River District Housing Implementation Strategy (HIS):

1. **Establish targets for new housing using the following five categories: 0-30% MFI, 31-50% MFI, 51-80% MFI, 81-120, and 120%+ MFI.**

In the original Housing Implementation Strategy, adopted in 1994, PDC used three broad income categories in establishing the housing targets. These categories were: 0-50% Median Family Income (MFI), 51-80% MFI and 81%+MFI. This was appropriate at that time because development was just getting underway in the district and it was unclear what the actual market, available resources and the pace of development would be.

In Resolution #35746 City Council requested PDC to survey housing in the River District using five income categories: 0-30% MFI, 31-50% MFI, 51-80% MFI, 81-120% MFI, and 121%+ MFI. The data collected and reported by these categories indicate that the affordability distribution of housing in the River District is now similar to the income distribution of households citywide. *This is a significant change from previous reports and indicates that the long-term goal for the River District to reflect the income distribution of the city has almost been achieved.* As the area continues to develop, our measurements and targets will need to be more precise as we strive to maintain this balance over the next 15-20 years.

2. **State targets for new housing as actual percentages and the corresponding number of units rather than the broad ranges used in the 1994 HIS.** See discussion above.
3. **For purposes of establishing housing targets, it is assumed that there will be approximately 6,600 housing units in the River District area at full build out.** (1,600 existing units identified in the 1994 HIS plus 5,000 new units.) Currently there are 3,244 rental and homeownership units (for which we have affordability information) and therefore approximately 3,350 new units need to be built between years 1999 and 2020. This assumes that no units are lost from service. If units are lost, they will need to be replaced at the income level which they are currently serving. City Council may adjust targets to reflect changing market conditions, loss of units, development priorities, financial resource availability, etc. Although the majority of new housing is expected to occur on the large parcels of vacant land in the District, some infill construction and conversion of existing buildings can be anticipated.

4. Establish the following targets for new housing development (1999-2020) in the River District Plan Area:

Household Income Category	Housing Targets - New Units as a % of Total New Units	Approximate # of New Housing Units in River District Needed to Meet Updated Target
Extremely-Low (0-30% of MFI)	11%	359
Low (31-50% of MFI)	11%	365
Moderate (51-80% of MFI)	13%	440
Middle (81-120% of MFI)	24%	797
Upper (121%+ MFI)	41%	1,389
<b>TOTAL NEW UNITS TO BE BUILT</b>	<b>100%</b>	<b>3,350</b>

5. **Apply the housing targets to new housing units in the District as a whole, rather than by project or year.** Individual projects may or may not contain a mix of housing types as long as the overall distribution in the District is consistent with those targets. Although we are recommending targets as actual percentages and number of units, it is important to note that it is very unlikely that exact targets will be met in any given year due to the nature and timing of housing development. Targets will serve as benchmarks for measuring progress towards 20 year goals.
6. **PDC conduct an annual review of progress being made in achieving targets and prepare a report prior to the budget review process.** PDC, with the assistance of the Bureau of Housing and Community Development, and the Planning Bureau, will assemble relevant data regarding new housing production in the River District as well as available information on units lost due to redevelopment and/or conversion to other uses including any loss of Section 8 units. The annual report will continue to be presented to the Housing Evaluation Group and the Housing and Community Development Commission prior to City Council. As appropriate, recommended actions and funding requirements will be addressed in the annual report. City Council may adjust development priorities to address the loss of housing especially, Section 8 units, and may direct that other modifications in the development program be implemented.
7. **PDC conduct a comprehensive update of the Housing Implementation Strategy as soon as the 2000 census data is available.** The 2000 census data should be used in determining the citywide household income distribution. Additional demographic data may be available for consideration at that time. Targets should be adjusted accordingly.
8. **In measuring household incomes and affordability in the River District, staff will continue to use the CDBG/City definitions including the CHAS category of "extremely low-income" (0-30% MFI) for determining affordable rent structures.** These figures will be adjusted annually when the information is received from HUD.

9. **Target the market-rate housing in the River District to as wide a market as possible.** This would include units of various sizes and affordable to households of all income levels including downtown workers, empty-nesters, and retirees. Although current data indicate that few families are choosing to live in the district today, to the extent possible, families with children should be encouraged to locate in the River District.
10. **Encourage Ownership Housing when feasible and practical.** In general, it is anticipated that the market will dictate to what extent ownership and rental housing units are produced. Public subsidy may be required and is an appropriate use of public funds to support the development of homeownership units up to 120% MFI. PDC continue to use retention and recapture mechanisms to maximize use of public subsidies for both rental and ownership housing.
11. **The River District Housing Implementation Strategy assumes that no new shelter beds will be added in the District except to the extent as provided for in the Shelter Reconfiguration Plan.** The Shelter Reconfiguration Plan emphasizes the City's policy of transitioning users of shelter beds into permanent housing whenever possible. The Shelter Reconfiguration Plan is essentially complete with the opening of Jean's Place, the Clark Center, the development of the Eastside Permanent Housing Facility (currently under way), and the closure of the SHAC, a temporary shelter formerly located in the River District.
12. **City Council continues to endorse the use of the range of available implementation tools including tax increment financing, revenue bond financing, partial property tax abatements, LIHTC tax credits, applicable fee and SDC waivers, and, as funding permits, other state and federal resources.** The River District development program will not be successful without public investment as well as continued private and public sector commitment to a balanced housing program. Since the adoption of the 1994 HIS the River District Urban Renewal District has been formed making tax increment financing available for housing and other development priorities in the district. Approximately \$53 million is earmarked in the 22 year urban renewal plan to support the development and preservation of affordable housing in the River District Urban Renewal District. In addition to the City, the Housing Authority of Portland, non-profit housing agencies and for profit developers are expected to be key partners in achieving the housing goals throughout the district.

## ROLE OF THE PUBLIC AND PRIVATE SECTOR IN DEVELOPMENT OF THE NEW HOUSING IN RIVER DISTRICT

Because new affordable housing development in the River District will likely require some combination of public assistance to achieve the affordability and density targets called for in the River District Plan, the City Council will play the lead role in assuring that the targets are achieved or otherwise modified to reflect changed circumstances.

The Portland Development Commission anticipates that construction of the upper income housing will be privately financed. In the case of moderate and middle-income housing, a substantial portion of that can be developed by the private sector, accessing when needed, a combination of bond financing, partial tax abatement or other available sources of funds.

For extremely low and low-income housing, the public sector, including the Portland Housing Authority, and other non-profit agencies will take the lead to achieve the goals for these units. This will not preclude joint venturing with private developers, using private developers as a fee developers, or the ownership of low income housing by private developers. However, in all likelihood, the low and extremely low-income housing will probably be under the ownership and control of a public or non-profit agency.

Based on the City's experience with the financing and development of the full range of housing throughout the city, some assumptions can be made relative to the public costs associated with such development. The expected PDC subsidy by income level for new construction of affordable rental housing projects, is as follows:

- \$40,000 per 0-30% MFI unit;
- \$35,000 per 31-50% MFI unit;
- \$20,000 per 51-80% MFI unit.

The production and affordability goals for the River District detailed in Chart 5 therefore translate into the following PDC subsidy needs:

Income Level Served	Units Required	PDC Subsidy Expected	Total Potential Subsidy
0-30%	359	\$40,000	\$14,360,000
31-50%	365	\$35,000	\$12,775,000
51-80%	440	\$20,000	\$8,800,000
<b>Total</b>			<b>\$35,935,000</b>

These per unit PDC estimates assume property tax abatements and applicable fee waivers, as well as other sources available for affordable housing development including bonds, tax credits, Oregon Housing Trust Fund, and private resources.

PDC believes that funds are, and will continue to be, available to subsidize a balanced housing program in the River District over the next 20 years. Preservation and/or replacement of low income units, especially the "at risk" Section 8 units, is a major priority for the city and therefore for use of housing funds in the River District. PDC also anticipates having resources to support homeownership opportunities for households up to 20% MFI. Urban renewal funds are available in River District URD and in the Oldtown/Chinatown area in the Downtown Waterfront URD.

## IMPLEMENTATION TOOLS

### Housing Programs

There are several financing tools available for implementing the River District Housing Implementation Strategy. Below is a summary of some of these tools.

#### **A. Multi-Unit Housing Revenue Bond Program**

The Multi-Unit Housing Revenue Bond program uses the sale of tax-exempt revenue bonds to offer below market rate financing for construction and/or permanent financing of multi-family rental housing developments. The program can be used by for-profit and non-profit developers. Financing terms are subject to availability of tax exempt bond allocation, program guidelines and bond market conditions. The funds can be used for a broad range of income levels, but carry with them rent restrictions that require that either 20% of the units be occupied by households with incomes below 50% of the metropolitan area's median income or 40% or more of the units be occupied by households whose incomes do not exceed 60% of median. The program is best suited for projects with 50 or more units.

Housing bonds can be issued through the City of Portland but are not guaranteed by the full faith and credit of the City. The bond financing process is complex and requires extensive legal and accounting advice. However, bonds are a cost-effective financing approach for projects requiring more than \$3 million of bonded indebtedness. The benefits of the bonds are: below-market interest rates, and financing terms up to 40 years. In recent years, bonds have seen limited usage due to the difficulty in securing the required credit enhancement or additional security. The enhancement can be obtained by private insurance, HUD insurance or other creative mechanisms, including letters of credit. In today's bond market, HUD 221(d)(4) insurance is one of the more often used tools.

This program can also be used in conjunction with other public financing sources including the Federal Low-Income Rental Housing Tax Credit and the City's Property Tax Exemption Program for New Rental Housing.

Housing revenue bonds are a viable tool for financing mixed-income housing projects. Examples of recent projects funded by the Multi-Unit Housing Revenue Bond Program include the Yards at Union Station, Fifth Avenue Place and Fifth Avenue Court.

#### **B. Mortgage Insurance HUD 221(d)(4)**

The U.S. Department of Housing and Urban Development (HUD) Mortgage insurance is a commonly used credit enhancement coupled with loans from the private lending



community or housing revenue bonds. Although there are no income restrictions, it involves a lengthy review and approval process. One of the more difficult provisions of this program is that all construction drawings must be completed prior to final commitment from HUD. The benefits of this enhancement are significant: 1) the insurance is non-recourse to the borrower; 2) it can have a term of up to 40 years; and 3) it will cover up to 90% of project costs for private developers and 100% for non-profit developers.

**C. Federal Low-Income Housing Tax Credit**

The Federal Low-Income Housing Tax Credit (LIHTC) provides a federal income tax credit for new construction and rehabilitation of residential units for low-income individuals and for certain acquisition costs of existing housing. Typically, the credits are purchased by corporations with anticipated tax liabilities and are claimed for ten consecutive years following the date that the qualified property is placed in service. Projects are eligible if they meet the rent restrictions similar to those outlined for the Multi-Unit Housing Revenue Bond Program. Residents in eligible units may not pay more than 30% or the applicable income limitation for rent and utilities (except telephone). Generally, properties receiving tax credits must remain in compliance with the set-aside and rent restriction tests outlined above for a period of at least 15 years, but commonly up to 50 years.

This tool is complex, but may be used to raise additional equity for a project. Typically, the tax credit would only be used in very large projects where the amount of credit that could be syndicated would be significantly greater than issuance costs. The tax credit is either 9% or 4% of the eligible basis (i.e. qualified expenses) of the project. The formula for calculating tax credits is complicated and should be estimated by professionals familiar with the program.

The LIHTC is awarded to projects through a competitive application process conducted by the Oregon Housing and Community Services Department (OHCS), or, for some projects using tax exempt bonds, through a non-competitive application to OHCS.

**D. Limited Property Tax Abatement Program for New Rental Housing (ORS 307.600, PCC 3.104)**

The City of Portland has a limited property tax abatement program for qualifying new construction of multi-family rental housing with ten or more units in targeted areas of the City, including all of the River District. Projects receiving the abatement are exempted from ad valorem taxes on the value of the improvements for a 10-year period. The value of the land on which the new multiple unit structure sits and the value of any improvements which do not provide a public benefit are taxable. In return for the tax abatement, the developer creates housing that otherwise would not be financially feasible to build, and that provides other public benefits such as open space, day care, etc.

**E. Historic Rehabilitation Tax Credits**

The Historic Rehabilitation Tax Credit is generally available for qualified rehabilitation expenditures incurred in conjunction with certified historic structures. The historic credit can be claimed in addition to the low-income housing tax credit in the year the property is placed in service and is equal to 20% of the qualified basis of the property.

**F. Charitable, Non-Profit Property Tax Abatement**

A low-income project under the ownership or control of a qualified non-profit agency, can receive property tax exemption on the value of land and improvements from the County Assessor, renewable annually, for the units occupied by households with incomes below 60% of the median. Likewise, if ownership is held by the City of Portland (through the Housing Authority, for example) it will also be exempt from taxes.

**G. Other Public Financing Programs for Low-Income Housing Projects**

A variety of other local, state and federal programs are available for housing serving low-income tenants, for example, the Oregon Affordable Housing Tax Credit for Low-Income Housing. Many of these programs are only available to non-profit developers. They are administered by the Oregon Housing and Community Services Department, the Portland Development Commission, the Bureau of Community Development or HUD.

Because Tax Increment Funds are now available throughout the River District it is not anticipated that Community Development Block Grant (CDBG) and HOME will be needed to meet housing goals.

There are however, a number of federal grant programs and charitable foundation opportunities for which non-profit agencies may qualify.

**H. Private Financing**

The private financing community is also a viable route for funding housing projects and interest rates are still relatively low. However, funding is limited due to stricter lender standards which have been instituted by federal regulatory reforms. Lenders will be more likely to finance more traditional or "proven" projects than unusual or "different than the norm" projects.

Local lending institutions may also be more likely to participate in financing River District projects to the extent doing so furthers their Community Reinvestment Act (CRA) goals.

Other sources of short and long-term private financing may also be available including certain pension funds, major insurance companies and other real estate investment sources.

Typically, with low-income projects, private financing is but one of many sources

necessary to complete the funding package.

**I. Tax Increment Financing**

Historically, the City of Portland has made extensive use of tax increment financing as a flexible tool to assist in the development of extremely low, low, moderate and middle-income housing in its Central City Urban Renewal areas. With the passage of Measure 50 and the recent adoption of the River District Urban Renewal District this resource will provide the major source of financing for housing in the district. PDC standard loan guidelines and public subsidy retention and recapture mechanisms will apply to use of TIF.

**J. Housing Authority of Portland**

Like the City, the Housing Authority of Portland (HAP) has the authority to issue multi-family housing revenue bonds to accomplish affordable housing. One distinction, however, is that the Housing Authority has the ability to issue those bonds without the normal credit enhancement for projects which will be owned by HAP. Currently, HAP has significant capacity and anticipates being a major player in implementing affordable housing in the River District.

**K. Local Non-Profit Housing Agencies**

Currently, a large portion of the housing stock in the River District is owned by non-profit agencies, either directly, or through partnership agreements. These properties reflect sophisticated financial packaging and are being managed in ways that enhance the community. There are sources of funding available to non-profit agencies that are not available to public or private organizations. These non-profit agencies are expected to be an important part of the ownership and management mix in the River District in the years ahead.

**APPENDICES**

1. Resolution #35746
2. Map of River District boundaries
3. River District Housing Implementation Strategy Advisory Group
4. 1999 HUD Rent Worksheet
5. HUD Utility Worksheet
6. List of Properties Surveyed

**RESOLUTION No. 35746**

Request the Portland Development Commission to update the River District Housing Implementation Strategy and monitor implementation efforts. (Resolution)

WHEREAS, on May 11, 1994, after extensive public review and comment, the City Council adopted Resolution No. 35274 endorsing the River District Development Plan; and

WHEREAS, Resolution No. 35274 contained the City Council's request that the Portland Development Commission (PDC) develop, in cooperation with the River District Steering Committee and other agencies, a housing implementation strategy establishing a goal of constructing 5,555 new housing units in the River District Development Plan Area; and

WHEREAS, Resolution No. 35274 stated the City Council's intent to identify specific housing production targets to ensure that 1) new housing development in the River District Development Plan Area will serve a variety of household incomes; and 2) upon full build-out the River District Development Plan Area will reflect the household income distribution of the City as a whole; and

WHEREAS, on December 21, 1994, the City Council adopted Resolution No. 35350 approving the River District Strategic Investment Plan and the River District Housing Implementation Strategy (hereinafter "Housing Implementation Strategy"); and

WHEREAS, many relevant conditions have changed since the City Council adopted the Housing Implementation Strategy in 1994; and

WHEREAS, the Housing Implementation Strategy (page 5) defines the River District Development Plan Area as "a district defined by West Burnside street, the I-405 freeway and the Willamette River, along with Terminal 1, just north of the Fremont Bridge;" and

WHEREAS, the Housing Implementation Strategy established a total new production goal for the River District Development Plan Area of 5,555 housing units with specific affordability targets for new housing in the following income categories: 0-50% Median Family Income (MFI); 51-80% MFI; and 81+% MFI; and

WHEREAS, on October 21, 1998, the City Council adopted Ordinance No. 172808 approving the River District Urban Renewal Plan (September 23, 1998); and

WHEREAS, the River District Urban Renewal Plan (September 23, 1998) defines the "River District Urban Renewal Area" (see, Exhibit A) as a subset of the River District Development Plan Area and a sixteen block area south of Burnside Street; and

WHEREAS, the Community Development Network, the Portland League of Women Voters and other affordable housing advocates have called for an update of the Housing Implementation Strategy for the River District Development Plan Area consistent with the Council's prior direction; and

WHEREAS, the City Council received public testimony urging additional consideration for the needs of family housing in the Housing Implementation Strategy and the River District Urban Renewal Plan to ensure that development occur consistent with the Council's prior direction; and

WHEREAS, Portland Development Commission staff have agreed to conduct an update of the Housing Implementation Strategy.

NOW, THEREFORE, BE IT RESOLVED that the Portland City Council requests that the Portland Development Commission, in collaboration with the Housing and Community Development Commission,

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Bureau of Housing and Community Development, the Planning Bureau, River District Steering Committee and other interested community and business organizations, conduct an update of the Housing Implementation Strategy to be completed within 180 days of the adoption of this resolution; and

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BE IT FURTHER RESOLVED that the Portland City Council requests that the Portland Development Commission's update of the Housing Implementation Strategy shall include an inventory of the currently available housing stock within the River District Development Plan Area, including housing unit size by number of bedrooms and housing type, and a comparison to the original inventory undertaken pursuant to Resolution No. 35350 using the following affordability categories: 0-30% Median Family Income (MFI); 31-50% MFI; 51-80% MFI; 81-120% MFI and 121+% MFI (including utility costs in the assessment of affordability); and

BE IT FURTHER RESOLVED that the revised Housing Implementation Strategy shall include an update of the housing production goals for the River District Development Plan Area; and

BE IT FURTHER RESOLVED that the Portland City Council intends to use the revised Housing Implementation Strategy to guide the allocation of city resources (including urban renewal resources) for the development of housing in the River District Development Plan Area; and

BE IT FURTHER RESOLVED that the City Council requests that the Portland Development Commission and the Housing and Community Development Commission monitor housing production, including housing unit size by number of bedrooms and housing type, in the River District Development Plan Area and report its findings to Council annually; and

BE IT FURTHER RESOLVED that the City Council requests that the Portland Development Commission: 1) monitor housing production by housing unit size in the River District Development Plan Area; 2) conduct a periodic analysis at a minimum of every two years to identify demand for family housing (2+ bedrooms) in the district; and 3) recommend modifications to the Housing Implementation Strategy as may be necessary to accommodate consumer demand for family housing (2+ bedrooms) in the district; and

BE IT FURTHER RESOLVED that pending the completion of the Housing Implementation Strategy update and River District Development Plan amendments, the City Council intends that all urban renewal resources used for housing production in the River District Urban Renewal Plan Area shall be used to develop housing for target populations at or below 80% MFI; and

BE IT FURTHER RESOLVED that the City Council requests that the Portland Development Commission create a strategy to promote the development of housing for target populations of 81-120% without using those resources currently designated in the River District Urban Renewal Plan for affordable housing production; and

BE IT FURTHER RESOLVED that the City Council requests that the Portland Development Commission include provisions in its Five-Year Business Plan to conduct a subsequent update of the Housing Implementation Strategy in five years (2003) or as soon as Census 2000 data becomes available, whichever occurs first.

Commissioner Sten  
Prepared by: Marshall Runkel  
Date Prepared:

BARBARA CLARK,  
Auditor of the City of Portland  
By

*Britta Olson*

**ADOPTED** by the Council: **DEC 09 1998**

Deputy

35802

**HOUSING IMPLEMENTATION STRATEGY ADVISORY GROUP**  
**April 23, 1999**

John Carroll, River District Steering Committee  
Carroll Investment, LLC  
4129 SW Greenleaf Court  
Portland, OR 97221

Doreen Binder, River District Steering Committee  
Transition Projects, Inc.  
435 NW Glisan Street  
Portland, OR 97209

Anne Willer, Portland League of Women Voters  
4223 SE Evergreen  
Portland, OR 97209

John Tess, Historic Old Town District Association  
Heritage Investment Co.  
123 NW Second Ave #200  
Portland, OR 97209

Will White, Community Development Network  
Housing Development Center  
2627 NE MLK  
Portland, OR 97212

Ann Gardner, APP Housing Sub-Committee  
Schnitzer Investment Corp.  
3200 NW Yeon Avenue  
Portland, OR 97296

Genny Nelson, Oldtown/Chinatown Neighborhood Association  
Sisters of the Road Café  
133 NW Sixth  
Portland, OR 97209

Richard Harris, Oldtown/Chinatown Vision Steering Committee  
Central City Concern  
2 NW Second  
Portland, OR 97209

David August, Pearl District Neighborhood Association  
555 NW Park Ave, #802  
Portland, OR 97209

Portland Development Commission

Income / Rent Guidelines

HUD Median Family Income (4 persons)

52,400

Housing Burden (A)

30%

As Of

2/16/99

Annual Median Family Income Guidelines (rounded to the nearest \$50)						
household size	30%	50%	60%	80%	100%	120%
1	11,000	18,350	22,000	29,350	36,700	44,050
2	12,600	20,950	25,150	33,550	41,900	50,300
3	14,150	23,600	28,300	37,750	47,150	56,600
4	15,700	26,200	31,450	41,900	52,400	62,900
5	17,000	28,300	33,950	45,250	56,600	67,900
6	18,250	30,400	36,500	48,650	60,800	72,950
7	19,500	32,500	39,000	52,000	65,000	78,000
8	20,750	34,600	41,500	55,350	69,150	83,000

Maximum Monthly Rent Including Utilities, by % of Median Family Income (B)							
unit type	household size	30%	50%	60%	80%	100%	120%
GH	0.75	206	344	413	550	688	826
0	1	275	459	550	734	918	1,101
1	2	315	524	629	839	1,048	1,258
2	3	354	590	708	944	1,179	1,415
3	5	425	708	849	1,131	1,415	1,698
4	6	456	760	913	1,216	1,520	1,824
5	8	519	865	1,038	1,384	1,729	2,075

**Notes**

- A PDC computed affordability using the standard 30% housing burden threshold.
- B In properties where tenants pay some or all utilities, PDC calculated affordability using 1999 HUD utility allowances provided by the Housing Authority of Portland (see Appendix 5).



**Housing Implementation Strategy Update:****Purchased/Owner Occupied Properties Surveyed:**

<b>Name of Property</b>	<b>Property Address</b>
419 NW 9th	419 NW 9th
CHOWN PELLA LOFTS	416 NW 13TH AVE
CITY LOFTS CONDOMINIUM	1011 NW GLISAN
FLANDERS LOFTS	725 NW FLANDERS ST.
HOYT COMMONS	618 NW 12TH AVE
IRVING STREET LOFTS	1314 NW IRVING
IRVING STREET TOWNHOMES	705-717 NW 11th;1107-1135 NW Irving;732-744 NW 12th
JOHNSON STREET TOWNHOMES	NW 11TH, NW 12TH, NW JOHNSON
MCKENZIE LOFTS	408 NW 12TH
MODERN CONFECTIONARY LOFTS	1240 NW HOYT
NORTH PARK LOFTS	733 NW EVERETT
PARK NORTHWEST	NW Park between Everett & Flanders
PEARL LOFTS	1009 NW HOYT
PEARL TOWNHOMES	602-636 NW 11th
RIVERSTONE EAST	821 NW 11TH AVE
RIVERSTONE WEST	820 NW 12th
TANNER PLACE	1030 NW JOHNSON
YARDS AT UNION STATION B	783-943 NW FRONT
<b>Total Number of Properties Surveyed</b>	<b>18</b>

**Housing Implementation Strategy Update:****Rental Properties Surveyed:**

<b>Name of Property</b>	<b>Property Address</b>
208-210 NW 15TH	208-210 NW 15th Ave.
405 NW 9th	405 NW 9th
5TH AVE COURT	231 NW 5TH
5TH AVENUE PLACE APARTMENTS	314 NW 5TH AVE
BEAVER HOTEL	506 NW 5th
BILTMORE HOTEL	310 NW SIXTH AVE
BLANCHET HOUSE	340 NW GLISAN
BOW LEONG BING KONG SOCIETY	20 NW 4TH
BUTTE HOTEL	610 NW DAVIS
DOWNTOWN CHAPEL RECTORY	601 W. BURNSIDE
ESTATE HOTEL	225 NW Couch
EVERETT HOTEL	306 NW BROADWAY
EVERETT STATION LOFTS	605-25 NW EVERETT
GEE HOW OAK TIN ASSOCIATION	26-32 NW FOURTH AVE.
GOLDEN WEST	707 NW EVERETT ST
GROVE HOTEL	421 W BURNSIDE
HONEYMAN HARDWARE LOFTS	555 NW PARK
KEARNEY PLAZA	930 NW 12TH
MACDONALD CENTER	615-21 NW Couch
McCORMICK PIER	606-710 NW FRONT AVE
MUSOLF MANOR	216 NW THIRD
NEW PALACE HOTEL	306 NW EVERETT
PEARL COURT	920 NW KEARNEY
PORTLAND RESCUE MISSION	111 W. BURNSIDE
RICH HOTEL	205 NW COUCH
ROYAL PALM HOTEL	310 NW FLANDERS

4/27/99

**Housing Implementation Strategy Update:****Rental Properties Surveyed:**

<b>Name of Property</b>	<b>Property Address</b>
SALLY McCracken	532 NW EVERETT
SHORELINE	123 W BURNSIDE
SWINDELLS	10 NW BROADWAY
TOWNHOUSE RENTAL LOFT	14 NW 3RD
TRANSITION PROJECTS NIGHT SHELTER	435 NW GLISAN
UNION GOSPEL MISSION	15 NW THIRD AVE
WEST HOTEL	127 NW SIXTH AVE.
WESTWIND APARTMENTS	333 NW SIXTH AVE.
YARDS AT UNION STATION A	800 NW FRONT
YARDS AT UNION STATION B	783-943 NW FRONT
<b>Total Number of Properties Surveyed</b>	<b>36</b>

**Housing Implementation Strategy Update:****Rental Properties Surveyed:**

<b>Name of Property</b>	<b>Property Address</b>
SALLY McCracken	532 NW EVERETT
SHORELINE	123 W BURNSIDE
SWINDELLS	10 NW BROADWAY
TOWNHOUSE RENTAL LOFT	14 NW 3RD
TRANSITION PROJECTS NIGHT SHELTER	435 NW GLISAN
UNION GOSPEL MISSION	15 NW THIRD AVE
WEST HOTEL	127 NW SIXTH AVE.
WESTWIND APARTMENTS	333 NW SIXTH AVE.
YARDS AT UNION STATION A	800 NW FRONT
YARDS AT UNION STATION B	783-943 NW FRONT
<b>Total Number of Properties Surveyed</b>	<b>36</b>



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**GABRIELE**

DEVELOPMENT SERVICES

3334 NW Vaughn Street  
Portland, Oregon 97210  
Telephone (503) 227-4968  
Facsimile (503) 228-3572  
gabdevs@teleport.com

June 14, 1999

The Honorable Mayor Vera Katz and Member of the City Council  
City of Portland  
1220 SW Fifth  
Portland, OR 97204

RE: 1999 River District Housing Implementation Update

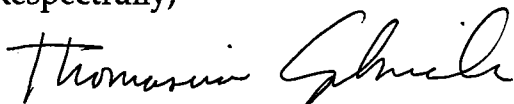
Dear Mayor and City Commissioners:

This letter is written on behalf of a newly formed non-profit corporation called the Zimmerman Community Center (ZCC). The purpose of ZCC is to create a community center to help serve the spiritual and civic needs of residents and employees of the River District. Isabel Zimmerman, a schoolteacher with an interest in youth, bequeathed \$1,000,000 to help fund this center in honor of her parents.

ZCC supports acceptance of the 1999 River District Housing Implementation Strategy Update and encourages the recommended levels of public subsidy for low and moderate-income housing. The Update provides helpful information about the number and type of existing and proposed housing units in the District.

The scope of the Update did not permit fully exploring the type of families who may live or work in the District and assessing the range of amenities that help make a District a neighborhood. ZCC has commissioned a market study to help define the services most in demand for a community center located in the River District. Since the study will interview those who live or work in the District, as well as real estate professionals and potential service providers, it may provide information of interest to City Council. Should the Council so direct, ZCC would be happy to share this information with City Council or the appropriate city bureaus when it is available this fall.

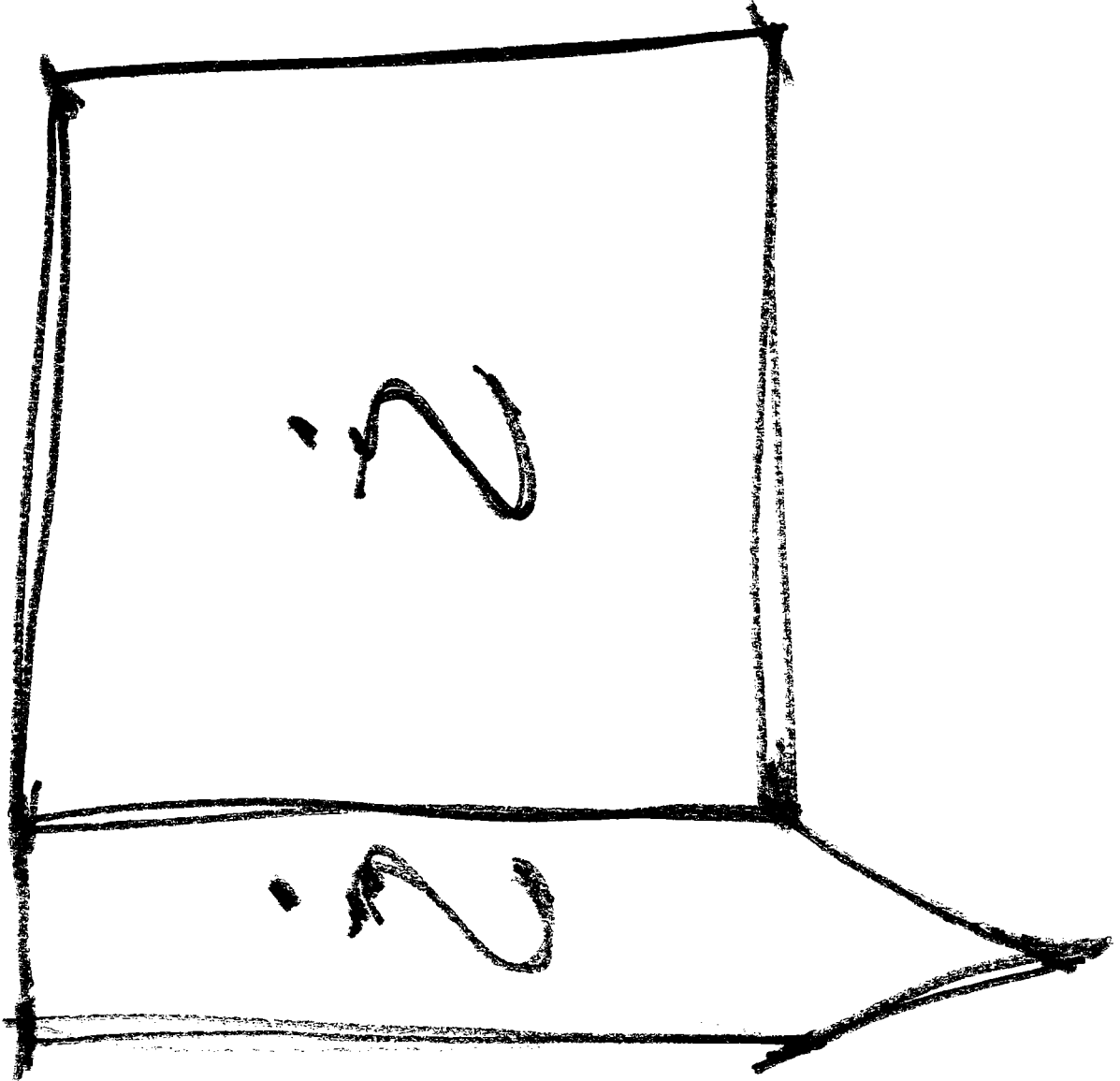
Respectfully,



Thomasina Gabriele

cc. Margaret Bax, PDC  
Zimmerman Executive Committee

Submitted by  
Thomas Johnson



35802

their fair share of housing for very low income people, setting the citywide average percentage as the maximum number of units to be built in urban renewal areas dooms most very low-income people to high shelter cost burdens or homelessness.

To summarize, we'd like to thank Council and PDC for their work in updating the HIS for the River District. This document provides some important groundwork for the decisions that need to be made about how TIF money will be spent in the River District on housing, and provides much needed perspective on some of the larger questions the City must wrestle with in making decisions about how to address affordable housing problems. In reviewing this update, we would ask City Council to take the following actions:

- 1) **Preservation:** Ensure that PDC has a way to track affordable housing units lost each year in the River District and that those units loss will be added to the total number of new low or very low income units to be produced in the District; and, ask PDC to clarify the process by which funds will be prioritized for preservation/replacement of low-income units vs. moderate income homeownership and require that the latter be a secondary priority.
- 2) **Long-Term Affordability:** Ensure that all homeownership units produced for households under 120% of MFI will stay affordable in perpetuity to people in the income brackets for which they were designed.
- 3) **Mandate Moderate Income Housing in the Urban Renewal Districts:** Create an inclusionary zoning policy for moderate income housing in all urban renewal district in order to ensure that the middle class can live in these communities without requiring the use of scarce housing subsidies.
- 4) **Renew the City's Commitment to House Very Low Income People:** Start a working group to develop strategies for creating and maintaining housing for very low income people, and look for ways to use TIF dollars to help that happen in the urban renewal areas.
- 5) **Create More Inclusive Communities in Other Neighborhoods:** Start a working group to develop strategies for diversifying high income neighborhoods so that deconcentration of poverty in lower-income neighborhoods does not result in less housing for poor people citywide, and/or, reexamine the development policy for the urban renewal districts which places a cap on how much affordable housing can be developed in these areas and has caused the loss of many badly needed units of affordable housing.

Thank you for your attention to these important issues. If you have questions, please call me at 335-9884. The Community Development Network would be interested in participating in any of the above suggested working groups and we look forward to continuing to assist the City in providing affordable housing for its citizens.



uses are lumped together, with no methodology described for how decisions would be made about how much of these funds to spend on which activity.

The report identifies 300 units of housing “currently affordable for low and extremely low income households... located in aging building which are in private ownership and do not have long term affordability agreement with the City” (pg. 6) which are, perhaps, especially vulnerable to gentrification pressures. It does not tell us how many “at risk” Section 8 Units are in the River District, nor does it give us any sense of how much money might be required to preserve the units in these two categories. The CDN continues to believe that it is important to include a full spectrum of housing for all income levels in the River District, but we are unconvinced that moderate income homeownership opportunities should be provided using scarce public subsidies at the expense of the preservation/replacement of rental units for low and very low income people. At minimum, there should be a clear process for decision making about the use of this \$15 million included in the final version of this report, and that process should prioritize preservation and replacement of low and very low income units over subsidizing homeownership for moderate income people.

**Competition for Citywide Resources:** The statement that City Council “continues to endorse the use of the range of available implementation tools, including (a wide variety of local, state and federal resources)”(pg. 12) causes some real concern among the neighborhoods and nonprofits on the east side of the river who do not have access to \$53 million in TIF and will be competing with River District projects for all of these other funds. A broader public dialogue about how the goals for the River District fit into the larger affordable housing and community revitalization goals of the City needs to occur in which these potential conflicts can be addressed directly.

**Additional Implementation Tools:** The list of Implementation Tools should include the Housing Preservation Ordinance. It should also include limited-equity deed restrictions, and, potentially, the Community Land Trust, as tools for ensuring the long-term affordability of homeownership units. Again, we strongly recommend that City Council add Inclusionary Zoning to the list of tools available to meet the River District moderate income housing goals by passing a resolution making Inclusionary Zoning a requirement in urban renewal districts that include housing goals.

**The Role of the River District in Meeting Larger Citywide Housing Goals:** Finally, and most fundamentally, Council needs to consider some basic questions about the goals mandated by City Council in the Urban Renewal areas. Using the mandated goals, we will end up with far fewer units for people at or below 30% of MFI in the River District at build-out than existed in 1994, at a time when the City shows an extraordinary shortage of units to meet the needs of this group citywide. We strongly support strategies to deconcentrate poverty and improve neighborhoods, but such strategies will result in an overall improvement in our community and for low-income people only if they are coupled with strategies to increase economic diversity in existing higher-income neighborhoods. Unless all other neighborhoods in the City step up and create

**Provision of Very Low Income Housing:** The report does not address the critical barrier to building housing for extremely low-income people -- the lack of ongoing subsidies to make up the difference between what they can afford to pay and the operating costs of a housing project even if it is debt-free. Without a strategy for addressing this critical need, the goal of matching the demographics of the City as a whole is unreachable.

**Long-Term Affordability for Subsidized Homeownership:** There is no indication in the report's recommendations that subsidized homeownership for people between 81% and 120% of MFI will have long-term affordability requirements attached to it. Without such requirements, the demographics of the River District will not match those of the City for long -- as soon as owners are able to sell their subsidized unit at market price moderate income people will be priced out. One solution would be to put these units (or at least their resale restriction) into the citywide community land trust currently under discussion. If PDC does not want to make a formal recommendation on the tool for ensuring long-term affordability in the HIS, it would probably be sufficient to state clearly that subsidy retention strategies would be used to ensure that these units would stay affordable in perpetuity. The current language, "PDC (shall?) continue to use retention and recapture mechanisms to maximize the use of public subsidies for both rental and ownership housing" (pg. 12), does not adequately address this concern, since subsidy recapture mechanisms will do nothing to ensure a stable income mix over time.

**Moderate Income Homeownership:** There is nothing in the HIS about how the City will encourage (or require) the market-rate housing to target as wide a market as possible (pg. 12). If it is still the City's intention to have the demographics of the River District match those of the city as a whole, there will have to be ways to get the private sector to build housing for the low-end of the market as well as the high, and, ways to ensure that the moderately-priced units are available to those of moderate incomes and stay affordable over the long haul. The Community Development Network continues to strongly recommend that an inclusionary zoning policy be applied to all urban renewal areas.

**Size of Affordable Units:** While the report recommends that market-rate housing be targeted to accommodate households of many different sizes, the issue of what kinds/sizes of units will be provided for low and very low income people is not addressed. If it is the goal that families should be able to live in the River District, then some of those family units should be affordable to low and very low income people.

**Prioritization of Use of Funds -- Preservation vs. homeownership:** The outline of how the \$53 million in TIF will be spent on page 13 appears to reserve about \$15 million for "Preservation and/or replacement of low income units, especially the 'at risk' Section 8 Units ... (and) homeownership opportunities for households up to 120% MFI". This is more than is set aside in the chart to fund units for people between 0% and 30% of MFI. We have concerns that these two very different



June 17, 1999

To: Portland City Council  
From: Tasha Harmon, Community Development Network  
re: River District Housing Implementation Strategy Update

Thank you for the opportunity to comment on the River District Housing Implementation Strategy Update. The Community Development Network is pleased that City Council required an update of this important document as part of the on-going process to create a mix of housing in the River District. We very much appreciate the hard work of Margaret Bax, Martha Gies, the advisory committee members and the many staff at PDC who participated in this work. We are impressed by the thoroughness of the inventory and the clarity of writing in the report. It is very useful as a base from which to develop a relevant Housing Implementation Strategy for the next stages of redevelopment in the River District.

We do have concerns about some of the specific conclusions and recommendations in the report.

Non-profits developing  
affordable housing and  
revitalizing neighborhoods

**Key Finding:** As a base for outlining these concerns, we would like to highlight what we found to be the most significant finding of the report: the proportion of very low income housing (for people below 30% of MFI) in the River District, including Old Town, has dropped by 73%, while the proportion of high income housing (for people above 120% of MFI) has increased by 1100%. This finding is reported as evidence that the City is well on its way to meeting the build-out goals of the District, since this has moved the District closer to matching the demographics of the City as a whole. However, at a time when the City is experiencing a severe shortage of housing affordable to very low income people, this finding raises strong concerns about the basic stated goals for housing in urban renewal areas and underlines the need to think clearly about what our goals are in the River District, what tools we have to achieve them, and how they relate to our citywide housing goals.

**Preservation of the at-risk stock:** The "units to do" percentages in Chart 5 are accurate only if there is no further loss of affordable housing. While the report does clearly indicate that the new low and very low income units required to meet the City's targets at build-out will increase if more such units are lost in the existing stock, there is no methodology for keeping track of unit loss and adjusting the targets.

It would also be extremely helpful to have the list of rental properties in Appendix 6 show which are income restricted due to public subsidy, to what income levels, and the length of any affordability requirements attached to them. Perhaps this information could be added to the report.

**35802**

**RESOLUTION NO.**

Adopt the 1999 River District Housing Implementation Strategy Update Report and Recommendations (Exhibit A). (Resolution)

**WHEREAS**, on May 11, 1994, after extensive public review and comment, the City Council adopted Resolution No. 35274 endorsing the River District Development Plan; and

**WHEREAS**, Resolution No. 35274 included the City Council's request that the Portland Development Commission (PDC) develop a housing implementation strategy to ensure that 1) new housing development in the River District Development Plan Area serve a variety of household incomes, and 2) upon full build-out, the River District Development Plan Area will reflect the household income distribution of the city as a whole; and

**WHEREAS**, Resolution No. 35724 also directed PDC to coordinate with City Bureaus and negotiate agreements with individual property owners to ensure that the public investment in infrastructure and other public assistance result in a corresponding commitment by the property owners for the development of housing at the desired densities and of the desired type; and

**WHEREAS**, on December 21, 1994, the City Council adopted Resolution No. 35350 approving the River District Strategic Investment Plan and the River District Housing Implementation Strategy; and

**WHEREAS**, many relevant conditions have changed since the City Council adopted the Housing Implementation Strategy in 1994; and

**WHEREAS**, on December 9, 1998 the City Council adopted Resolution No. 35746 requesting the Portland Development Commission complete an update of the River District Housing Implementation Strategy within 180 days; and

**WHEREAS**, Resolution No. 35746 directed that this Update include an inventory of currently available housing stock within the River District Development Plan Area, including housing units by size, housing type, and the following affordability categories: 0-30% Median Family Income (MFI); 31-50% MFI; 51-80% MFI; 81-120% MFI; and 121+% MFI (including tenant paid utility costs in the assessment of affordability); and

**WHEREAS**, Resolution No. 35746 also directed that the Housing Implementation Strategy Update include revised production goals for new housing in the River District Development Plan Area; and

**WHEREAS**, in January 1999, the Portland Development Commission established the River District Housing Implementation Strategy Update Advisory Group to assist with the Housing Implementation Strategy Update and hired a consultant to conduct a comprehensive survey of housing in the River District Development Plan Area; and

**WHEREAS**, the Portland Development Commission, with the assistance of the Advisory Group, the consultant, the Bureau of Planning and Housing and Community Development Commission staff, completed the inventory of current housing in the River District Development Plan Area; and

**WHEREAS**, the PDC has recommended revised production goals for new housing in the River District Development Plan Area and has prepared the River District Housing Implementation Strategy Update Report, which includes the survey data, the revised production goals and other recommendations for an Updated River District Housing Implementation Strategy; and

**WHEREAS**, the River District Housing Implementation Strategy Update Report has been distributed to the public including the Housing and Community Development Commission, the Community Development Network, the League of Women Voters, and other interested parties;

**NOW, THEREFORE BE IT RESOLVED** that the Portland City Council adopts the River District Housing Implementation Strategy Update Report and the recommendations included therein as Exhibit A; and

**BE IT FURTHER RESOLVED** that the City Council requests the Portland Development Commission conduct an annual review of the progress being made in achieving the new targets and prepare an annual report and present it to the Housing Evaluation Group and the Housing and Community Development Commission prior to City Council; and

**BE IT FURTHER RESOLVED** that City Council may adjust the housing production targets and other development priorities to address the loss of housing, especially project based Section 8 units, or other significant changes in the market or availability of financing.

Adopted by the Council, **JUN 16 1999**

Commissioner: Erik Sten  
Prepared by: Bob Durston  
Date prepared: June 3, 1999

Gary Blackmer  
Auditor of the City of Portland  
By: *Britta Olson*  
Deputy

RESOLUTION NO.

Title

Adopt the 1999 River District Housing Implementation Strategy Update Report and Recommendations (Exhibit A).  
(Resolution)

INTRODUCED BY	DATE FILED: <b>JUN 11 1999</b>
Commissioner Erik Sten	Gary Blackmer Auditor of the City of Portland
NOTED BY COMMISSIONER	By: <u><i>Cay Kershner</i></u> Deputy
Affairs	
Finance and Administration	
Safety	
Utilities	
Works <b>ES (R) D</b>	
BUREAU APPROVAL	For Meeting of: _____
Bureau: <i>Commissioner Sten's office</i>	ACTION TAKEN:
Prepared by      Date	
<i>Bob Durston      6-3-99</i>	
Budget Impact Review:	
<input type="checkbox"/> Completed <input type="checkbox"/> Not Required	
Bureau Head:	

AGENDA		FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
			YEAS	NAYS	
Consent	Regular <i>X</i>	Francesconi	✓		
NOTED BY		Hales	✓		
City Attorney		Saltzman	—		
City Auditor		Sten	✓		
City Engineer		Katz	✓		