

HOUSING PRODUCTION & PRESERVATION/ Preservation

The goal of the Preservation program is to preserve deeply subsidized rental homes developed under the Project-Base section 8 program, for income-eligible households.

Preservation Needs

The City of Portland has a number of privately-owned multi-family apartment buildings that are rent-restricted and subject to affordability contracts under HUD's Project-Based Section 8 program. Because this program no longer exists, if the affordability contracts are not renewed, the homes will lose their rent restrictions and the tenants will risk displacement.

There are five buildings with affordability contracts due to expire before 2013: the Lexington, the Park Tower, the 1200 Building, the Hawthorne East, and the Bronough. These buildings include 458 rental homes, primarily occupied by elderly or disabled tenants and hard-working families. Each tenant household pays 30% of household income for rent. HUD subsidizes the difference between this tenant contribution and the fair market rental for the unit.

Preservation Program

The Preservation Program seeks to preserve the affordability of these privately-owned units by facilitating the transfer of the property to an entity that agrees to renew the affordability agreement with HUD for a 20-year term. PHB typically provides gap financing, construction, and permanent loans to the non-profit project sponsor for the acquisition; the property therefore becomes subject to the City's 60-year affordability ordinance.

The Preservation Program funds preservation work with a range of financial tools. Those tools include City General Fund; a Section 108 loan guarantee fund; loans and/or grants of housing and community development formula funds; and, if the property is located in an Urban Renewal area, loans and/or grants of tax increment funds. The Program also provides technical assistance on project financing to potential project sponsors.

The Preservation Program works in coordination with the State Department of Housing and Community Services Consolidated Funding Cycle, in order to position preservation projects for tax credits and other development resources administered by the State. The Program also works in coordination with the Oregon Housing Affordability Program, which can give a potential sponsor access to the Oregon Housing Affordability Fund, a revolving fund that allows a sponsor to secure a Preservation property before permanent financing has been arranged.

Housing Preservation Tools

The Preservation Program may use any of the tools described in the Housing Development & Finance Tools strategy.

Properties preserved under this strategy are assets that will be managed for the long-term benefit of the community. Please see the Asset Management strategy.

Housing Preservation Project Selection Criteria

PHB will generally set aside funds to preserve project with approaching expiration dates.

Program Eligibility

Projects currently operating under affordability agreements with HUD that are due to expire on or before FY 2016-17 are eligible for assistance under this Program.

Project sponsors may be private for-profit companies and/or non-profit mission-based organizations. Project sponsors must be willing to execute an extension of the expiring affordability agreement with HUD for a minimum of 20 years, and must also demonstrate capacity for ownership and long-term management of the project. For projects awarded HOME funding, preference will be given to organizations that are certified Community Housing Development Organizations.

Potential Barriers

The depressed real estate market has prompted some private owners of expiring-use properties to execute short-term extensions (1-5 years) of their affordability contracts with HUD. PHB will still need to initiate preservation of these properties, but at a later date.

Financial resources to accomplish Preservation goals are in short supply. A decline in Federal housing development resources will adversely affect the number of units that PHB can preserve. It may also be difficult to fund preservation of projects that are located outside the boundaries of an urban renewal area, or in a URA that has exhausted its housing budget.

In addition to preserving the affordability of the units, PHB would like to protect the housing stability of the tenants. As the residents of expiring-use properties age, providing services to allow them to continue to live independently becomes of greater importance. The identification and long-term commitment of service funding to Preservation projects is a challenge as federal, state, and local budget cuts erode the social service system.

The high demand for the limited supply of federal Low Income Housing Tax Credits may adversely affect the ability of sponsors to obtain a complete financing package for projects that PHB has selected for funding, and could result in project delay or, in some cases, project discontinuation.

The very limited availability of private financing may also adversely affect the ability of developers to obtain a complete financing package for projects that PHB has selected for funding, and could result in project delay or, in some cases, project discontinuation.

Partner Agencies and Organizations

The Housing Development Center provides technical assistance in project development, construction management and asset management to the nonprofit community development organizations who make up the majority of project sponsors.

The Network for Oregon Affordable Housing maintains a database of Preservation properties, and provides technical assistance as well as lines of credit for acquisition, construction loans, and permanent financing. NOAH also can assist a project sponsor in accessing the Oregon Housing Affordability Fund, a revolving fund intended to secure Preservation projects before permanent financing can be arranged.

The Oregon Opportunity Network organizes input from the non-profit community development sector on housing policy, underwriting guidelines, and asset management guidelines. Oregon ON also provides training and technical assistance to its members. Enterprise Community Partners provides limited pre-development funding to non-profit project sponsors to allow them ample time to gain site control and perform appropriate due diligence before making application for project funding.

The Neighborhood Partnership Fund and the Community Development Law Center provide training and technical assistance to the nonprofit project sponsors in the areas of board development, fiscal management, project development, project management, asset management, and other organizational issues.

Mission-based non-profit agencies, including Cedar Sinai Park, Northwest Housing Alternatives, and REACH, have acquired Preservation properties and renewed the HUD affordability agreements.

Complementary National, Regional and Local Efforts

The City of Portland is a grantee, together with Oregon Department of Housing and Community Services and the Network for Oregon Affordable Housing, of the John A. and Catherine T. MacArthur Award for State and Local Housing Preservation Leaders. The MacArthur Foundation, and the National Housing Conference, have created a national network for the development of policy recommendations to support preservation efforts by identifying and removing barriers, identifying new resources, and sharing best practices.

Many local philanthropic organizations, including the Meyer Memorial Trust, the Oregon Community Foundation, and the Collins Foundation, have contributed to the Oregon Housing Affordability Fund, a revolving fund intended to assist potential owners to

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secure title to Preservation projects before permanent financing arrangements can be made.

The National Housing Trust Fund would, if funded, support preservation efforts locally and nationally.

Monitoring

PHB will monitor compliance with Federal regulations as set forth in Section One.