

ORDINANCE No. 184550

*Authorize the Portland Housing Bureau to purchase properties through the U.S. Department of Housing and Urban Development Dollar Homes Program and enter into agreement to transfer acquired properties to a community land trust nonprofit housing partner for rehabilitation and to increase the stock of permanently affordable housing (Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. In 2004, the Bureau of Housing and Community Development (BHCD), the predecessor of Portland Housing Bureau (PHB), submitted a report to City Council entitled “Strategies to Increase Minority Homeownership Rates.” The report identified short and long term strategies for the City to achieve the goal of closing the minority homeownership gap by 2015. The strategies included cooperation with various housing partners, developing new housing for affordable homeownership opportunities, and inventorying and evaluating existing homeownership programs such as community land trust models.
2. The U.S. Department of Housing and Urban Development (“HUD”), a City housing partner, administers the “\$1 Homes for Local Government Program,” offering federally-owned, foreclosed vacant homes that have been on the market for more than 180 days for conveyance to local governments for \$1 plus closing costs. The local government receives the benefits of the difference between the property’s real market value versus the nominal expenses paid, and the ability to utilize the properties to serve local government affordable housing and community development purposes.
3. In the *\$1 Homes Program*, local governments that acquire the foreclosed properties must identify the public purpose goals that will be pursued using the properties, which may include selling the properties at a discount to first time low income homebuyers, using the properties as affordable housing rental stock or emergency shelter(s), converting the properties into public facilities, or selling the properties at fair market value and using the proceeds to finance other affordable housing or community development initiatives.
4. PHB aims to acquire properties that are listed as available by HUD under the *\$1 Homes Program*. In general, the properties will be in areas that can benefit from additional affordable homeownership opportunities.
5. PHB will perform commercially reasonable due diligence to ensure the properties it seeks to acquire are overall structurally sound and would require little or minimal environmental remediation. Inspections and closing costs associated with each property are estimated to be \$4,000. The City will execute property sales agreement with HUD as required by HUD in the *\$1 Homes Program*.

6. To mitigate and avoid risks and liabilities associated with property ownership (such as premises liability, property insurance and maintenance costs) for the City during the period of rehabilitation, PHB determined that it would be prudent for the City to transfer title to the acquired properties to a local housing partner who can perform required rehabilitation to bring the properties to occupancy ready condition. Transfer to the local housing partner will be done as close in time to acquisition of title from HUD. The local housing partner will be responsible for any and all property expenses including unsatisfied real property taxes, assessments, or encumbrances encumbering.
7. When investing resources to increase homeownership opportunities for low-income households, PHB prioritizes projects and strategies that support permanent affordability for homeowners and as such, will partner with a local community land trust nonprofit corporation (with a PHB approved land trust model) in the *\$1 Homes Program*.
8. The land trust partner will rehabilitate the properties to a condition that will result in minimal initial maintenance and repair for qualified low income occupants. Healthful construction methods and materials will be encouraged. The land trust partner will be required to secure its own funds to perform rehabilitation of the properties and will be required to use the properties to support permanently affordable homeownership opportunities in a manner authorized in writing by PHB.
9. Upon the completion of rehabilitation, the renovated properties will be added to the residential stock available to qualified homebuyers or tenants whose household incomes are at or below 80% of the median family income for the Portland area. The renovated property shall be kept in permanent affordable homeownership through property covenants.
10. In sales or leasing of renovated properties, the land trust partner will be required to ensure that sales proceeds or rental income would yield sums that are consistent with PHB's affordable housing expectations. All proceeds shall be required to be used to continue support of affordable housing or community development goals as required by HUD and PHB. The land trust partner shall cooperate with PHB to provide information on the ultimate property purchaser/tenant, the amount of profits realized, and where and how the profits will then be put to use, and to comply with all other requirements of the *\$1 Homes Program*.
11. PHB will require the land trust partner to enter into purchase and sale and other agreements that would conditions such as taking procuring qualified contractors to perform the rehabilitation responsibly, ensuring the permanent affordability covenant required, committing to timely fulfilling the conditions set forth here and those other covenants that would protect City interests and promote identified affordable housing and community development goals.
12. PHB has within its 2010-2011 budget \$24,000 in federal resources available for expenditure towards the acquisition and closing costs in the *\$1 Homes Program*. PHB

has within its 2011-2012 budget \$48,000 in federal available towards these expenditures in the *\$1 Homes Program*.

13. Participation in the *\$1 Homes Program* and partnership with a land trust partner will serve to stimulate local economy for those contractors and subcontractors that may take part in the rehabilitation, to create more affordable homeownership opportunities for both minority and non-minority homeowners in Portland, to bring families into the neighborhoods with former HUD vacant foreclosed properties in order to promote community stability and reduce blight, and to support federal and local housing partners in shared affordable housing and community development goals.

NOW, THEREFORE, the Council directs:

- a. The Portland Housing Bureau, or designee, is authorized to: a) execute sales contracts with the U.S. Department of Housing and Urban Development (HUD) for City acquisition of foreclosed properties in the HUD *\$1 Homes Program*, in accordance with the findings set forth above, in the form in substantial conformance with the sales contract attached and incorporated hereto as Exhibit A, and upon approval as to form by the City Attorney's Office; b) to accept deeds or other instruments conveying title to the City; and c) to expend funds in an amount not to exceed \$4,000 per property for acquisition and closing costs.
- b. The Portland Housing Bureau Director, or designee, is authorized to execute purchase and sale agreement(s) with qualified nonprofit land trust partner(s) to transfer acquired *\$1 Homes Program* properties to the land trust partner for rehabilitation and for the purpose of increasing affordable housing stock, in accordance with the findings set forth above which includes covenants that ensure permanent affordability covenants and that proceeds realized from the sale of renovated properties would be put to use to further the affordable housing goals.
- c. The Mayor and Auditor are hereby authorized to draw and deliver warrants chargeable to the PHB budget when demand is presented and approved by the property authority up to the amount specified in paragraph a.

Section 2. The Council declares an emergency exists because delay in authorization and funding would impede the City's ability to move forward in a timely manner to expeditiously act to acquire listed properties once they are made available by HUD in the *\$1 Homes Program* and to appropriately effectively take step to carryout previously identified affordable housing goals and strategies. Therefore, this ordinance shall be in full force and effect from and after its passage by Council.

Passed by the Council: **APR 27 2011**

Commissioner Nick Fish
Prepared by: Andrea Matthiessen
Date Prepared: April 20, 2011

LaVonne Griffin-Valade
Auditor of the City of Portland

By  Deputy

Agenda No.
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Title

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<p align="center">INTRODUCED BY Commissioner/Auditor: Nick Fish</p>	<p>CLERK USE: DATE FILED <u>APR 22 2011</u></p>
<p align="center">COMMISSIONER APPROVAL</p> <p>Mayor /Finance and Administration - Adams</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish <i>[Signature]</i></p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Leonard</p>	<p align="center">LaVonne Griffin-Valade Auditor of the City of Portland</p>
<p align="center">BUREAU APPROVAL</p> <p>Bureau: Portland Housing Bureau Bureau Head: Margaret Van Vliet <i>[Signature]</i></p> <p>Prepared by: Andrea Matthiessen Date Prepared: April 15, 2011</p> <p>Financial Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Not Required <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p>Council Meeting Date April 27, 2011</p> <p>City Attorney Approval <i>D.H.</i></p>	<p>By: <i>[Signature]</i> Deputy</p> <p>ACTION TAKEN:</p>

AGENDA
<p>TIME CERTAIN <input type="checkbox"/></p> <p>Start time: _____</p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>
<p>CONSENT <input type="checkbox"/></p>
<p>REGULAR <input checked="" type="checkbox"/></p> <p>Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz	✓	
2. Fish	2. Fish	✓	
3. Saltzman	3. Saltzman	<i>[Signature]</i>	
4. Leonard	4. Leonard	✓	
Adams	Adams	✓	