Set Aside Policy Review
Technical Review Committee Recommendations

General Principles and Assumptions:

- Improve stability in annual budgeting and 5-year forecast for URA Set Aside funds
- Simplify and improve coordination of budgeting and accounting processes for Set Aside funds between PHB and PDC
- Recognize existing organizational structures
- Assume Oregon state statutes and City Charter remains unchanged

Key Questions and Recommendations

1. **How should PHB and PDC account for program income in coordination with Set Aside budgeting? (Program income refers to revenue received by PHB or PDC from loan collections, property sales, etc.)**

   PDC transferred all affordable housing related assets (loans and property) in urban renewal areas during FY 2010-11.

   Consistent with historical practice, all loan and property income from these assets must be accumulated and used within each originating URA.

   Since program income is currently used to fund URA expenditures and counted towards the set aside targets, investment decisions by PDC and PHB can impact the overall forecast for available resources. For example, one agency may decide to grant property to a project, resulting in zero return for the asset and therefore no additional resources in the five-year forecast. Meanwhile, the other agency may make a decision that yields a return from the sale of a property – resulting in additional resources for both agencies in the five-year forecast.

   Recommendation

   Program income should be excluded from the Set Aside calculation. PDC and PHB investment decisions should no longer impact how much resources, in total, may be available between the two agencies. This will allow each agency to make investments based on their respective strategies and policies while not impacting the Set Aside forecast and split of resources. This will also improve the budgeting and billing processes for both PDC and PHB.

   Minimal impact in most URAs – more substantial impact in expiring districts (Downtown Waterfront and South Park Blocks) where PHB receives majority of the program income based on the portfolio.

2. **Should overhead and staffing costs be considered within the Set Aside budget calculations?**

   Since the current Set Aside calculation is total expenditures *net of staffing and overhead charges*, the split of resources between PDC and PHB does not take into account the relative effort required to deliver services. How much is spent on staffing and overhead by both agencies currently determines how much is ultimately available to be split in the Set Aside calculation for loans, grants and other capital investments during the forecast period. Both agencies are currently impacted by each other's decisions on staff and overhead levels, but there is no process to factor these relative amounts into the overall Set Aside reconciliation or split.

   Recommendation

   Total TIF resources will require PDC and PHB to prioritize respective operating requirements within their TIF allocations. Staffing and overhead costs will not be taken out of the equation beforehand. Both agencies continue to move toward direct billing on projects which will allow inclusion of staffing and overhead charges with the Set Aside calculation.

3. **Should the Set Aside calculation shift from expensed-based to revenue-based?**

   Set Aside calculation is currently based on *total expenditures* net of staffing and overhead charges. Therefore, Set Aside targeted percentages in the forecast will change based on what historically was spent by PDC or Housing. For example, if PDC is under spending its budget, the targeted amount for Housing will be forced down.

   Recommendation

   The Set Aside should be based on total TIF Debt Proceeds – division of TIF resources available in the Five-Year Forecast – instead of total expenditures net of staff and overhead. TIF proceeds should be split so that an established forecast amount available in the Five-Year Forecast will go to PDC and PHB based on annual negotiations on project timing. Updates will need to occur annually to inform changes in assumptions for debt issuance variables and changes in project timing.