

**TAX INCREMENT FINANCING SETASIDE FOR
AFFORDABLE HOUSING**

POLICY IMPLEMENTATION PLAN

Housing Commissioner Recommendation
October 12, 2006

1. **“NEW DISTRICTS”:** Establish policy that all URAs with bonding authority beyond June 30, 2011 spend a minimum of 30% of total tax increment resources on Affordable Housing.

“New District” Policy applies to:

- *North Macadam*
- *River District*
- *Interstate Corridor*
- *Lents Town Center*
- *Gateway Regional Center*

- A) Policy will be applied to budgeted and expended resources *beginning July 1, 2006*
- B) The Policy will apply to any newly formed urban renewal area, subject to City Council adoption of URA Plan. PDC will work with the Office of Management and Finance to develop provisions that allow new districts to establish a timeline for which the 30% Set Aside will be implemented in instances where there is limited bonding capacity and taxable investments are necessary before tax increment is available sufficient to invest in affordable housing. The provision will ensure 30% of tax increment over the life of the district, but may allow for the investments to be delayed or less than 30% in the first five years of a district’s life.
- C) Policy will establish a requirement that *a minimum of 30% of all tax increment resources in each URA* with bonding authority beyond June 30, 2011 be spent on Affordable Housing.
- i) *In the first 5-year period (July 1, 2006 to June 30, 2011), North Macadam will be required to* a) spend at the level established by the Commission and City Council adopted funding plan, and b) spend a minimum of 30% beyond the 5-year period (i.e. the current 39% will not offset future expenditures).
- D) 30% will be achieved in each district in the remaining life of the district and reflected in PDC’s five year budget forecasts. The functional implementation plan will be developed by the PDC Finance Department in consultation with the Office of Management and Finance.
- E) *Community Facilities with programs primarily intended to serve low income people and homeless populations in support of adopted City policy* (such as youth shelters, homeless day center, drug and alcohol treatment, social services, congregate meal programs, etc.) will be eligible uses of the Affordable Housing funding.
- F) 30% Calculation:
- i) Initially the 30% calculation *will not include tax increment resources budgeted or expended on direct project staffing and benefits, administrative overhead, facilities, human resources*. These staffing and administrative expenses will be subtracted from the total tax increment budget and expenditures.

- ii) The 30% calculation will be calculated only on tax increment resources budgeted and expended for direct project costs on materials and services, financial assistance capital outlay (i.e. the purchase of goods, services, and property for affordable housing planning and development; expenses incurred from loans and grants, etc.), and associated onsite and offsite infrastructure improvements required for the development of an affordable housing project.
- iii) At the time PDC establishes a project cost accounting system that directly allocates and tracks activities by individual project and program, the calculation will change to include all tax increment expenditures.
- iv) ***In the first 5-year period (July 1, 2006 to June 30, 2011), North Macadam will be required to*** a) spend at the level established by the Commission and City Council adopted funding plan, and b) spend a minimum of 30% beyond the 5-year period (i.e. the current 39% will not offset future expenditures).

G) ***Income guidelines will be developed*** to guide investment of tax increment financing for affordable housing.

Summary of Impact of Implementation Plan in “New Districts” July 1, 2006 – June 30, 2011

Urban Renewal Area	Current Budget Forecast For Housing	% of Total Budget	Proposed Implementation Plan	% of Total Budget
Gateway URA	\$ 3,250,000	21%	\$ 4,575,000	30%
Interstate Corridor URA	\$10,326,000	24%	\$12,826,000	30%
Lents Town Ctr. URA	\$10,905,096	26%	\$12,684,142	30%
North Macadam URA	\$22,741,000	39%	\$22,741,000	39%
River District URA	\$20,080,917	29%	\$22,738,815	30%
TOTAL URA	\$67,303,013	30%	\$75,564,957	33%

2. **“EXPIRING DISTRICTS”:** The Tax Increment Financing Affordable Housing policy will not apply to urban renewal areas that do not have bonding authority beyond June 30, 2011.

“Expiring District” Policy applies to:

- *Oregon Convention Center*
- *Downtown Waterfront*
- *South Park Blocks*

A) PDC will establish separate policies for each of the “Expiring” urban renewal areas to spend a minimum percentage of total tax increment resources on Affordable Housing beginning July 1, 2006.

- i) The calculation and expenditure eligibility will be determined using the same methodology set forth in Affordable Housing Policy #1 above.
- ii) Affordable Housing Policy #1 will apply to any of the “expiring” districts if there is any action resulting in a substantial amendment (i.e. major boundary amendment or change in maximum indebtedness) to that district, subject to City Council adoption of URA Amendment.

OREGON CONVENTION CENTER: PDC will establish policy for the Oregon Convention Center Urban Renewal Area to spend *a minimum of 26%* of total tax increment resources on Affordable Housing.

Summary of Impact of Implementation Plan in OCCURA July 1, 2006 – June 30, 2011

Urban Renewal Area	Current Forecast	% of Total Budget	Proposed Housing Implementation Plan Minimum Requirement	% of Total Budget
Oregon Convention Ctr	\$ 2,404,303	9%	\$ 7,000,700	26%

SOUTH PARK BLOCKS: PDC will establish a policy for the South Park Blocks Urban Renewal Area to spend *a minimum of 30%* of total tax increment resources on Affordable Housing. PDC will not spend less than \$17,688,319 as is currently forecasted in the FY2006/2007 adopted budget.

Summary of Impact of Implementation Plan in SPBURA July 1, 2006 – June 30, 2011

Urban Renewal Area	Current Forecast	% of Total Budget	Proposed Housing Implementation Plan Minimum Requirement	% of Total Budget
South Park Blocks URA	\$17,688,319	34%	\$17,688,319	34%

DOWNTOWN WATERFRONT: PDC will establish a policy for the Downtown Waterfront Urban Renewal Area to spend *a minimum of 22%* of total tax increment resources on Affordable Housing.

Summary of Impact of Implementation Plan in SPBURA July 1, 2006 – June 30, 2011

Urban Renewal Area	Current Forecast	% of Total Budget	Proposed Housing Implementation Plan Minimum Requirement	% of Total Budget
Downtown Waterfront	\$10,850,000	15%	\$16,000,000	22%

3. “INDUSTRIAL DISTRICTS”: The Tax Increment Financing Affordable Housing policy will not apply to Industrial Urban Renewal Areas established on or before July 1, 2006.

- A) Airport Way and the Willamette Industrial urban renewal areas will have no requirement for budgeting or spending on Affordable Housing.
- B) PDC will establish a separate policy for the Central Eastside Urban Renewal to spend a certain percentage of total tax increment resources on Affordable Housing beginning July 1, 2006.

CENTRAL EASTSIDE: PDC will establish a policy for the Central Eastside Urban Renewal Area to spend according to the following provisions:

- i) *A minimum of \$5,100,000* of tax increment resources on Affordable Housing *for first \$35 million* of debt issued after July 1, 2006.
- ii) *A minimum of 30%* of total tax increment resources on Affordable Housing for any *additional debt issued beyond \$35 million* during the life of the district. (up to an additional \$4.8M for affordable housing)
- iii) Policy will be applied to budgeted and expended resources beginning July 1, 2006
- iv) The calculation and expenditure eligibility will be determined using the same methodology set forth in the Affordable Housing Policy #1 above.

Summary of Impact of Implementation Plan in CESURA July 1, 2006 – June 30, 2011

Urban Renewal Area	Current Forecast	% of Total Budget	Proposed Housing Implementation Plan Minimum Requirement	% of Total Budget*
Central Eastside URA	\$5,100,000	15%	\$5,100,000	15%

*CES budget forecasts have not yet been made by PDC and OMF. This table assumes only the initial \$35 million bonding authority will be available the first five years.

4. The Tax Increment Financing Affordable Housing Policy will become part of the annual PDC budgeting process.

- A) The Affordable Housing allocation will occur as part of PDC's current budget process.
- B) PDC will identify five-year dollar target per policy and work with stakeholders in the current budget process to reallocate resources to achieve targets.
- C) PDC Finance working with OMF to determine how to operationalize the Policy and ensure that Affordable Housing budgets are segregated and allow for “carryforward” in the event funds are not spent in a particular budget year.

5. PDC will report annually on the Tax Increment Financing Affordable Housing Policy

- A) PDC will report to the PDC Board and Housing and Community Development Commission as part of the annual Housing Unit Production Report. The report will include Affordable Housing expenditures as a percent of total tax increment expenditures as well as the resulting housing and community facilities production.
- B) PDC will also report on tax increment expenditures and Affordable Housing production as part of the City Auditor's Services, Efforts and Accomplishments Report.

Analysis of the Impact of the Tax Increment Financing For Affordable Housing Policy and Implementation Plan
July 1, 2006 through June 30, 2011

"Newer" URAs	Current Total URA Budget Forecast	Current Housing Forecast	Proposed Housing Implementation Plan Minimum Requirement	Proposed Housing Minimum %
Gateway	\$15,195,920	\$3,250,000	\$4,575,000	30%
Interstate	\$42,652,589	\$10,326,000	\$12,826,000	30%
Lents	\$41,280,473	\$10,905,096	\$12,684,142	30%
North Macadam	\$58,566,000	\$22,741,000	\$22,741,000	39%
River District	\$69,129,383	\$20,080,917	\$22,738,815	30%
TOTAL	\$226,824,365	\$67,303,013	\$75,564,957	
		30%	33%	33%

"Expiring" URAs	Current Total URA Budget Forecast	Current Housing Forecast	Proposed Housing Implementation Plan Minimum Requirement	Proposed Housing Minimum %
DT Waterfront	\$72,712,231	\$10,850,000	\$16,000,000	22%
OR Convention Ctr	\$26,929,639	\$2,404,303	\$7,000,700	26%
South Park Blocks	\$51,635,616	\$17,688,319	\$17,688,319	30%

Industrial URAs	Current Total URA Budget Forecast	Current Housing Forecast	Proposed Housing Implementation Plan Minimum Requirement	Proposed Housing Minimum %
Airport Way	\$6,172,329	\$0	\$0	0%
Willamette Indust.	\$6,572,519	\$0	\$0	0%
Central Eastside*	\$56,445,608	\$5,100,000	\$5,100,000	NA

Total Impact:	Current Total URA Budget Forecast	Current Housing Forecast	Proposed Housing Implementation Plan Minimum Requirement	
All URAs	\$447,292,307	\$103,345,635	\$121,353,976	
		Additional Resources:	\$18,1008,341	

* based on assumption that only the first \$35 million of bonding authority will be available in the five-year forecast period. Additional resources above \$35 million will be subject to a 30% set aside for affordable housing.