

NORTH / NE NEIGHBORHOOD HOUSING STRATEGY

IF YOU WISH TO SPEAK TO CITY COUNCIL, PRINT YOUR NAME, ADDRESS, AND EMAIL.

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Moore-Love, Karla

From: Alyssa Isenstein Krueger <pdxhappyhouse@gmail.com>
Sent: Monday, January 26, 2015 10:14 PM
To: Moore-Love, Karla
Subject: Written testimony for Agenda Item 121
Attachments: Living Room Realty Homebuyer Grant Proposal.pdf

Attached is written testimony for Agenda Item 121, Accept North/Northeast Neighborhood Housing Strategy from the Portland Housing Bureau, slated to be heard at 2:00pm on Wednesday, January 28th.

Please let me know if there is anything else I need to do to submit this written testimony.

Thank you,
Alyssa Isenstein Krueger

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Proposal for Increasing Homeownership Opportunities for People of Color in North/Northeast Portland

Sponsor: Living Room Realty

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Proposal: Allocate a minimum of \$3 million of the \$20 million from the North/Northeast Housing Strategy to be used for \$35,000.00 silent loans to assist moderate income first time homebuyers with historic ties to the community in purchasing a home in Inner N/NE Portland. The loans can be used to help with a down payment, closing costs and needed repairs. If the home is sold within five years of purchase, a pro-rata share of the loan must be repaid by the homebuyer. Portland Housing Center will administer the loans.

Priority for loans is given to buyers who can demonstrate that they can meet three of the following criteria:

1. Resided 8 out of the last 25 years (does not have to be consecutively) in inner N/NE Portland
2. Attended Roosevelt, Jefferson or Adams High School
3. Completed Getting Your House in Order Class through Portland Housing Center
4. Affiliated with or have family affiliations with a faith based institution based in the Interstate URA
5. Historical affiliation with community based organizations located in the Interstate URA
6. Make no more than 130% MFI

Additionally, buyers must have asset caps before and after purchase that includes liquid and non-liquid funds, buyers may receive no additional gift funds or down payment assistance, and the maximum sales price should be capped.

Background and Rationale for Proposal

With a \$20 million affordable housing initiative in North/Northeast Portland earmarked for helping to prevent additional displacement of longtime residents and address a long history of institutional racism in the Interstate Corridor Urban Renewal Area, **NOW** is the time to set aside money to be used solely for the purpose of increasing homeownership particularly among African American families with moderate incomes between 81%-120% MFI. Rents are rising at astounding rates, and often times a mortgage payment will be less than what a family pays for rent. Plus a mortgage provides tax benefits that renting does not. Many of the comments in the Community Forum Summary spoke to the difficulties for moderate income families who want to buy in the neighborhood have, particularly the lack of assistance from non-profits and the City of Portland for families making more than 80% MFI and the difficulty families are having trying to save enough money for a down payment on a market rate home.

Three million dollars reserved to help moderate income families with historic connections to inner North and Northeast Portland purchase homes in the Interstate Urban Renewal Area will have a direct and immediate impact on first time home buyers who otherwise would leave the area to purchase a home. Homeownership means families will stay in the home they purchase, creating vibrant and stable communities, whereas renters are more transient. Homeownership provides a basis for creating generational wealth that otherwise may not happen for families receiving these loans. Now is the time

to take advantage of this once in a generation opportunity to make a palpable impact on increasing homeownership in inner N/NE Portland for communities of color.

It was public policies and illegal lending practices that contributed to the dearth of African American homeowners today, particularly when historically the homes in this community have been some of the most affordable in the City of Portland. Read or re-read the 1990 *Oregonian* series "Blueprint For A Slum" and then look around the same neighborhoods today to see the flip side of the coin. While we can't change the past, we can acknowledge past transgressions and work on turning the tide in creating a new generation of African American homeowners. Offering these loans will show a commitment by the City of Portland to bring back homeownership to the inner city instead of pushing it to the outer limits of the City and beyond.

For the N/NE Neighborhood strategy, PHB consulted with a list of professionals and community stakeholders for guidance and insight used in designing recommendations to address the needs and priorities determined by community members. However, not a single real estate professional was consulted. As real estate brokers, we are the troops in the trenches and on the ground helping our clients navigate the transition from renters to home owners. We know what the market wants, and we also know what is available in the market in the various price points, and we know what it takes to have an offer accepted and a home purchased. We know the challenges that first time home buyers face as housing prices rise at top speed while wages are stuck in the slow lane. We know this because we work with families who earn decent wages, but despite that, are facing increasing rents which limits the amount of savings they have for a down payment and closing costs needed to purchase a home.

The homeownership recommendations in the North/Northeast Strategy focus on either building more housing for lower income home buyers, acquiring more homes for the land trust model and providing down payment assistance loans for families making 80% or below MFI. Had real estate agents been consulted, we would have made the case that the reality is that there are plenty of first time African American home buyers who make over 80% MFI and can afford to pay the monthly mortgage on homes in the median price range. These families do not want a shared equity type of homeownership, and they don't qualify for any other assistance because they make more than 80% of MFI. What they do want are existing detached single family homes that have yards for gardens, kids and pets, homes with storage or flex space in garages and basements, and homes large enough to raise a family in. What they don't have is the capital needed for a down payment and closing costs, and the current recommendations in the North/Northeast Housing Strategy provides no solutions or assistance for these families.

According to RMLS, from Jan. 1, 2014- December 31, 2014 the median price of a home in N Portland neighborhoods in the Interstate URA, was \$277,000 and the average price for a home in the targeted N Portland area was \$291,429. For inner NE neighborhoods in the Interstate URA during the same time period, the median price of a home was \$412,250 and the average price was \$433,910. For a family of four earning \$55,000, a comfortable home price would be in the \$230k-\$250k range. As of January 26th, 2015 there are a total of 8 homes for sale for less than \$250,000. Of those 8 homes, 1 is a small 2 bedroom short sale condominium, 4 are fixers that may not qualify for financing, and the remaining three have been on the market since September and October indicating they are not very desirable properties.

For a first time home buyer with an average amount of debt and a credit score higher than 640, to afford a \$350,000 home using a conventional loan with 5% down a buyer must generally have:

- Verifiable income at approximately \$80,000 (120% MFI for a family of four is \$83,280)
- \$17,500 for a 5% down payment
- \$10,000 for closing costs, pre-paid expenses and appraisal
- \$1,000 for home inspections
- \$6,500 for money in reserves and for immediate repairs and/or upgrades that need to be made

The current supply and demand formula is out of balance and weighted heavily on the seller side, and most forecasts don't see the balance returning for years. Nearly every habitable home in the inner N/NE corridor is getting multiple offers, which only accelerates price increases and favors cash purchases by developers and speculators. For the majority of first time homebuyers, the median price of homes in N/NE are out of reach without some sort of assistance, and that often comes in the form of direct gift funds from family or indirect funds from inheritances. In order for a buyer to receive gift funds from family, a family must have savings that can be passed on to help the next generation buy a home. The vast majority of first time home buyers who receive gift funds are white. For a myriad of reasons and in particular institutionalized racism, African American families generally do not have the savings to be able to offer assistance to their children to buy a home.

Living Room Realty has two offices, one at SE 26th and Clinton and our larger office at NE 14th and Alberta. Many of our agents work with buyers looking to purchase in the inner core. As brokers, we have seen a large increase in buyers needing gift funds from family in order to come up with the initial capital needed to buy a home. To get a picture of how many buyers are receiving gift funds, how much they are receiving, and the breakdown between the number of white first time homebuyers and people of color, we took an informal survey of the brokers at Living Room Realty. We also asked about how many buyers purchased in N/NE Portland.

There are 52 licensed real estate brokers at Living Room Realty. We had 26 agents respond to the poll, and here is what we found:

1. From January 1, 2014-December 31, 2014 we worked with 148 first time home buyers.
2. Of those first time home buyers, 62 buyers, (42%) used gifted funds to help with the purchase.
3. The lowest gift amount was \$1,000 and the highest was \$470,000. The average was \$46,230 and the median was \$42,089.
4. **Fifty-nine of the first time home buyers who received gift funds were white and three were people of color. That works out to 95% white gift recipients and 5% non-white gift recipients.**
5. Forty-nine (33%) of 148 first time home buyers purchased in N/NE Portland.
6. Sixty-two (42%) of the 148 first time home buyers rented in N/NE Portland prior to purchasing a home.
7. Forty-seven (76%) of the 62 first time home buyers who rented in N/NE Portland prior to purchasing bought a home in N/NE Portland.
8. The average purchase price for first time home buyers was \$305,291 and the median was \$304,274.

Offering these \$35,000 loans to moderate income families making over 80% MFI will not turn back the clock on past injustices or bring down the price of homes to more affordable levels in inner N/NE Portland. What these loans will do is provide the ability to overcome one of the largest barriers first time home buyers face and help approximately 85 families buy in this community who otherwise would not be able to. These loans demonstrate recognition of the history of the African-American community in inner North/Northeast Portland and the City of Portland's commitment in rebuilding its historical place in Portland by having an opportunity to own and not be displaced.