

Substitute Resolution Changes:

- Changes Exhibit A – Ballot Title
 - Updated MFI numbers for a family of four making 60% of median family income
 - Change in word from “citizen” to “independent” describing the oversight committee
 - Addition of an administrative costs cap not to exceed 7%
 - Deletion of conjunctions to meet limits of word count for summary
- Changes to Exhibit B – An Act
 - Additional of administrative costs cap not to exceed 7%
- Addition of Exhibit C – Affordable Housing Bonds for Portland
 - Not included in the original filed document

Caption

Bonds to fund affordable housing.

Question

Shall Portland issue bonds, fund affordable housing for low income families, seniors, veterans, people with disabilities; require public oversight?

If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary

Measure would authorize \$258,400,000 in general obligation bonds for affordable housing for low income households.

Bonds will be used to build new housing, purchase, ~~and/or~~ rehabilitate existing housing to maintain affordability, prevent displacement, allow residents to remain in their homes.

Housing will contain a mix of unit sizes. Some units will be accessible for low-income people with disabilities, ~~and~~ seniors. Housing may include space to provide products and services for residents.

Affordable means rents restricted by designated household size and income level for the dwelling. Low income means a household making 60% or less of median family income; lower income thresholds for some units; flexibility for existing residents and hardship. In 2016, 60% of median family income for a family of four is ~~\$44,100~~ **\$43,980** per year.

A five-member ~~citizen~~ **independent** oversight committee will review bond expenditures; provide annual reports.

Tax rate for this measure is estimated to be \$0.4208 per \$1,000 of assessed value. Bonds may be issued in multiple series. Annual audits required. **Administrative costs cannot exceed seven percent.**

AN ACT

A Measure authorizing the City Council of the City of Portland to issue general obligation bonds in the amount of \$258,400,000 for capital improvements for affordable housing, to be repaid from property taxes levied outside constitutional limitations.

BE IT ENACTED BY THE PEOPLE OF THE CITY OF PORTLAND, OREGON:

Section 1. Pursuant to Sections 7-201 and 7-203 of the Charter of the City of Portland, the Council is authorized to issue bonds, in the aggregate amount not to exceed \$258,400,000, which shall be general obligations of the City. The proceeds from such bonds shall be placed in a special fund to be established by the Council, and shall be used for capital costs for affordable housing purposes, including acquisition, construction, reconstruction, rehabilitation, capital maintenance and capital repairs, of facilities to provide housing affordable to individuals and households whose income does not exceed 60% of median family income. Such housing may be of any type, including but not limited to single-family, multi-family, houses, apartments, and/or the land on which such facilities are located or may be constructed. Housing units may be designated for different income levels, between 0% and 60% of median family income. Housing units may be designated for particular household sizes. "Affordable" means rents are restricted by designated household size and income level for the dwelling. Bond funds may be used only for capital costs for affordable housing. **No more than 7% of the special fund may be spent, to the extent permissible under Article XI, section 11L(5) of the Oregon Constitution, for expenses associated with administering the fund, including the issuance of the bonds.** The Council may authorize inclusion in any project under this Act space not exceeding 20% of the size of that project, for provision of services, including but not limited to child care facilities, groceries, pharmacies, community rooms, food service, neighborhood retail and leasing offices, to serve the residents of the facilities that are the subject of the project. The Council may provide for eligibility rules for residents that temporarily relax or waive the limitations on qualifying income when necessary to avoid undue hardship or to avoid displacement of persons residing in housing at the time it is acquired. The Council shall appoint an oversight committee to review bond expenditures and provide to the Council annual reports on the same. The Council may issue the bonds in one or more series. These general obligation bonds are specifically authorized, and shall not be counted as within the limitation of Section 7-204 of the Charter of the City of Portland. Taxes imposed to pay the principal and interest on these bonds shall not be limited by Sections 11 and/or 11b of Article XI of the Constitution of the State of Oregon, but rather are hereby specifically authorized and shall be in addition to all other taxes that may be levied according to law.



CITY OF
PORTLAND, OREGON

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Exhibit C

Date: June 27, 2016

To: Portland City Council

From: Kurt Creager, Director, Portland Housing Bureau

Re: Affordable Housing Bond for Portland

Commissioner Dan Saltzman and the Portland Housing Bureau are requesting City Council refer General Obligation Bond Authority for Affordable Housing to the voters in the November 2016 General Election. The bond authorization would allow the City to bond up to \$258.4 M with a 20 year term of repayment. It is estimated that the typical single family homeowner would pay \$75 a year, if the bonding authority were approved, at an expected rate of \$.4208 per thousand of assessed value.

The Portland Housing Bureau estimates that with a strategic issuance of bonds over a 5 to 7 year period the City would be able to create and preserve 1,300 units of new affordable housing.

Bond Production & Acquisition Goals

A housing bond, if approved by voters, would provide capital to purchase, rehabilitate and thereby preserve existing affordable housing before it's irrevocably lost to economic forces. Of the total, an estimated 25% of the available capital would be used for this purpose (approximately 350 dwellings). New dwellings for seniors, veterans, families and people with disabilities would also be constructed with the remaining 75% of bond revenue (approximately 950 units). All dwellings acquired or built with bond proceeds would be affordable to households under 60% of the Median Family Income (MFI) which in 2016 is \$43,980 for a family of four.

Of the 1300 proposed total units, 600 units would be targeted to people with incomes below 30% of the MFI which is \$22,000 for a family of four or \$15,400 for a single person. HUD defines these households as *Extremely Low Income* and PHB studies indicate the greatest need for housing among this population, citywide. In addition, the PHB is planning on 50% of the new dwellings to be *family-sized* consisting of a mix of two and three bedroom units not customarily found in the private market.

Oversight, Accountability & Fiscal Stewardship

A five-member independent bond oversight committee will be formed to review the bond expenditures and provide annual reports to Council. Each member of the City Council will appoint one member of the community to the oversight committee. The Chair would be appointed by the Commissioner in Charge of Housing. Those appointments will be complete at the time of the first bond issuance ordinance to City Council estimated to occur on or about July 1, 2017. All five (5)

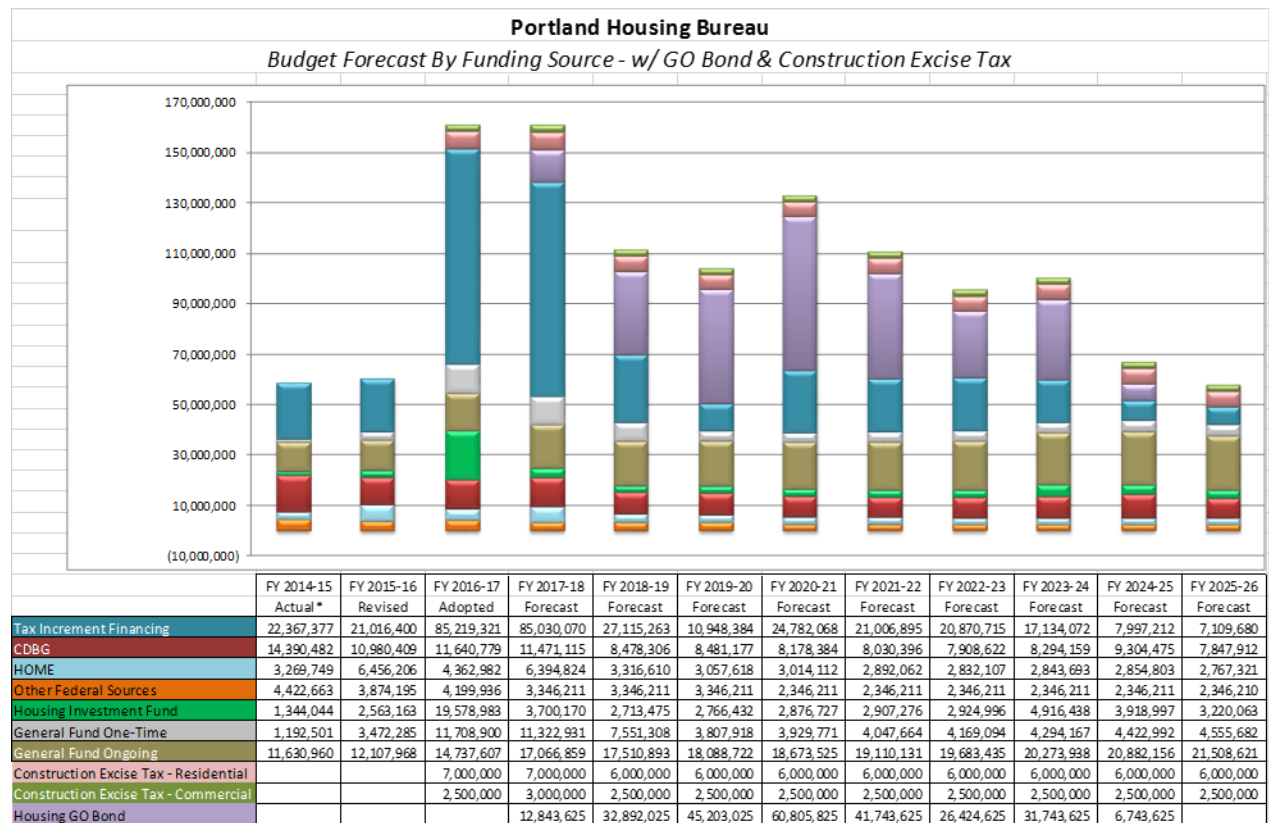
members serve without compensation and are subject to public disclosure and conflict of interest statutes. Terms are anticipated to be five (5) years, renewable, until the available bond proceeds are expended and the final audit concluded and transmitted to the City Council.

An independent entity will complete financial and performance audits to ensure that projects funded by the bond are consistent with stated voter intent. The auditor’s reports will be made available to the public.

Expenses associated with administering the bond, including the issuance of the bonds, will be capped at no more than 7 percent. Though we project administrative costs of five percent.

Capital Finance Plan

PHB has modeled the dynamic interplay of revenue from the General Obligation Bond with other resources annually appropriated by the City Council including Tax Increment Financing, Community Development Block Grant (CDBG), HOME Investment Partnerships Act and Construction Excise Tax revenue. The chart below describes how the Bond Proceeds (in purple) would be distributed over the course of the issuance.



Note: Tax Increment Financing resources (shown in blue) available in FY 2016-2017 and 2017-2018 were largely allocated in the Notice of Funding Availability (NOFA) announced April 20, 2016.

The general obligation bonds would be issued over five (5) years, but revenue would be expended over up to eight (8) years, as shown. This is in anticipation that the later tranches of bond revenue would be used for new construction and the attendant time necessary (18-36 months) to bring a new

construction project to fruition. The schedule allows for the bonds to be expended in full within three years of each issue.

Housing Models, Operating Subsidies and Workflow Sequencing:

The first bond expenditures are anticipated to consist of land and building acquisition followed by rehabilitation and finally, new construction. The PHB will work in collaboration with Home Forward on asset management and the alignment of Housing Choice Vouchers (Section 8) Rental Assistance Vouchers and Veterans Affairs Supportive Housing (VASH) Vouchers to attach rent subsidies to approximately a 1/3 or 400 dwelling units. This will help ensure extremely low income households do not pay in excess of 30% of their income on rent.

Program Goals, Outputs and Outcomes

- Acquire and preserve or produce at least 1,300 affordable dwelling units against a current need of 23,845 units;
- 100% of the beneficiaries will be low income (at or below 60% of the MFI) including seniors, veterans, families and people with disabilities (or combinations thereof);
- Goal to serve 600 of the households at or below 30% of the MFI (less than \$22,000 for a family of four);
- Goal to serve 50% of the households whom are in need of family-sized (2 & 3 Bedroom) dwellings;
- Approximately 2,900 Portlanders would reside in the 1,300 bond-financed dwellings;
- Estimate that 50,000-58,000 Portlanders will benefit from 1,300 new or preserved dwellings over a sixty (60) year period;
- Affordable means rent restricted by designated household size and income level for the dwelling unit;
- City bond proceeds will enable existing market rate but affordable housing to be preserved, improved and stabilized for public benefit;
- Net cash flow (after operating expenses and depreciation) if any, will be dedicated for routine maintenance to ensure financial sustainability over the economic life of the properties;
- Ancillary community and resident support (wrap around) services will be proffered through contracts with community based organizations; and
- Some properties may have community rooms, neighborhood commercial or social service services accommodated on site to ensure resident health, safety and general welfare.

Bond Program Administration and Implementation

- As described, administrative costs are limited to not more than seven (7) percent of the par amount of the bonds. Administrative costs includes the cost of providing fiscal and performance audits; legal fees incurred by Bond Counsel; fiduciary and fund management expenses including overhead charged by the Office of Management & Finance; and project origination, underwriting and project management costs incurred by the Portland Housing Bureau.

- Project management costs include, but are not limited to appraisals, legal expenses associated with real estate acquisition, relocation (if any), title insurance/reports, environmental assessments (Phase 1 & 2), geotechnical reports and analyses, structural engineering and architectural design services, as appropriate.
- OMF and PHB staff time and direct expenses will be booked consistent with Governmental Accounting Standards Board (GASB) rules and regulations for capital projects.

Attachment

2016 Median Income Matrix published by PHB effective March 28, 2016.

2016 Median Income for a Family of Four:

\$73,300

Published by PORTLAND HOUSING BUREAU: 5/27/2016

Effective 03/28/2016

HUD Median Income Percentages - issued by HUD for Section 8 and other non-LIHTC projects

Household Size	30%	40%	45%	50%	55%	60%	65%	80%	2016 100% see NOTE	120%
1	15,400	20,560	23,130	25,700	28,270	30,840	33,410	41,100	51,310	61,572
2	17,600	23,480	26,415	29,350	32,285	35,220	38,155	46,950	58,640	70,368
3	19,800	26,400	29,700	33,000	36,300	39,600	42,900	52,800	65,970	79,164
4	22,000	29,320	32,985	36,650	40,315	43,980	47,645	58,650	73,300	87,960
5	23,800	31,680	35,640	39,600	43,560	47,520	51,480	63,350	79,164	94,997
6	25,550	34,040	38,295	42,550	46,805	51,060	55,315	68,050	85,028	102,034
7	27,300	36,360	40,905	45,450	49,995	54,540	59,085	72,750	90,892	109,070
8	29,050	38,720	43,560	48,400	53,240	58,080	62,920	77,450	96,756	116,107

NOTES: (1) 2016 Income levels have decreased based on HUD's calculations for the Portland-Vancouver-Hillsboro, OR-WA MSA. The income schedule above is to be used for projects that DO NOT qualify for the HERA Special tables as published by HUD 3/28/2016. If you have multiple funding sources, you must use incomes and rents applicable to the most restrictive program requirements. Projects that have LIHTC and/or tax-exempt bond funding should refer to the applicable tables for your county found at: <http://www.oregon.gov/ohcs/pages/research-income-rent-limits.aspx>

(2) Because HUD no longer enforces the Hold Harmless Policy from past years, HUD determined that allowing income limits to rise or fall precipitously was not in the best interests of managing its programs. Therefore, in 2016 the maximum change that can be experienced in any area in one year is the greater of 5 percent or twice the change in national median family income from last year to this year. Portland income limits for extremely-low and very-low income were adjusted and capped. Please see HUD's Office of Policy Development & Research income limit guidelines for further explanation: <http://www.huduser.org/portal/datasets/il/il15/index.html>

(3) Other 2016 MFI levels are based on the 4-Person Income Limit of \$73,300. The 1-Person family Income Limit is 70% of the 4-Person Income Limit, the 2-Person family Income Limit is 80% of the 4-Person Income Limit, the 3-Person family Income Limit is 90% of the 4-Person Income Limit. Each family size larger than four (4) is calculated by an 8% increase per HH member to the 4-Person Income Limit. (i.e., 5-Person = 108%; 6-Person = 116%; 7-Person = 124%; 8-Person = 132%, and so on.)

ALSO SEE HOME PROGRAM RENT LEVELS ISSUED BY HUD - SEPARATE SCHEDULE
The HOME rent levels may be more restrictive for some bedroom sizes.

2016 Housing Affordability: Maximum Monthly Rent Including Utilities by Median Family Income With a Housing Burden of 30%² (effective 3/28/2016)

# of Bedrooms	Household Size	30%	40%	45%	50% Compare Low HOME	55%	60%	65% Compare High HOME	80%	100%	120%
0	1	385	514	578	642	706	771	835	1,027	1,282	1,539
1	1.5	412	550	619	688	756	825	894	1,100	1,374	1,649
2	3	495	660	742	825	907	990	1,072	1,320	1,649	1,979
3	4.5	572	762	857	953	1,048	1,143	1,239	1,525	1,905	2,286
4	6	638	851	957	1,063	1,170	1,276	1,382	1,701	2,125	2,550
5	7.5	704	938	1,055	1,173	1,290	1,407	1,525	1,877	2,345	2,814

(Based on the HUD Portland¹ Area Median Income published effective March 28, 16: \$73,300 for a family of four. Income & Rents above are based on 4-Person Income Limit of \$73,300. Rent calculations are rounded down to the nearest \$1.00).



Portland Housing Bureau

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Fair Market Rent for 2016	
Bedroom Size ³	FMR
SRO	\$665
0	\$886
1	\$1,021
2	\$1,208
3	\$1,757
4	\$2,109
5	\$2,425
6	\$2,789

¹ Portland-Vancouver-Hillsboro, OR-WA MSA = Clackamas, Clark, Columbia, Multnomah, Skamania, Washington & Yamhill Counties

² Rents can be set below the median family income % threshold. For instance a residential unit may be restricted to households at or below 50% MFI, but have one-bedroom rents (and utilities expenses) that are below \$688/month.

³ The FMRs for unit sizes larger than four bedrooms are calculated by adding 15 percent to the four bedroom FMR, for each extra bedroom. For example, the FMR for a five bedroom unit is 1.15 times the four bedroom FMR, and the FMR for a six bedroom unit is 1.30 times the four bedroom FMR. FMRs for single-room occupancy units are 0.75 times the zero bedroom (efficiency) FMR.