

RAIL~VOLUTION 2010 — Portland, Oregon
Building Livable Communities With Transit



NOT FOR THE FAINT OF HEART: AFFORDABLE HOUSING TOD PROPERTY ACQUISITION FUNDS

Regional Housing Choice Revolving Fund
Portland Metro Lessons Learned

Back to the Future - 2006

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□ Metro Housing Choice Task Force

□ KEY RECOMMENDATIONS – April 2006

- Integrate housing supply concerns, and specifically affordable housing, into all policy making and funding allocations, and create a permanent Housing Choice Advisory Committee
- Direct effort towards development of a new, permanent regional resource for affordable housing, and join and lead advocacy for increased funding at the Federal, State, regional levels
- Promote strategies identified to remove regulatory barriers and reduce the cost of developing housing and affordable housing specifically, especially in the 2040 Centers and Corridors
- Prioritize the budget for housing to provide technical assistance to local governments, such as land/site inventory, model codes, etc.



Recommendation 2 – Metro Response

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“Direct effort towards development of a new, permanent regional resource for affordable housing, and join and lead advocacy for increased funding at the Federal, State, regional levels”

- Metro Council allocates \$1 million as seed money for the creation of a \$10-\$20 million Regional Housing Choice Revolving Fund – September 2007
- The Intent:
 - ▣ leverage \$9-\$19 million in matching contributions from public, private, and charitable partners to create the fund
 - ▣ to be managed by an experienced nonprofit community based fund administrator, and
 - ▣ governed by a regional board of directors

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FUND POLICY GOALS

- Catalyze development and preservation of affordable housing in the Metro area
- Implementation of the 2040 Growth Concept by promoting mixed-use, mixed income patterns of development in regional centers and town centers, in light rail station communities, and along main streets and corridors
- Promote best practices in green and sustainable design

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FUND LEVERAGE GOALS

- A \$10 million fund could:
 - catalyze the creation or preservation of 250-350 affordable homes in the region each 2 years
 - leverage an estimated \$40 million in public and private investments in housing
- A \$20 million fund could double the impact:
 - create or preserve 500-700 homes each 2 years
 - leverage up to \$80 million in public and private investments.

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FUND FEATURES

- Low-interest loans for:
 - ▣ site acquisition and holding (estimated 2 years)
 - ▣ predevelopment costs for planning and design
- Short-term financing for acquisition of existing rental properties with expiring affordability requirements



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Metro Allocation Contingent - Within 2 years:



- Capitalize the fund with at least \$10 million that fulfills Metro's regional development and housing objectives
- Metro representation on the regional governing board
- Fund managed by an experienced nonprofit community based fund administrator

What happened?

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- The Economy, Stupid!
 - ▣ Fall/Winter 2007-08 banks balking at land acquisition – land values beginning to stall and fall in some markets
 - ▣ Portland hot market land costs remained high
 - ▣ Capital costs high – even PRI & socially motivated funders looking for return
- Funds, funds everywhere...
 - ▣ Generous funding by philanthropy of statewide Preservation Acquisition Fund without TOD requirement complicated “blending” with this location sensitive fund

What happened?

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- Unable to attract match capital
- Conditions to Utilize Metro \$ Not Met
- Metro Repurposed \$
- Preservation Loan Fund “informed” by both location and green building aspects of RHCRF Goals

Lessons Learned – Remember those flags?

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□ Public \$ Must Be:

- First In – catalyze results & investment
- Risk Tolerant – deploy and recycle \$ to confirm need & interest other funders
- Flexible – **focus on results you want**, rather than precisely how you get them



□ Design Governance for Results Desired

- Existing Boards may be focused on own agenda (public or funder consortium)
- Balance funders, policy makers and communities impacted

Lessons Learned – Remember those flags?

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□ Design Loan Products for Results Desired

- Land Banking for Future Development Needs LONG hold – 10 Years in this market for “great site”
- Target Fund to Mixed-Use sites where other investment is present (reduces hold time)
 - Station Area
 - Rail or Streetcar Node
 - Commercial/Mixed-Use Corridor

Next Steps – Portland Metro Region

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- Need For TOD Acquisition Fund is there....
- Capital Isn't....Yet
- Increased Focus by Philanthropy on Sustainable Communities Investments
- Private Sector Must Be Partner
- Metro's Community Investment Strategy
 - ▣ Strategically invest and leverage current and potential new funding for Implementation of 2040 Growth Plan
 - ▣ Aimed at creating livable communities, promoting economic development and good jobs, and protecting natural areas
- Learn from Other Models – Bay Area!

Questions?

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Thank You & Enjoy Portland!

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