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

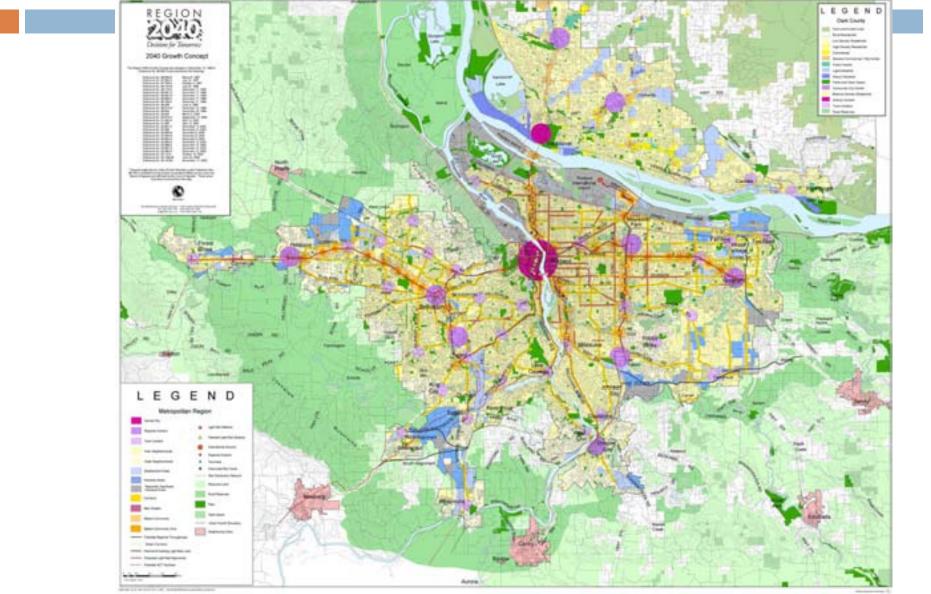


# NOT FOR THE FAINT OF HEART: AFFORDABLE HOUSING TOD PROPERTY ACQUISITION FUNDS

**Regional Housing Choice Revolving Fund** 

**Portland Metro Lessons Learned** 

# What Region?



# Back to the Future - 2006

#### 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:
  - Ieverage \$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

### 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

#### FUND LEVERAGE GOALS

- $\square$  A \$10 million fund could:
  - catalyze the creation or preservation of 250-350 affordable homes in the region each 2 years
  - Ieverage 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
  - Ieverage up to \$80 million in public and private investments.

#### 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

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?

□ 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?

- 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?

- 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

- □ 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?

Thank You & Enjoy Portland!

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