PDC
PORTLAND DEVELOPMENT COMMISSION

DATE: February 13, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number 08-22
TIF Set-aside Annual Report

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

None – information only.

SUMMARY

Through resolution No. 36404, the Portland City Council established a policy to dedicate a percentage of tax increment resources (TIF) in urban renewal areas (URA's) citywide to the development, preservation and rehabilitation of affordable housing that serves individuals and families earning 80 percent Median Family Income (MFI) or less.

Through resolution Nos. 6402 and 6445, The Portland Development Commission (PDC) established the minimum level of spending required in each urban renewal area for affordable housing as well as income guidelines and directed implementation of the TIF Housing Set Aside Program. The report set forth in Attachment A describes the implementation of the TIF Housing Set Aside Program during FY 06-07.

BACKGROUND

Ensuring that affordable housing options remain in Portland's neighborhoods as revitalization occurs and property value increase is an important part of the City's urban renewal strategy. Through resolution No. 36404, the Portland City Council determined the need for a policy to dedicate a percentage of tax increment resources (TIF) in urban renewal areas, citywide to the development, preservation and rehabilitation of affordable housing that serves individuals and families earning 80% MFI or less.

The Portland Development Commission subsequently adopted policies establishing the minimum level of spending required in each urban renewal area through PDC Resolution 6402, as well as income guidelines (PDC Resolution 6445). The adopted policy is applied to any newly formed urban renewal area, subject to City Council adoption of URA Plan, and it requires that all URA's with bonding authority beyond June 30, 2011 spend a minimum of 30% of total tax increment resources on Affordable Housing[1]. The

[1] calculated on a five year rolling average

City Council and PDC adopted the TIF set aside to ensure that affordable housing goals are met in urban renewal areas and to ensure there is a consistent and predictable level of funding.

Included in the FY06/07 Annual Report

- Actual expenditures only
- Expenditures between July 1, 2006 and June 30, 2007
- Only projects in which there is certainty the project is eligible under the TIF Set Aside for Affordable Housing policy
- All eligible project expenditures

Not included in the FY06/07 Annual Report

- Project expenditure in which there is uncertainty whether affordable housing will be part of the development program
- Any expenditures for staffing, overhead and administration
- Anticipated future spending or forecasted budgets

ATTACHMENTS:

A. TIF Set-aside Annual Report

CC: Andy Wilch
M. Baines, General Counsel
J. Jackley, Executive Operations Manager

February 2008

Tax Increment Financing Housing Set Aside Annual Report FY 06-07

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Executive Summary

The City and PDC have very broad and diverse revitalization goals, and TIF is a key resource for meeting those goals. Ensuring that affordable housing options remain in Portland's neighborhoods as revitalization occurs and property value increase is an important part of the City's urban renewal strategy. On April 26, 2006 through resolution No. 36404, the Portland City Council determined the need for a policy to dedicate a percentage of tax increment resources (TIF) in urban renewal areas (URA's) citywide to the development, preservation and rehabilitation of affordable housing that serves individuals and families earning 80 percent Median Family Income (MFI) or less.

The Portland Development Commission (PDC) subsequently adopted policies establishing the minimum level of spending required in each urban renewal area (PDC Resolution 6402), as well as income guidelines (PDC Resolution 6445). The adopted policy is applied to any newly formed urban renewal area, subject to City Council adoption of URA Plan and it requires that all URA's with bonding authority beyond June 30, 2011 spend a minimum of 30% of total tax increment resources on Affordable Housing calculated on a five year rolling average.

The City Council and PDC adopted the TIF set aside to ensure that affordable housing goals are met in urban renewal areas and to ensure there is a consistent and predictable level of funding.

The following table outlines the policies adopted for each URA. The policies apply to a cumulative five year period and are not expected to be met annually.

Urban Renewal Area**	**Set Aside for Affordable Housing** (% of Total URA Expenditures)***	**Income Guidelines** (Percent of Total Set Aside by Income/Use Category)			
		0-30% MFI Rentals	**31-60% MFI Rentals/ 0-60% MFI Ownership**	**61-100% MFI Ownership**	**Community Facilities**
Gateway	**30%**	35-50%	20-45%	20-40%	0-10%
Interstate	**30%**	35-50%	20-45%	20-40%	0-10%
Lents	**30%**	35-50%	20-45%	20-40%	0-10%
North Macadam	**30%**	35-50%	20-45%	20-40%	0-10%
River District	**30%**	35-50%	20-45%	20-40%	0-10%
Downtown Waterfront	**22%**	50-70%	20-40%	0-20%	0-25%
Oregon Convention Center	**26%**	35-50%	20-45%	20-40%	0-10%
South Park Blocks	**30%**	75-90%	10-25%	0-10%	0-10%
Central Eastside	**30%***	35-50%	20-50%	10-30%	0-25%

* a minimum of $5,100,000 of all tax increment resources of the first $35 million of debt issued and a minimum of 30% of all tax increment resources for any additional debt beyond $35 million.
**Airport Way & Willamette Industrial URAs have no requirement for budgeting or spending on Affordable Housing.
***calculated on five year rolling average

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TIF Set Aside – Fiscal Year 2006/2007 Highlights

The TIF Set Aside Policy applied to expended resources beginning July 1, 2006 –fiscal year 2006/2007. The following report summarizes the total TIF expenditures and TIF Set Aside eligible expenditures in applicable urban renewal areas for this first year. It is not expected that the Set Aside spending and income guidelines would be met in a single year, but instead would be met over a five year period.
Some key highlights of FY2006/2007 expenditures include:

- Nearly $20,000,000 of TIF was spent on affordable housing that is eligible under the TIF Set Aside Income Guidelines (see table below)
- An additional $340,000 was spent on projects that will have a TIF Set Aside eligible component.
- Downtown Waterfront and South Park Blocks urban renewal areas exceeded the spending requirements in FY2006/2007.
- The Downtown Waterfront URA expenditures fell within the adopted income guidelines for all categories.
- The Oregon Convention Center URA met its targets for Affordable Homeownership (61-100% MFI) but did not meet Rental Housing targets
- The Interstate Corridor URA met Affordable Homeownership (61-100% MFI) and Community Facility targets, but did not meet Rental Housing targets
- The Lents Town Center URA exceeded spending targets in Affordable Homeownership (61-100% MFI).
- The River District URA and South Park Blocks met spending targets for housing below 60% MFI, but did not meet 0-30% MFI Rental Housing targets.

The following table summarizes the TIF Set Aside Eligible Expenditure for fiscal year 2006/2007.

Urban Renewal Area	**Fiscal Year 2006/2007 Expenditures**		**TIF Set Aside Adopted Policy**
	TIF Set Aside Eligible Expenditures	**% of Total URA Expenditures**	
Central Eastside	$ -	**0%**	$5,100,000*
Oregon Convention Center	$ 662,505	**6%**	26%
Downtown Waterfront	$ 6,377,723	**27%**	22%
Gateway Regional Center	$ 167,694	**5%**	30%
Interstate Corridor	$ 487,750	**17%**	30%
Lents Town Center	$ 439,182	**4%**	30%
North Macadam	$ 5,044,702	**26%**	30%
River District	$ 1,374,215	**23%**	30%
South Park Blocks	$ 5,018,873	**34%**	30%
Total Expenditures	$ 19,572,644	20%	

* a minimum of $5,100,000 of all tax increment resources of the first $35 million of debt issued and a minimum of 30% of all tax increment resources for any additional debt beyond $35 million.

Many projects were in predevelopment during FY2006/2007 resulting in limited direct expenditures. Significant expenditures are expected on affordable rental housing projects in Downtown Waterfront, Interstate Corridor, North Macadam and South Park Blocks in FY2007/2008. Because of the timing of predevelopment activities, major expenditures in the

Central Eastside, Oregon Convention Center, Lents Town Center and River District are not expected until FY2008/2009.

The following report provides detailed information by urban renewal area as well as spending on specific projects. The methodology used to complete this report is included as an appendix to this report.

Central Eastside TIF set-aside report

HIGHLIGHTS

- There were no expenditures on Housing of any type in fiscal year 2006/2007.

Expenditures by project

Full Reporting (Overall and by income)	Year	Amount	Development type
none			

Partial Reporting (Overall only)	Year	Amount	Development type
none			

TIF eligiblity unknown*	Year	Amount	Development type
none			

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

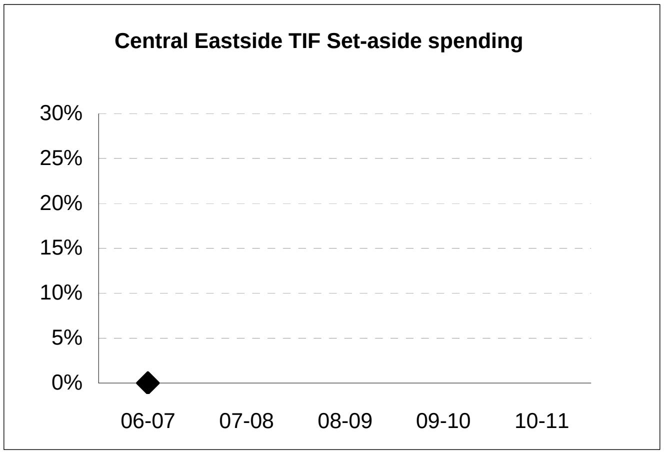
Total TIF spending

Year	Amount
06-07	$ 4,403,597

Period covered: FY 2006-2007

Central Eastside Compliance Calculations

Overall TIF spending on affordable housing (full and partial reported projects)

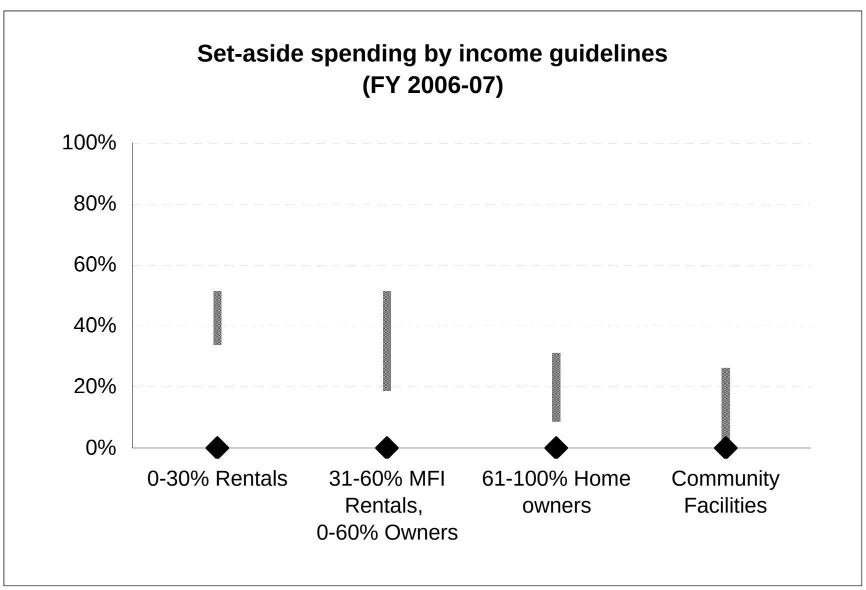


Set-aside eligible spending (millions) $ -
Total TIF Expenditures (millions): $ 4.4

Set-aside of Total TIF Spending (%): **0%**

Central Eastside policy:
$5.1M of first $35M of TIF Spending

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ -	$ -	$ -	$ -	$ -
Actual Distribution (%)		**0%**	**0%**	**0%**	**0%**
Adopted Policy		35-50%	20-50%	10-30%	0-25%

Oregon Convention Center TIF set-aside report

HIGHLIGHTS

• Expenditures included remaining disbursement of loans for the renovation of the housing above of Urban League building on MLK Jr. Blvd. and funding for the development of a land trust unit at the Fremont Townhomes project also on MLK Jr. Blvd.

• Expenditures were also make for site preparation, environmental remediation, and other property due diligence for two affordable homeownership development projects on PDC-owned land. Expenditures for the development of Piedmont Place are expected in fiscal years 2007/2008 and 2008/2009 and a development solicitation is expected to be issued for Grant Warehouse in fiscal year 2007/2008 resulting in development expenditures in the following year.

Expenditures by project

Full Reporting (Overall and by income)	Year	Amount	Development type
PCRI Urban League/Housing Project	06-07	$ 412,505	31-60% MFI Rental
3510 NE MLK - Portland Community LandTru	06-07	$ 250,000	Homeownership
		$ 662,505	

Partial Reporting (Overall only)	Year	Amount	Development type
none			

TIF eligiblity unknown*	Year	Amount	Development type
Grant Warehouse Homeownership	06-07	$ 138,621	Homeownership
Piedmont Place Homeownership	06-07	$ 201,908	Homeownership
		$ 340,529	

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

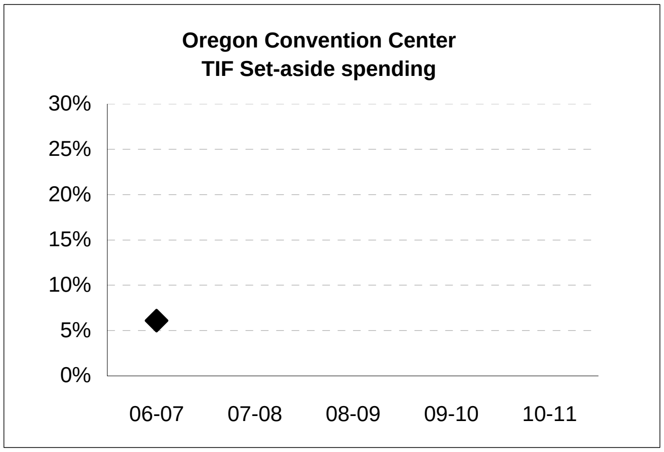
Total TIF spending

Year	Amount
06-07	$ 10,844,876

Period covered: FY 2006-2007

Oregon Convention Center Compliance Calculations

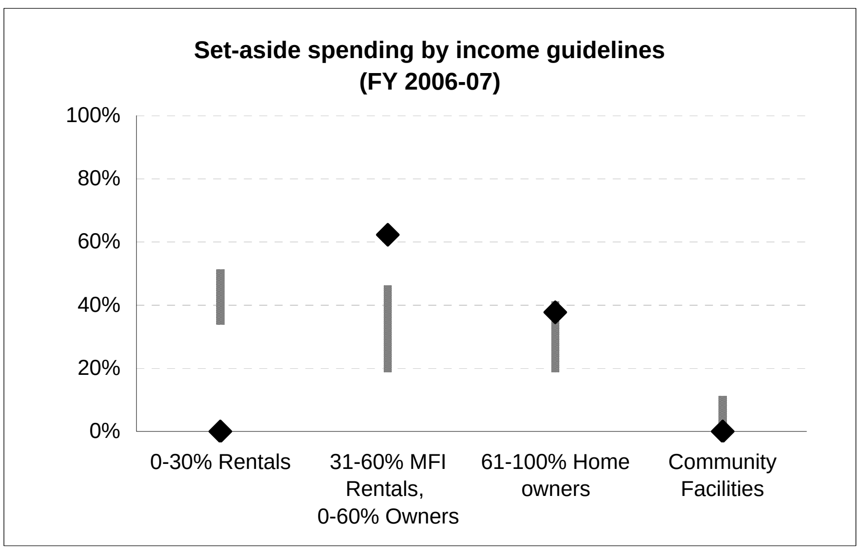
Overall TIF spending on affordable housing (full and partial reported projects)



Set-aside eligible spending (millions)	$	0.7
Total TIF Expenditures (millions):	$	10.8
Set-aside of Total TIF Spending (%):		**6%**

<u>Oregon Convention Center policy:</u>
26% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	**$ 662,605**	**$ -**	**$ 412,605**	**$ 250,000**	**$ -**
Actual Distribution (%)		**0%**	**62%**	**38%**	**0%**
Adopted Policy		35-50%	20-45%	20-40%	0-10%

Downtown Waterfront Center TIF set-aside report

HIGHLIGHTS

• The majority of expenditure in fiscal year 2006/2007 were predevelopment and construction financing for the preservation of extremely low income (0-30% MFI) and low income (31-60% MIF) rental housing.
• Predevelopment activities (with limited or no cash expenditure) in the Yards at Union Station Phase C project will result in TIF Set Aside eligible expenditures in fiscal years 2007/2008 and 2008/2009.

• Expenditure in the Downtown Waterfront Urban Renewal Area met or exceeded all policy objectives in fiscal year 2006/2007.

Expenditures by project

Full Reporting (Overall and by income)	**Year**	**Amount**	**Development type**
Estate Hotel Renovation & Preservation	06-07	$ 5,234,842	0-60% MFI Rental
Musolf Manor Preservation	06-07	$ 966,810	0-60% MFI Rental
Oak Apartments Preservation	06-07	$ 150,000	0-60% MFI Rental
Hotel Alder Preservation	06-07	$ 16,296	0-60% MFI Rental
Yards at Union Station Phase C Housing	06-07	$ 3,780	0-60% MFI Rental
Old Town Lofts Condominiums	06-07	$ 5,995	Homeownership
		$ 6,377,723	

Partial Reporting (Overall only)	**Year**	**Amount**	**Development type**
none			

TIF eligiblity unknown*	**Year**	**Amount**	**Development type**
none			

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

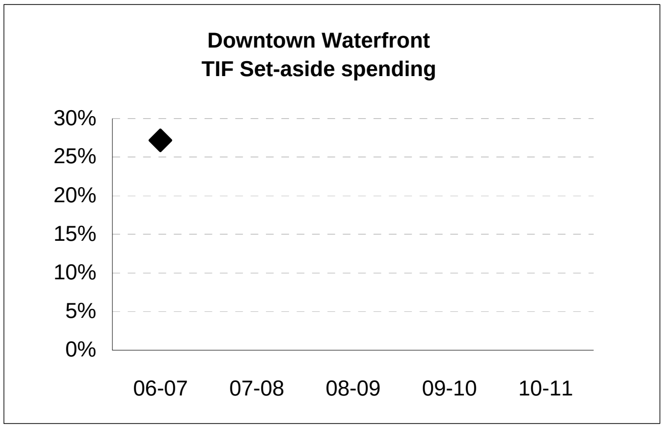
Total TIF spending

Year	**Amount**
06-07	$ 23,451,017

Period covered: FY 2006-2007

Downtown Waterfront Center Compliance Calculations

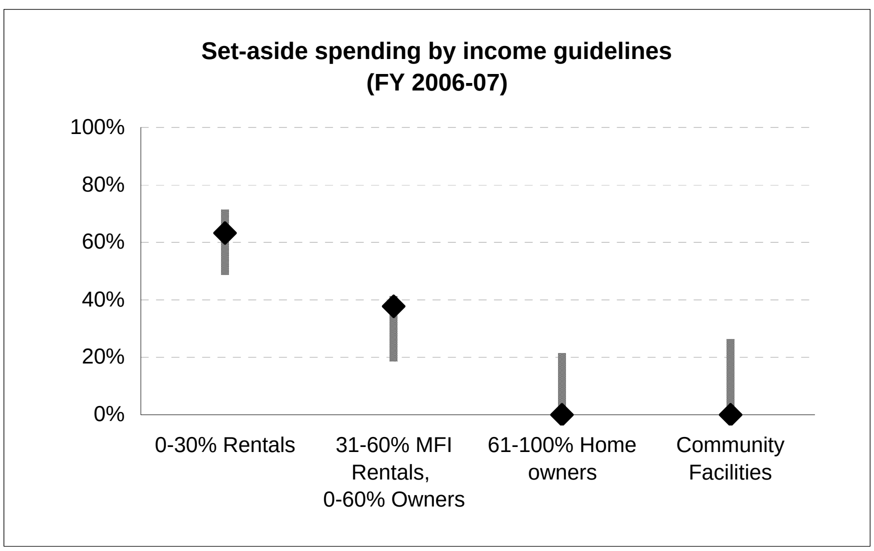
Overall TIF spending on affordable housing (full and partial reported projects)



Set-aside eligible spending (millions)	$	6.4
Total TIF Expenditures (millions):	$	23.5
Set-aside of Total TIF Spending (%):		**27%**

<u>Downtown Waterfront policy:</u>
22% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ 6,377,723	$ 4,037,424	$ 2,408,174	$ 1,978	$ -
Actual Distribution (%)		**63%**	**38%**	**0%**	**0%**
Adopted Policy		50-70%	20-40%	0-20%	0-25%

Gateway Regional Center TIF set-aside report

HIGHLIGHTS

• The only TIF Set Aside eligible expenditure in fiscal year 2006/2007 supported imrprovements to a community facility that supports low income residents as part of its mission.

Expenditures by project

Full Reporting (Overall and by income)	**Year**		**Amount**	**Development type**
Portland Impact Building Improvement	06-07	$	167,694	Community Facility

Partial Reporting (Overall only)	**Year**	**Amount**	**Development type**
none			

TIF eligiblity unknown*	**Year**	**Amount**	**Development type**
none			

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

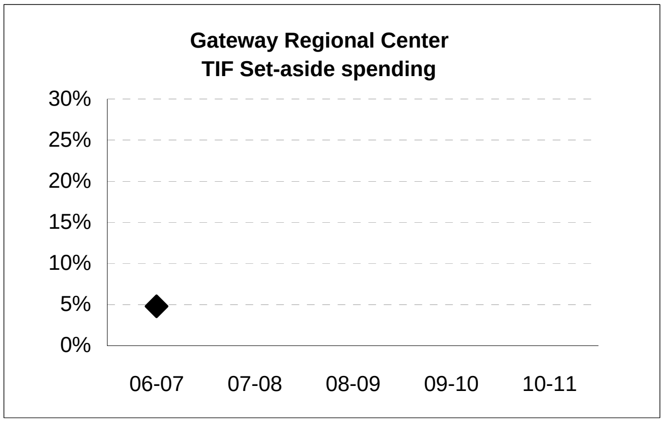
Total TIF spending

Year		**Amount**
06-07	$	3,492,447

Period covered: FY 2006-2007

Gateway Regional Center Compliance Calculations

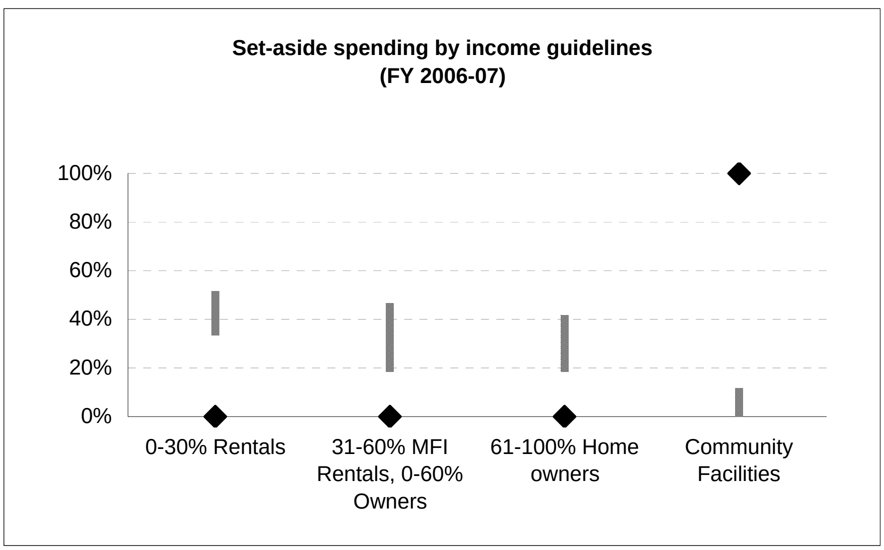
Overall TIF spending on affordable housing (full and partial reported projects)



Set-aside eligible spending (millions)	$	0.2
Total TIF Expenditures (millions):	$	3.5
Set-aside of Total TIF Spending (%):		**5%**

Gateway Regional Center policy:
30% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ 167,694	$ -	$ -	$ -	$ 167,694
Actual Distribution (%)		**0%**	**0%**	**0%**	**100%**
Adopted Policy		35-50%	20-45%	20-40%	0-10%

Interstate Corridor TIF set-aside report

HIGHLIGHTS

• Expenditures for rental housing supported the preservation of existing low income rental housing.

• Approximately $100,000 of the expenditure for homeownership supported households at 31-60% MFI, while the remaining supported households at 61-100% MFI.

• A small expenditure was made in fiscal year 2006/2007 for a community facility that supports low income residents as part of its overall mission.

• Substantial non-cash predevelopment activities occurred on the Crown Motel, Affordable Housing developer solicitation and Killingsworth Station homeownership which will result in TIF Set Aside eligible expenditures in fiscal years 2007/2008 and 2008/2009.

Expenditures by project

Full Reporting (Overall and by income)	**Year**		**Amount**	**Development type**
McCuller Crossing Preservation	06-07	$	154,395	0-60% MFI Rental
Boise Humboldt Home Repair Program	06-07	$	18	Homeownership
PDC Interstate Home Repair Program	06-07	$	263,030	Homeownership
Interstate Homebuyer Assistance Programs	06-07	$	69,757	Homeownership
N/NE Community Health Center	06-07	$	550	Community Facility
		$	487,750	

Partial Reporting (Overall only)	**Year**		**Amount**	**Development type**

TIF eligiblity unknown*	**Year**		**Amount**	**Development type**
Killingsworth Station	06-07	$	3,459	

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

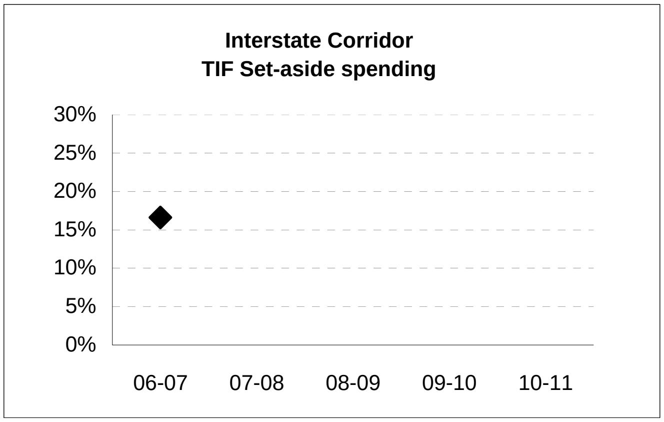
Total TIF spending

Year		**Amount**
06-07	$	2,935,971

Period covered: FY 2006-2007

Interstate Corridor Compliance Calculations

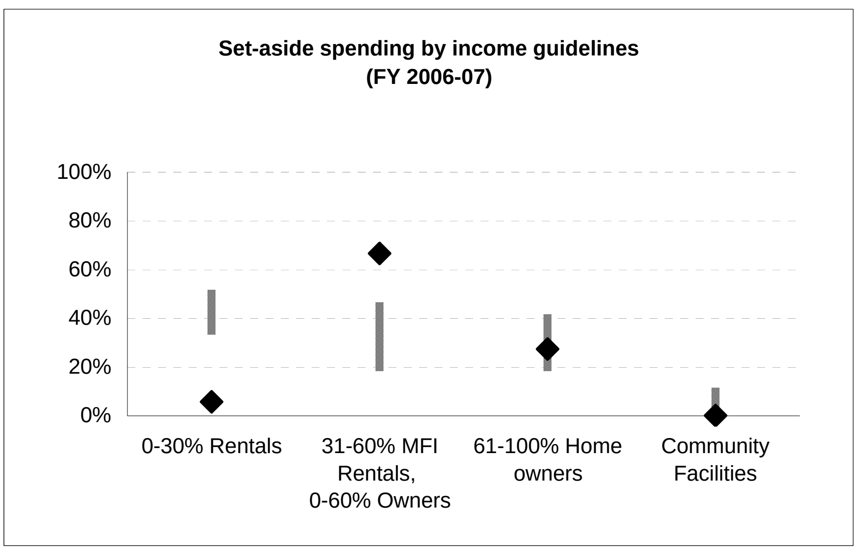
Overall TIF spending on affordable housing (full and partial reported projects)



Set-aside eligible spending (millions)	$	0.5
Total TIF Expenditures (millions):	$	2.9
Set-aside of Total TIF Spending (%):		**17%**

Interstate Corridor policy:
30% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ 487,750	$ 28,255	$ 325,296	$ 133,650	$ 550
Actual Distribution (%)		**6%**	**67%**	**27%**	**0%**
Adopted Policy		35-50%	20-45%	20-40%	0-10%

Lents Town Center TIF set-aside report

HIGHLIGHTS

• All housing expenditures supported homeownership programs for households both above and below 60% MFI.

• An expenditure was made in fiscal year 2006/2007 for a community facility that supports low income residents as part of its overall mission.

• There we no expenditures for rental housing in fiscal year 2006/2007.

Expenditures by project

Full Reporting (Overall and by income)	Year		Amount	Development type
PDC Lents Home Repair Program	06-07	$	100,053	Homeownership
REACH Community Builders Home Repai	06-07	$	100,026	Homeownership
122nd & Pardee Homeownership	06-07	$	996	Homeownership
PDC Homebuyer Assistance Programs	06-07	$	70,220	Homeownership
Portland Community Land Trust	06-07	$	107,951	Homeownership
Lents Homeownership Development	06-07	$	226	Homeownership
Portland Youth Builders	06-07	$	59,710	Community Facilities
		$	439,182	

Partial Reporting (Overall only)	Year	Amount	Development type

TIF eligiblity unknown*	Year	Amount	Development type

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

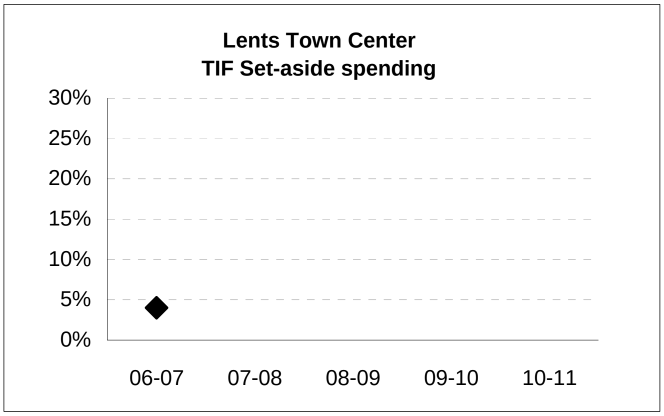
Total TIF spending

Year		Amount
06-07	$	10,912,061

Period covered: FY 2006-2007

Lents Town Center Compliance Calculations

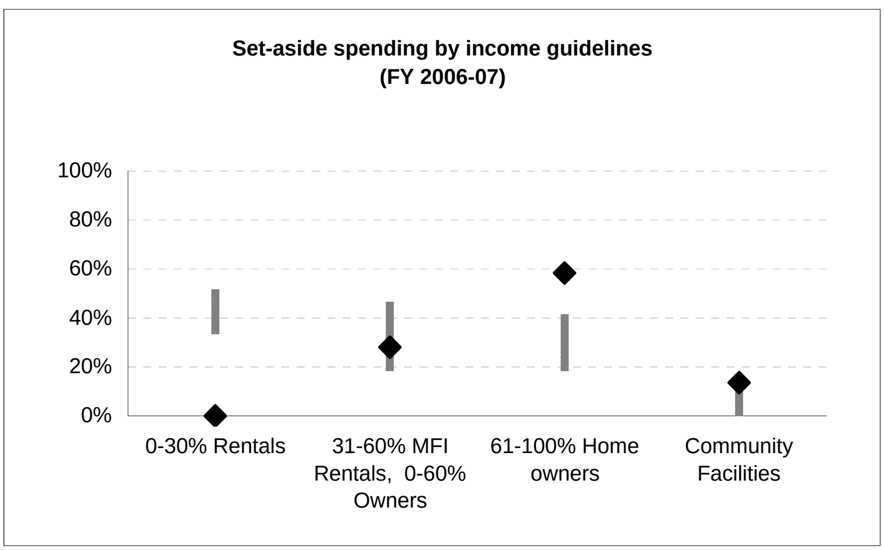
Overall TIF spending on affordable housing (full and partial reported projects)



Lents Town Center policy:
30% of TIF Expenditures

Set-aside eligible spending (millions)	$	0.4
Total TIF Expenditures (millions):	$	10.9
Set-aside of Total TIF Spending (%):		4%

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ 439,182	$ -	$ 123,212	$ 256,261	$ 59,710
Actual Distribution (%)		**0%**	**28%**	**58%**	**14%**
Adopted Policy		35-50%	20-45%	20-40%	0-10%

North Macadam TIF set-aside report

HIGHLIGHTS

• In fiscal year 2006/2007 PDC purchased property to support the development of Block 49. PDC is currently in negotiations with a developer for the development of a project that will have all units at or below 60% MFI resulting in additional predevelopment and construction expenditures in fiscal years 2007/2008 and 2008/2009.

Expenditures by project

Full Reporting (Overall and by income)	Year	Amount	Development type

Partial Reporting (Overall only)	Year	Amount	Development type
Block 49	06-07	$ 5,044,702	Housing

TIF eligiblity unknown*	Year	Amount	Development type

*TIF eligibility unknown projects are not counted in set-aside, but <u>are</u> counted in total TIF spending

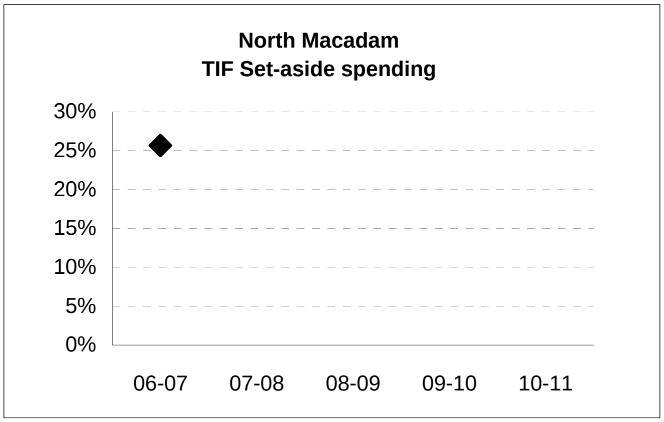
Total TIF spending

Year	Amount
06-07	$ 19,636,021

Period covered: FY 2006-2007

North Macadam Compliance Calculations

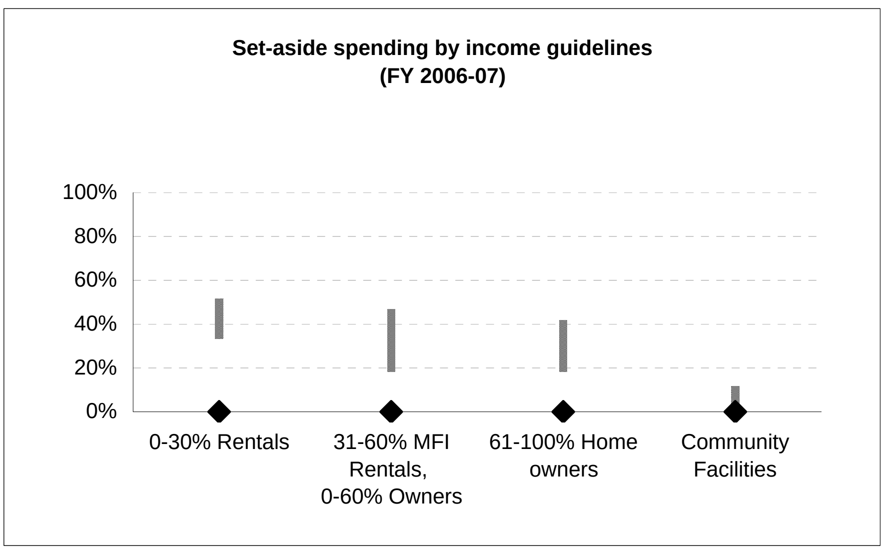
Overall TIF spending on affordable housing (full and partial reported projects)



Set-aside eligible spending (millions)	$	5.0
Total TIF Expenditures (millions):	$	19.6
Set-aside of Total TIF Spending (%):		**26%**

North Macadam policy:
30% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ -	$ -	$ -	$ -	$ -
Actual Distribution (%)		**0%**	**0%**	**0%**	**0%**
Adopted Policy		35-50%	20-45%	20-40%	0-10%

River District TIF set-aside report

HIGHLIGHTS

• All expenditure in fiscal year 2006/2007 were final disbursements on larger loans for affordable rental housing projects that were approved and funded in previous years.

Expenditures by project

Full Reporting (Overall and by income)	Year		Amount	Development type
Sitka Apartments	06-07	$	434,360	31-60% MFI Rental
Lovejoy Station Rental Housing	06-07	$	74,940	31-60% MFI Rental
Station Place Senior Housing	06-07	$	864,915	0-60% MFI Rental
		$	1,374,215	

Partial Reporting (Overall only)	Year	Amount	Development type

TIF eligiblity unknown*	Year	Amount	Development type

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

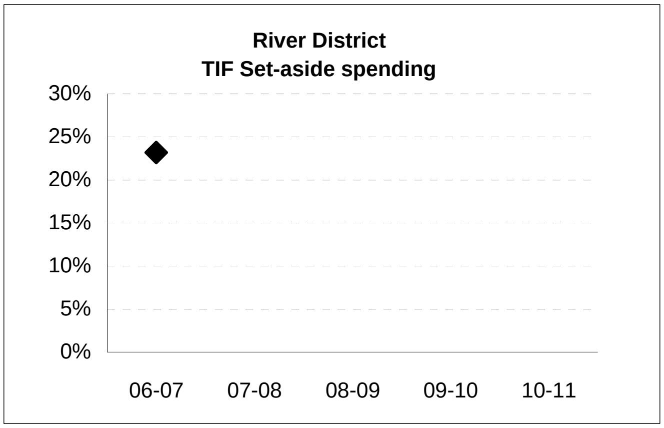
Total TIF spending

Year		Amount
06-07	$	5,923,566

Period covered: FY 2006-2007

River District Compliance Calculations

Overall TIF spending on affordable housing (full and partial reported projects)

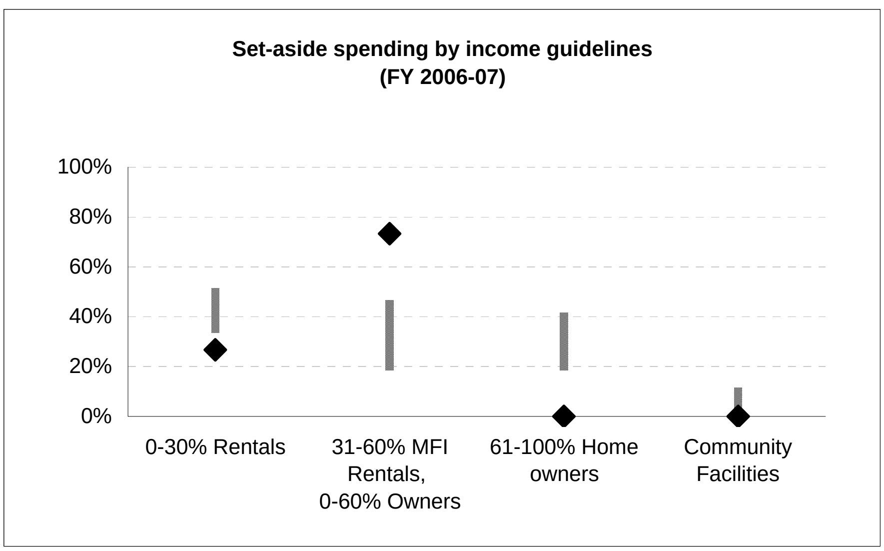


Set-aside eligible spending (millions) $ 1.4
Total TIF Expenditures (millions): $ 5.9

Set-aside of Total TIF Spending (%): **23%**

River District policy:
30% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ 1,374,215	$ 366,649	$ 1,007,566	$ -	$ -
Actual Distribution (%)		**27%**	**73%**	**0%**	**0%**
Adopted Policy		35-50%	20-45%	20-40%	0-10%

South Park Blocks TIF set-aside report

HIGHLIGHTS

• All expenditures in fiscal year 2006/2007 supported the preservation or replacement of existing affordable rental housing.

• Loans for the Fountain Place Apartments and Jeffrey Apartments will also disburse and result in TIF expenditures in fiscal year 2007/2008.

• Substantial non-cash predevelopment activities occurred on the Clay Towers, Martha Washington and Loaves and Fishes projects will will result in TIF Set Aside eligible expenditures in fiscal years

Expenditures by project

Full Reporting (Overall and by income)	Year	Amount	Development type
Jeffrey Apartments	06-07	$ 4,180,159	0-60% MFI Rental
Fountain Place Preservation	06-07	$ 810,774	0-60% MFI Rental
Fairfield Property Management & Planning	06-07	$ 27,940	0-30% MFI Rental
		$ 5,018,873	

Partial Reporting (Overall only)	Year	Amount	Development type

TIF eligiblity unknown*	Year	Amount	Development type

*TIF eligibility unknown projects are not counted in set-aside, but are counted in total TIF spending

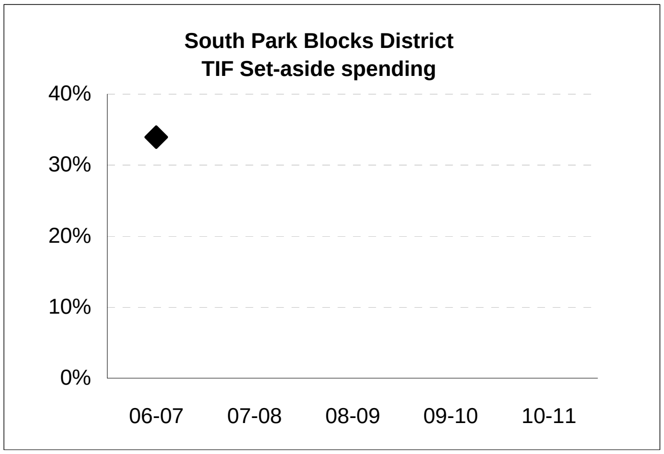
Total TIF spending

Year	Amount
06-07	$ 14,798,836

Period covered: FY 2006-2007

South Park Blocks Compliance Calculations

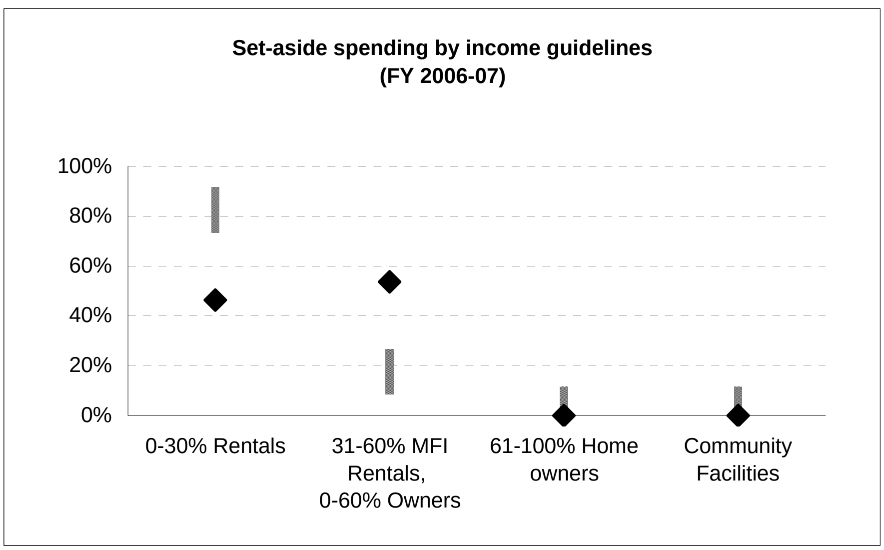
Overall TIF spending on affordable housing (full and partial reported projects)



Set-aside eligible spending (millions)	$	5.0
Total TIF Expenditures (millions):	$	14.8
Set-aside of Total TIF Spending (%):		**34%**

South Park Blocks policy:
30% of TIF Expenditures

Affordable TIF spending by Income Guidelines (full reporting projects only)



Vertical bars represent income and occupancy targets

	Set-aside eligible spending	0-30% MFI Rentals	31-60% MFI Rentals, 0-60% Owners	61-100% Home owners	Community Facilities
Actual Distribution ($)	$ 5,018,873	$ 2,327,725	$ 2,691,148	$ -	$ -
Actual Distribution (%)		**46%**	**54%**	**0%**	**0%**
Adopted Policy		75-90%	10-25%	0-10%	0-10%

APPENDIX: Reporting Methodology

The following policy was adopted related to the methodology for ensuring compliance with the annual reporting requirement on the expenditures of the 30% set aside of Tax Increment Financing. PDC is currently analyzing expenditure from July 1, 2006 through June 30, 2007 as part of the first annual report.

1) Policy will be applied to budgeted and expended resources *beginning July 1, 2006*

2) 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) The following formula illustrates how this will be implemented:

   Total Urban Renewal Area (URA) Expenditure – Total URA Admin = Total Project Expenditure

3) 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.

Expenditure Allocation Methodology

There are two primary types of expenditures that occur for housing projects. The PDC adopted policy is to consider these expenditures differently.

The capital outlay and material & services expenditures benefit entire projects, and in the instance of mixed income or mixed use projects the expenditures should be attributed to all of the uses accordingly. Financial assistance is provided based on the financing structure and affordability of projects and individual units. Changes to rent or sales levels in individual units directly impacts the financial assistance needed. Therefore we are better able to attribute the expenditures directly to income level.

Capital Outlay & Materials/Services: Because site work and planning support the overall development, not just a portion of the development, the expenditures will be allocated based on the distribution (percent) of units by income level. For example: If there were $1,000,000 of CO and M&S expenditure, and the rental project had 30 units at 0-30% MFI and 50 units at 60% MFI and 20 units at market rate the expenditure allocation for CO and M&X expenditure would look like:

0-30% MFI	- $300,000	(30% of units)
31-60% MFI	- $500,000	(50% of units)
Total Set Aside	- $800,000	
In-eligible	- $200,000	(20% of units)

Financial Assistance: Because financial assistance is based on the ability of the project to leverage other funding sources and private debt, the “mixed-income” methodology will be used to allocate direct financial assistance, which calculates how the PDC subsidy can be attributed to different income levels. This uses a methodology based on unit net operating income. Expenditures will be reconciled to eliminate “double-counting” of acquisition, predevelopment, construction and permanent financing.

Reporting Categories

The expenditures report will not include expenditures for project staffing and benefits, administrative overhead, facilities, human resources, etc. Rather, the report will include direct projects costs net staffing and overhead. (i.e. Total Urban Renewal Area (URA) Expenditure – Total URA Admin = Total Project Expenditure).

In addition, the report will eliminate “double-counting.” Often, expenditures for housing development are in the form of two, three or sometimes four different loans. These loans when viewed separately overstate the total urban renewal subsidy in the project. A project may have a PDC predevelopment loan that is completely paid off by a PDC construction loan, that is further paid off by a PDC permanent loan. The Annual Report will reconcile these expenditures on an annual basis and report only the total permanent subsidy in the project, as well as any capital outlay/materials & services that were not recouped in a property sale. See example on next page.

Project X TIF Financing	Expenditures	Revenues	
Land Acquisition	$1,000,000		
Due Diligence Work	$500,000		
Predevelopment Loan	$500,000		
Construction Loan	$10,000,000	$1,500,000	A
Permanent Loan	$10,000,000	$10,000,000	B
Total Project Expenditure	$22,000,000	$11,500,000	

(A) PDC sells land for $1,000,000; Construction Loan pays off $500,000 Predevelopment Loan
(B) Permanent Loan pays off $10,000,000 Construction Loan

Total TIF Project Expenditures = $10,500,000

The following categories will be reported in the Annual Report to reflect the varying stages of planning and development. Philosophically, we are reporting only what is known versus estimated or speculated. Each category will be reported differently. Only Full and Partial Reporting (as described below) will be compared with the overall TIF spending. The category which reflects that TIF Eligibility is Unknown is because while a known portion of the project will include TIF Set Aside eligible uses, the breakdown by income level isn’t yet known. Therefore, the amount of expenditure attributable to the TIF Set Aside is not yet know, and the “mixed-income” methodology can’t yet be applied.

FULL REPORTING: Report Total Dollars by Income Level

1a – *Expenditures of Construction or Permanent Financing*

In this category, PDC knows the income level of the project and have completed the “mixed-income” methodology to attribute the financing by income level. PDC also knows the predevelopment and capital costs associated with the project which can be attributed based on the number of units at each income level (per methodology described above). Example: Estate Hotel (loan closed/fully underwritten)

1b – *Expenditures of Capital Outlay (Acquisition, Site Prep) and Predevelopment Financing – Single Income Level*

In this category, PDC knows the project only includes TIF Set Aside eligible uses and a single income level. Therefore, the “mixed-income” methodology isn’t required. All associated costs will be attributed to a single income category. Example: Musolf Manor (predevelopment funding only/all units under 30% MFI)

This category will also include investments in community facilities. Community Facilities are defined as organizations or specific programs that as part of their stated mission provide direct services to low income or homeless populations.

PARTIAL REPORTING: Report Total Dollars as Eligible Under Set Aside/Do Not Report By Income Level

2 – Expenditures of Capital Outlay (Acquisition, Site Prep) and Predevelopment Financing – Entire Project TIF Set Aside Eligible: (All units at or below 60% MFI Rental/80% MFI Homeownership/100% MFI Family Homeownership)

In this category, PDC knows the project only includes TIF Set Aside eligible uses, but the breakdown by income level is not yet known and therefore the “mixed-income” methodology can’t yet be applied. Example: NMAC Block 49 (Predevelopment/Acquisition funding only/all units under 60% MFI)

3 – Expenditures of Capital Outlay (Acquisition, Site Prep) and Predevelopment Financing – Mixed-Income Project With Some Uses, but not all uses, TIF Set Aside Eligible

In this category, PDC knows a portion of the project will include TIF Set Aside eligible uses, but the breakdown by income level isn’t yet known. Therefore the amount of expenditure attributable to the TIF Set Aside is not yet known, and the “mixed-income” methodology can’t yet be applied. Example: Killingsworth Station (predevelopment funding only/some units at 80% MFI homeownership, some units above)

“30% Set Aside” COMPLIANCE ANALYSIS: Two-Tiered Analysis

There are two types of compliance reporting in the Annual Report. First, whether we are achieving the 30% Set Aside as it relates to overall URA spending. Second, whether our expenditures comply with the adopted Income and unit Guidelines.

30% TIF Set Aside For Affordable Housing – Full & Partial Reporting only

The following table will summarize total expenditures of the full and partial categories only. This will track whether 30% (or required percent) of total urban renewal expenditures (minus staffing and administration) were spend on Affordable Housing.

SOUTH PARK BLOCKS	**Expenditures**	**Percent**
TIF Set Aside Eligible Expenditures	$	%
Total URA Expenditures	$	

TIF Set Aside Income Guidelines – Full Reporting Only

The following table will summarize the total expenditures of the full reporting category only. This will track the distribution of the TIF Set Aside eligible expenditures. This will not include all TIF Set Aside Eligible expenditures per discussion under Reporting Categories.

SOUTH PARK BLOCKS	**0-30% MFI Rental**	**31-60% MFI Rental 0-60% MFI Owner**	**0-80% MFI Owner 100% MFI Family HO**	**Community Facilities**	**TOTAL**
Eligible Project Expenditures	$	$	$	$	**$**
TIF Set Aside Total Expenditures	$	$	$	$	**$**
% of TIF Set Aside	%	%	%	%	**100%**