

**PORTLAND DEVELOPMENT COMMISSION**  
Portland, Oregon

**RESOLUTION NO. 6908**

**ADOPTING AN UPDATED TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING POLICY, AN UPDATED TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING POLICY IMPLEMENTATION PLAN, AND RELATED INCOME GUIDELINES**

**WHEREAS**, on April 26, 2006, the City Council adopted Resolution No. 36403, declaring its intent to establish a Tax Increment Funding Set Aside for affordable housing and asking the Portland Development Commission (“PDC”) to present research and implementation options that would create such a set aside or other dedicated funding source for housing affordable to households with incomes at or below 80 percent median family income;

**WHEREAS**, on October 16, 2006, the PDC Board adopted Resolution No. 6398 adopting the Tax Increment Funding for Affordable Housing Policy and Implementation Plan, which was later updated on October 25, 2006, through Resolution No. 6402 (the “Original Set Aside Policy and Implementation Plan”). Income Guidelines were developed to guide investment of tax increment financing for affordable housing on February 28, 2007, through adoption of Resolution No. 6398;

**WHEREAS**, on April 12, 2007, through Ordinance No. 180889, the City Council adopted the PDC Tax Increment Financing for Affordable Housing Proposed Income Guidelines (the “Original Income Guidelines”), directed PDC to report on these expenditures annually, and directed the City Council and PDC to conduct a thorough review of the policy after December 2010, including impacts on tax increment revenues, city housing and other goals;

**WHEREAS**, on January 7, 2009, through Ordinance No. 182465, the City Council consolidated the housing functions that existed at the City and PDC and established the Portland Housing Bureau (“PHB”), which is responsible for implementation of the City of Portland’s housing policy;

**WHEREAS**, PHB and PDC completed the directed review and analysis during 2011 through the work of a Technical Review Committee and Stakeholder Review Committee, which included opportunities for public input and discussion, and resulted in the updated Tax Increment Financing Set Aside for Affordable Housing Policy, included in Exhibit A attached hereto (the “Updated Set Aside Policy”), the updated Tax Increment Financing Set Aside for Affordable Housing Policy Implementation Plan, included in Exhibit A attached hereto (the “Updated Implementation Plan”), and the related Income Guidelines, also included in Exhibit A attached hereto (the “Related Income Guidelines”); and

**WHEREAS**, on November 9, 2011, the City Council will consider the Updated Set Aside Policy, the Updated Implementation Plan, and the Related Income Guidelines, which would make it the policy of the City of Portland that an aggregate citywide minimum of 30 percent of Tax Increment Financing (TIF) shall be dedicated to the development, preservation and rehabilitation of housing affordable to households with incomes below 100 percent median

family income, in accordance with the Updated Policy Implementation Plan and the Related Income Guidelines, in the aggregate, across all urban renewal areas in existence as of July 1, 2006 (other than Airport Way and Willamette Industrial Urban Renewal Areas), and future urban renewal areas created after the adoption of this policy.

**NOW, THEREFORE, BE IT RESOLVED** that the Board adopts the Updated Set Aside Policy, the Updated Implementation Plan, and the Related Income Guidelines, replacing the Original Set Aside Policy and Implementation Plan and the Original Income Guidelines as attached in Exhibit A; and

**BE IT FURTHER RESOLVED** that this resolution shall become effective immediately upon its adoption.

**Adopted by the Portland Development Commission November 9, 2011.**



Recording Secretary

# PDC

PORTLAND DEVELOPMENT COMMISSION

## Resolution Number 6908

Title:

ADOPTING AN UPDATED TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING POLICY, AN UPDATED TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING POLICY IMPLEMENTATION PLAN, AND RELATED INCOME GUIDELINES

Adopted by the Portland Development Commission on November 9, 2011.

PRESENT FOR VOTE	COMMISSIONERS	VOTE		
		Yea	Nay	Abstain
<input checked="" type="checkbox"/>	Chair Scott Andrews	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Aneshka Dickson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner John Mohlis	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input checked="" type="checkbox"/>	Commissioner Steven Straus	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	Commissioner Charles Wilhoite	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/> Consent Agenda		<input checked="" type="checkbox"/> Regular Agenda		

### Certification

The undersigned hereby certifies that:

*The attached resolution is a true and correct copy of the resolution as finally adopted at a Board Meeting of the Portland Development Commission and duly recorded in the official minutes of the meeting.*

  
\_\_\_\_\_  
Recording Secretary

Date: November 9, 2011

**Exhibit A**  
**to Resolution No. 6908**

**ADOPTING AN UPDATED TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE  
HOUSING POLICY, AN UPDATED TAX INCREMENT FINANCING SET ASIDE FOR  
AFFORDABLE HOUSING POLICY IMPLEMENTATION PLAN, AND RELATED INCOME  
GUIDELINES**

**Portland Development Commission  
Board of Commissioners  
November 9, 2011**

**Exhibit A to the Resolution contains:**

- Set Aside Ordinance (2 pages);
- Attachment A – Tax Increment Financing Set Aside for Affordable Housing Policy (2 pages);
- Attachment B – Tax Increment Financing Set Aside for Affordable Housing, Policy Implementation Plan (5 pages); and
- Attachment C – Tax Increment Financing for Affordable Housing, Income Guidelines (3 pages).

## **ORDINANCE No.**

Amend the Tax Increment Financing Set Aside for Affordable Housing policy to ensure continued development, preservation and rehabilitation of housing affordable to households with incomes below 100% median family income. (Ordinance; amend Portland Policy Document HOU-1.04)

The City of Portland ordains:

Section 1. The Council finds:

1. The Comprehensive Plan Housing Policy provides the overall policy framework for City housing goals, programs, and funding decisions.
2. The City of Portland consolidated the housing functions that existed at the City and Portland Development Commission (PDC) through Ordinance No. 182465 on January 7, 2009, and established the Portland Housing Bureau (PHB).
3. PHB is responsible for implementation of the City of Portland's housing policy, Portland Policy Document HOU-1.04.
4. The City of Portland has adopted several specific housing priorities including: “Home Again: A 10-year Plan to End Homelessness in Portland and Multnomah County”; No Net Loss for Affordable Housing in the Central City, the Affordable Housing Preservation Ordinance; Operation HOME, the campaign to increase minority homeownership rates in the city; the Portland Housing Bureau Strategic Plan; and the Fair Housing Action Plan
5. Affordable housing for working families, people with disabilities, seniors, and low income households earning at or below 80% MFI is a high priority for the City of Portland.
6. According to ORS 457.085 (3), urban renewal plans, including tax increment fund (TIF) expenditures, must comply with the City’s Comprehensive Plan and adopted Economic Development Plans.
7. According to ORS 457.095 and 457.220, City Council approves each urban renewal plan for a new urban renewal district and substantial amendments to each urban renewal plan.
8. The adopted policy requires, following the fifth year of implementation, the City Council and PDC to conduct a thorough review of the policy and consider changes to the policy, if necessary.
9. PHB, on behalf of City Council and in concert with PDC, has conducted a full policy performance review.

10. Since the policy's adoption, over \$150 million in Tax Increment Financing Set Aside dollars have been directly invested in the development and preservation of affordable housing units and community facilities serving families, seniors, and people with disabilities.
11. Proposed revisions to the policy will improve effectiveness through simplifying the Set Aside budgeting process, improving communication between PHB and PDC, and ensuring Set Aside dollars are expended strategically and efficiently.

NOW, THEREFORE, The Council directs:

1. The City Council hereby adopts the recommended changes to the Tax Increment Financing Set Aside for Affordable Housing policy as shown in Attachment A.
2. The City Council hereby adopts the recommended changes to the Tax Increment Set Aside for Affordable Housing Implementation Plan as shown in Attachment B.
3. The City Council hereby adopts the recommended changes to the Tax Increment Financing Set Aside for Affordable Housing Proposed Income Guidelines as shown in Attachment C.
4. This ordinance is binding city policy.

Passed by the Council:

Commissioner Nick Fish

Prepared by: Daniel Ledezma/David Sheern

Date Prepared: September 15, 2011

**LaVonne Griffin-Valade**

Auditor of the City of Portland

By

Deputy



## **TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING**

a. It is the policy of the City of Portland that an aggregate citywide minimum of 30% of Tax Increment Financing (TIF) over the life of an Urban Renewal District shall be dedicated to the development, preservation and rehabilitation of housing affordable to households with incomes below 80% 100% median family income, in accordance with the Policy Implementation Plan and Income Guidelines, in the aggregate, across all urban renewal areas in existence as of July 1, 2006, other than Airport Way and Willamette Industrial Urban Renewal Areas, and future urban renewal areas created after the adoption of this policy.

b. This Tax Increment Financing for Affordable Housing Set Aside Policy ~~is hereby amended to~~ shall allow funds to also be used for the development of, or homebuyer assistance to, units with three bedrooms or more which are restricted to 100% MFI and below. The purpose and intention of this additional use is to provide financing for programs that encourage homeownership within the City of Portland for families with children to the extent permitted under federal, state and local Fair Housing Laws, and other applicable law, including ORS Chapter 457. For these units in the central city PDC PHB will require binding long term affordability calculated, in part, based on purchaser household size.

c. This policy shall apply to all urban renewal districts, other than Airport Way and Willamette Industrial Urban Renewal Areas.

d. In approving the Urban Renewal Plan for a new district or a substantial amendment to the Urban Renewal Plan for an existing district, City Council will consider whether the Plan meets this Set Aside policy, and if not, explain the exception to this policy.

e. This policy shall apply to existing urban renewal districts in the manner outlined in attached ~~Attachment A: Tax Increment Financing Set Aside Implementation Plan and Tax Increment Financing Set Aside Income Guidelines~~. Future City Council action may impact individual urban renewal areas' Set Aside percentages, through a joint recommendation by the Portland Housing Advisory Bureau (PHB) and the Portland Development Commission Board, but should not impact the aggregate 30% Set Aside across current and future urban renewal areas, excluding Airport Way and Willamette Industrial Urban Renewal Areas.

~~f. The City Council hereby adopts The PDC Tax Increment Financing for Affordable Housing Proposed Income Guidelines which are herein outlined in Attachment B.~~

~~g.f.~~ PDC PHB will report affordable housing expenditures by tenure (rental and homeownership), by income level, by unit size (number of bedrooms) and by urban renewal district annually to City Council and, if necessary, recommend changes to income guidelines to achieve maximum public benefit in housing projects.

~~h.g.~~ City Council, PHB and PDC will review the implementation of this policy and its impacts on other city policies and priorities in the annual budget process.

~~i.h.~~ By ~~December 2010~~ June 30, 2015 the City Council and ~~PDC~~ PHB will conduct a thorough review of this policy and its impact on tax increment revenues, city housing and other goals. At that time they will consider changes to program, if necessary.

~~j.i.~~ This Tax Increment Financing Set Aside for Affordable Housing Policy and the attached Implementation Plan and Income Guidelines are binding City Policy under Section 1.07.020 A of the City Code.





**TAX INCREMENT FINANCING SET ASIDE FOR AFFORDABLE HOUSING**

**POLICY IMPLEMENTATION PLAN**

## 1. OVERVIEW:

- A. Policy will be applied to TIF debt proceeds using the blended methodology (see Section 2.B.iv.) beginning July 1, 2006.
- B. Policy Implementation Plan will establish individual urban renewal targets that equate to an aggregate citywide minimum of 30% of tax increment resources over all existing and newly formed urban renewal areas, with the exception of Airport Way and Willamette Industrial that will be available to be spent on Affordable Housing. See Summary of Impact of Implementation Plan Table in Section 1. H.
- C. The Policy will apply to any newly formed urban renewal area. Portland Housing Bureau (PHB) and Portland Development Commission (PDC) will jointly recommend individual urban renewal targets for new districts that are appropriate to the purpose of those districts, but will not impact the aggregate citywide minimum 30% Set Aside across current and future urban renewal areas, excluding Airport Way and Willamette Industrial Urban Renewal Areas; and PHB will work with the Office of Management and Finance and PDC to develop provisions that allow new districts to establish a timeline for which the Set Aside will be implemented in instances where there is limited bonding capacity and taxable investments are necessary before tax increment is available sufficient to invest in affordable housing.
- D. Any changes to the established individual urban renewal targets shall be made through a joint recommendation by Portland Housing Bureau and PDC Board to City Council through the annual budgeting process or budget amendment.
- E. The Tax Increment Financing Affordable Housing Policy will continue to be implemented as part of the annual PHB budgeting process.
  - i. The Affordable Housing allocation will occur as part of PHB's current budget process in concert with PDC.
  - ii. PHB will report to the City Council annually on Set Aside Affordable Housing expenditures as well as the resulting housing and community facilities production.
  - iii. PHB will also report on tax increment expenditures and Affordable Housing production as part of the City Auditor's Services, Efforts and Accomplishments Report.
- F. 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 considered Set Aside expenditures as part of the Affordable Housing funding.

- G. The adopted Income Guidelines shall guide investment of tax increment financing for affordable housing.
- H. Using the tax increment debt proceeds blended methodology (see Section 2.B.iv.) the table below outlines the individual urban renewal targets that add up to the aggregate citywide minimum 30% Set Aside requirement. The individual urban renewal area targets are consistent with the targets set at the time the Set Aside Policy was adopted in 2006, and are reaffirmed. The individual targets are based on the following method:
- i. Urban renewal areas with bonding authority beyond June 30, 2013 (Gateway Regional Center, Interstate Corridor, Lents Town Center, North Macadam, and River District) are anticipated to spend 30% of tax increment resources on Affordable Housing with the exception of “industrial districts”.
  - ii. Urban renewal areas that do not have bonding authority beyond June 30, 2013 (Downtown Waterfront, Oregon Convention Center, and South Park Blocks) have specific targets based on factors including Affordable Housing expenditures prior to 2006, Set Aside expenditures from 2006 to 2010-11, urban renewal plans, and committed tax increment resources to non-Affordable Housing projects and programs.
  - iii. Urban renewal areas located in “industrial districts” (Airport Way, Central Eastside, and Willamette Industrial) have specific targets below 30% of tax increment resources based on factors including zoning, Affordable Housing expenditures prior to 2006, Set Aside expenditures from 2006 to 2010-11, urban renewal plans and committed tax increment resources to non-Affordable Housing projects and programs. Airport Way and Willamette Industrial Urban Renewal Areas are not included in the Set-Aside Policy given the zoning requirements and the exclusion of housing in those districts. Central Eastside Urban Renewal Area’s target is based on a target of 15% on the first \$35,000,000 in tax increment resources and 30% of tax increment resources thereafter are dedicated to Affordable Housing.

**Summary of Impact of Implementation Plan July 1, 2006 – June 30, 2015<sup>1</sup>**

<b>Urban Renewal Area</b>	<b>Amount Available Over 10 Years</b>	<b>% of Total URA TIF Budget</b>
<b>Central Eastside</b>	\$8,370,877	18%
<b>Downtown Waterfront</b>	\$20,364,829	21%
<b>Gateway</b>	\$9,621,360	30%
<b>Interstate</b>	\$33,057,009	30%
<b>Lents Town Center</b>	\$32,331,491	30%
<b>North Macadam</b>	\$31,872,273	36%
<b>Oregon Convention Center</b>	\$18,210,435	26%
<b>River District</b>	\$90,586,515	30%
<b>South Park Blocks</b>	\$32,956,202	52%
<b>Total</b>	<b>\$277,370,990</b>	<b>30%</b>

<sup>1</sup> Figures in this table represent a current estimate of Set Aside resources over 10 years. They include actual expenditures (FY 06/07 – 09/10), non-audited expenditures (FY 10/11) and forecasted available revenue (FY 11/12 – 15/16). This calculation involves a blended methodology (see Section 2.B.iv.) given the proposed policy change to shift Set Aside budgeting from expenditure-based to revenue-based.

**2. METHODOLOGY:**

**A. Program income generated from investment of TIF funds should remain with the agency which created it. Program income will not be considered in calculation of the 30% beginning July 1, 2011.**

- i. All program income will be retained by the agency that owns the asset generating the program income. Assets include real property, outstanding loan principal, and cash held during the fiscal year.

**B. Beginning on July 1, 2012, The 30% for affordable housing calculation will be applied toward total annual tax increment debt proceed revenue net of four percent (4%) which PDC will retain as compensation for overhead and staffing necessary for the issuance and management of tax increment debt and urban renewal area management .**

- i. The new methodology will reserve 4% of TIF debt proceeds to cover TIF and URA management expenses and then split the remainder between affordable housing (PHB) and non affordable housing (PDC) purposes.

- ii. The amount required for staffing and overhead costs not associated with TIF and URA management will come from out of the remaining resources split between PDC and PHB.
- iii. PDC and PHB will annually update the budget and five-year forecast to take into account changes in project timing and updates to the TIF resource assumptions, and resulting impact to the TIF forecast.
- iv. To recognize cumulative progress in meeting affordable housing goals since the beginning of the policy, cumulative affordable housing spending since FY 2006-07 through FY 2011-12 (expenditure based methodology) will be taken into account in determining how much of total TIF Debt Proceeds will be split for the remainder of the current five-year forecast, FY2012-13 through FY 2015-16 (revenue based methodology). This, in effect, will result in a **blended methodology** to reach cumulative affordable housing goals by district by FY 2015-16.
- v. Airport Way and the Willamette Industrial Urban Renewal Areas will continue to have no requirement for budgeting or spending on Affordable Housing expenditures and will not be included in the Set Aside methodology.
- vi. The 30% set aside for affordable housing will be an aggregate citywide minimum across all applicable urban renewal districts. Cumulative progress to meet the Set Aside will be based on the blended methodology.

## TAX INCREMENT FINANCING FOR AFFORDABLE HOUSING

### Income Guidelines

**1. Neighborhood Urban Renewal Areas:** The neighborhood urban renewal areas include:

- Interstate Corridor Urban Renewal Area (ICURA)
- Lents Town Center Urban Renewal Area (LTCURA)
- Gateway Regional Center Urban Renewal Area (GWURA)
- Oregon Convention Center Urban Renewal Area (OCCURA)

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
<b>0-30% MFI Rental Housing</b>	35% - 50%
<b>31-60% MFI Rental &amp; 0-60% MFI Homeownership</b>	20% - 45%
<b>61-100% Homeownership<sup>1</sup></b>	20% - 40%
<b>Low Income Community Facilities</b>	0% - 10%

<sup>1</sup> Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

**2. River District and North Macadam Urban Renewal Areas:** The following guidelines apply to the River District Urban Renewal Area (RDURA) and North Macadam Urban Renewal Area (NMURA).

Income Guidelines: Resource allocations will meet the following criteria:

Income/Spending Category	Range of Target Resource Allocation
<b>0-30% MFI Rental Housing</b>	50% - 70%
<b>31-60% MFI Rental &amp; 0-60% MFI Homeownership<sup>2</sup></b>	20% - 40%
<b>61-100% Homeownership<sup>3</sup></b>	0% - 20%
<b>Low Income Community Facilities<sup>4</sup></b>	0% - 10%

<sup>2</sup> It is not anticipated that 0-60% MFI Homeownership will be achieved in the Central City due to the cost, but the Income Guidelines do not preclude this investment if new innovative models are developed.

<sup>3</sup> Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

<sup>4</sup> In North Macadam, if spending levels allowed in this category are not spent, they can be reallocated to the other spending categories resulting in excess spending above the allowed maximums.

**3. Central Eastside Urban Renewal Area:** The following guidelines will apply to the Central Eastside Urban Renewal Area (CESURA)

Income Guidelines: Resource allocations will meet the following criteria:

<b>Income/Spending Category</b>	<b>Range of Target Resource Allocation</b>
<b>0-30% MFI Rental Housing</b>	35% - 50%
<b>31-60% MFI Rental &amp; 0-60% MFI Homeownership<sup>5</sup></b>	20% - 50%
<b>61-100% Homeownership<sup>6</sup></b>	10% - 30%
<b>Low Income Community Facilities</b>	0% - 25%

<sup>5</sup> It is not anticipated that 0-60% MFI Homeownership will be achieved in the Central City due to the cost, but the Income Guidelines do not preclude this investment if new innovative models are developed.

<sup>6</sup> Homeownership investments are restricted to 80% median family income (MFI) and below, except for the development of or homebuyer assistance to units with three bedrooms or more which are restricted to 100% MFI and below.

**4. Downtown Waterfront Urban Renewal Area:** The following income guidelines will apply to the Downtown Waterfront Urban Renewal Area DTWURA:

Income Guidelines: Resource allocations will meet the following criteria:

<b>Income/Spending Category</b>	<b>Range of Target Resource Allocation</b>
<b>0-30% MFI Rental Housing</b>	50% - 70%
<b>31-60% MFI Rental &amp; 0-60% MFI</b>	20% - 40%

<b>Homeownership<sup>5</sup></b>	
<b>61-100% Homeownership<sup>6</sup></b>	0% - 20%
<b>Low Income Community Facilities</b>	0% - 25%

**5. South Park Blocks Urban Renewal Area:** The following income guidelines will apply to the South Park Blocks Urban Renewal Area (SPBURA):

Income Guidelines: Resource allocations will meet the following criteria:

<b>Income/Spending Category</b>	<b>Range of Target Resource Allocation</b>
<b>0-30% MFI Rental Housing</b>	75% - 90%
<b>31-60% MFI Rental &amp; 0-60% MFI Homeownership<sup>5</sup></b>	10% - 25%
<b>61-100% Homeownership<sup>6</sup></b>	0% - 10%
<b>Low Income Community Facilities</b>	0% - 10%