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

Regional Housing Choice Revolving Fund
Portland Metro Lessons Learned
What Region?
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.
“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
Regional Housing Choice Revolving Fund

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
Regional Housing Choice Revolving Fund

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.
Regional Housing Choice Revolving Fund

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
Regional Housing Choice Revolving Fund

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?

- 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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