AFFORDABLE HOUSING REPORT OF THE NORTH BETHANY PLAN

Draft: 7/3/07

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EXECUTIVE SUMMARY

The Affordable Housing Report of the North Bethany Plan is grounded in the charge to us by Metro, Title XI for newer urban areas and its Resolution 03-3369A, which establishes planning objectives for North Bethany. Although Washington County was not a party to the resolution, they are committed to a good faith effort to achieve its planning objectives. Included there are specific objectives for affordable housing. Our charge is reflective of previously established affordable housing needs for the region and Washington County. Our document is not a needs assessment. The considerable need for affordable housing is well documented in the 2006 Metro Regional Housing Choice and Washington County Housing Choice Assessments as well as Chapter 4, Housing Market Analysis and Housing and Homeless Needs Assessment of Washington County's 2005/2010 Consolidated Plan.

The Affordable Housing Report recommends affordable housing principles and goals to achieve our charge. They are grounded in serving the needs of current and projected employees of North Bethany's employment centers; Bethany's "workforce". As used in the report, the term "workforce housing" is used interchangeably and as a synonym for Bethany's affordable housing. We define workforce housing as housing affordable to the majority of families and individuals who are, or will be employed in our study area. The study area is an approximately 800 acre area north of NW Springville Road between NW 185th Avenue and the Washington County line. We estimate that 93% of current and anticipated study area jobs pay, or will pay, below 80% of median family income. Our focus on workforce housing is not meant to exclude from development consideration of housing appropriate for students, seniors or persons with special needs for which the market may indicate demand.

Our housing recommendations are reflective of the Vision for North Bethany endorsed by the Board of County Commissioners. As well, the recommendations reflect the Focus Group's consideration of the concept plan's established evaluation criteria as applicable to housing. In addition, the Affordable Housing Focus Group developed a set of guiding principles against which the strategies recommended here have been weighed. Our recommended tools have been evaluated for expediency and cost benefit by testing their effectiveness when applied to recent and current sales projects selected to represent current products of developers who will build in Bethany. Rental projects were selected to represent the best and most appropriate of type of development anticipated by our development program for the area. The success of both in meeting our workforce housing goals requires balancing the current Bethany area housing market and with the market strategies necessary to deliver products consistent with the Vision for North Bethany.

The recommendations of this report are intended to inform the Project Team, Technical Advisory Committee and Stakeholder Work Group working groups as they begin to develop implementation strategies.

The following summarize each of our recommended strategies and tools. We believe these represent practical, tangible and feasible means to achieve our charge and will provide for the successful development of rental and ownership housing which meet our affordable workforce housing charge:

AFFORDABLE/WORKFORCE HOUSING RANGES OF DISTRIBUTION

Based on the November 2006 Strategic Program Document's alternative housing programs, the total range of housing units will be 4,710-5,928. Owner occupied units are assumed to range from 3,930-4,108 (83-69% of total respectively). Assumed number of rental units would be between 780 and1,820 (12-31% of total respectively). Based on our charge that 20% of housing developed be affordable/workforce housing, that total would be 786-822 owner occupied and 156-364 rental. These ranges may change as options are winnowed down and adjusted based on feedback from plan consultants, SWG and TAC members and the general public.

AFFORDABLE/WORKFORCE HOUSING GUIDING PRINCIPALS AND GOALS

Our Housing Focus Group, with participation of members of Bethany's development community, proposes supplementing the concept plan evaluation criteria with the following additional principles and goals.

A. Affordable/workforce housing must be seamless within the broader community context of Bethany

   1. It should be indistinguishable with respect to quality of design, construction and materials from market rate development in the same neighborhood.
   2. It should be of a size and scale compatible with similar housing types or mixed use buildings in the North Bethany community.
   3. To the extent practical, neighborhood unit distribution should be proportionate our overall affordability goal of 20% area wide.

B. Ensure affordable/workforce housing's bedroom distribution is consistent with that distribution existing county wide.

C. Distribution between rental and ownership of affordable/workforce housing should be consistent with the study area's current distribution of 30% rental and 70% ownership.

D. Affordable/workforce housing must be realistically achievable using currently available and accessible tools augmented by those within the purview of Washington County to effect.

   1. Are applicable to projects and products which would be affected in meeting our charge of 20% affordability for 80% MFI buyers and 60%

MFI renters.

2. Use a currently available with administrative structure and not require major new legislation or regulatory change for our use.
3. Are funded at levels sufficient to assure timely access for projects to be developed in Bethany over the next 5-7 years.
4. To the extent possible, they should not require local resources, either as direct contributions or forfeiture of tax and fee income i.e. tools should be used which make a net contribution to resources for development.
5. Where programs which meet the preceding criteria are not sufficient to fill the funding gap, new programs recommended are based on known successful models which have been effective and efficient and give maximum return (most "bang for the buck") for the assistance they provide.
6. Programs must be administratively and financially efficient and should be established with limitations on funds raised commensurate with specific project needs and should be regularly evaluated for effectiveness of their application in meeting intended objectives.

E. Ensure that affordable/workforce housing ownership affordability be maintained for similar durations as our charge with respect to rental housing: 30 years.

F. Affordable/Workforce housing should reflect building typologies familiar to Bethany's for profit sales housing developers and Washington County's non-profit housing developers.

RECOMMENDED TOOLS

In assessing available tools and recommending new ones, the above principles were applied and have resulted in the following recommended tools as having the greatest benefit in meeting our goals. This list does not imply that other existing tools will not be used, but that those recommended will together provide the most significant help consistent with these principles.

OWNERSHIP

Program & Purpose	Status	Cost & Source
Flexible Land Use Regulations (maximize creative design solutions)	County Action	0 (County)
Interest Rate Reduction (increases buyer capacity +- 11%)	Existing OHCSD Oregon Bond Program	0 (State)
Property Tax Abatement (increases buyer capacity +- 20%)	County Action	$1 million/yr (deferred tax receipts)
Land Trust (increases buyer capacity +- 25%)	County Action	$13-14 million (deferred tax receipts applied to

		urban renewal bonds)

RENTAL

Program & Purpose	Status	Cost & Source
Flexible Land Use Regulations (maximize creative design solutions)	County Action	0 (County)
Interest Rate Reduction (increases developer borrowing capacity +- 30%)	WACO/OHCSD Tax Exempt Bonds	0 (County or State)
Equity Contribution (reduces funding gap by +- 30% of project cost)	Existing OHCSD/LIHTC Program	0 (State)
Property Tax Abatement (increases developer borrowing capacity +- 30%)	County Action	$200,000/yr (deferred tax receipts)
Land Trust (increases developer capacity by eliminating land cost)	County Action	$4.5 million (deferred tax receipts applied to urban renewal bonds)

AFFORDABLE HOUSING REPORT OF THE NORTH BETHANY PLAN

I. Introduction and Background:

This Affordable Housing Report of the North Bethany Concept Plan is grounded in the charge to us by Metro, Title II for newer urban areas and its Resolution 03-3369A, which establishes planning objectives for North Bethany. Although Washington County was not a party to the resolution, they are committed to a good faith effort to achieve its planning objectives. Included there are specific objectives for affordable housing. Our charge is reflective of previously established affordable housing needs for the region and Washington County. This document is not a needs assessment. The considerable need for affordable housing is well documented in the 2006 Metro Regional Housing Choice and Washington County Housing Choice Assessments as well as Washington County's 2005/2010 Consolidated Plan.

This report does recommend affordable housing principles and goals for achieving our charge. They are grounded in serving the needs of current and projected employees of North Bethany's employment centers; Bethany's "workforce". As used in this report, the term "workforce housing" is used interchangeably and as an appropriate synonym for Bethany's affordable housing. We define workforce housing as housing affordable to the majority of families and individuals who are, or will be employed in our study area. We estimate that 93% of current and anticipated study area jobs pay, or will pay below 80% of median family income.

Our housing recommendations are reflective of the Vision for Bethany endorsed by the Board of County Commissioners. As well, the recommendations reflect the Focus Group's consideration of the concept plan's established evaluation criteria as applicable to housing. In addition, the Affordable Housing Focus Group developed a set of guiding principles against which the strategies recommended here have been weighed. Our recommended tools have been evaluated for expediency and cost benefit by testing their effectiveness when applied to recent and current rental sales projects selected to represent current products of developers who will build in Bethany. Rental projects were selected to represent the best and most appropriate of type anticipated by our development program for the area. The success of both in meting our workforce housing goals requires balancing the current Bethany area housing market and with the market strategies necessary to deliver products consistent with the Vision for North Bethany.

The recommendations of this report are intended to inform the Project Team, Technical Advisory Committee and Stakeholder Work Group working groups as they begin to develop implementation strategies.

The sections which follow discuss each of these subjects in greater detail. We believe that our recommended strategies and tools for housing development represent practical, tangible and feasible means to achieve our charge and will provide for the successful development of rental and ownership housing which meet our workforce housing goals.

II. Our Charge:

Planning for the North Bethany area is part of a continuum of planning processes grounded in the state of Oregon's statewide land use program created in 1973 when the Legislature passed the Oregon Land Use Act (Senate Bill 100). That program requires all cities and counties to prepare comprehensive plans that meet mandatory statewide planning standards. Housing is one of 19 statewide planning goals to be addressed. Next in the hierarchy is Metro which has primary responsibility for regional land use and transportation planning for the Portland Metropolitan region. Historically, Metro's predecessor, the Columbia Region Association of Government (CRAG) is the agency responsible for establishing and maintaining the urban growth boundary (UGB) for the Portland region. Metro's current role in regional land use planning and growth management establishes the regional framework which jurisdictions in the Portland Metro area are to follow.

Here is our Metro housing context. Metro Title 11 establishes minimum housing requirements for new urban areas. Metro Resolution 03-3369A is specific to North Bethany and includes additional objectives. In the Washington County Comprehensive Plan, the Community Plan for Bethany includes a North Bethany Area of Special Concern (ASC) No 2. This ASC outlines design elements and other requirements that specifically apply to Arbor Oaks, the North Bethany residential development already under construction. These design elements partially address Metro concept plan requirements for the Arbor Oaks portion of the new urban area. In addition, the Regional Housing Choices Task Force recommendations provide a framework of solutions to meet region wide housing goals. A brief description of each of these applicable elements follows.

Metro added the North Bethany Sub Area to the regional urban growth boundary in 1999 and 2002. Arbor Oaks was added in 1999, while the remaining area was added in 2002. It was the inclusion of the North Bethany area in the UGB which gave rise to our work.

A. Title 11 for New Urban Areas (Metro Urban Growth Management Functional Plan)

Metro Title 11 specifies planning responsibilities and requirements for new urban areas. Section 3.07.1120, subsections (B), (C), and (D) pertains to housing choice and requires:

- Average residential densities of at least 10 dwelling units per acre of net vacant buildable land.
- Demonstrable measures to provide a diversity of housing stock (such as those recommended by the Housing Choice Task Force, see description below); and
- Demonstration of how residential developments will include, *without public subsidy*, housing affordable to households with incomes at or

below area median incomes for home ownership and at or below 80% of area median incomes for rental units.

B. Planning Objectives for North Bethany Expansion Area (Metro Resolution 03-3369A)

Resolution 03-3369A establishes six planning objectives specific to North Bethany, in addition to the Metro Title 11 planning requirements. Objective No. 5 specifies affordable housing goals to be achieved through incentives and non-regulatory mechanisms. The provisions require 20% of ownership housing to be sold at prices affordable to households at or below 80% of median family income and 20% of rental units to be affordable for at least 30 years at or below 60% of median income. The City of Beaverton, in consultation with 1000 Friends of Oregon and Metro, developed and adopted planning objectives when it was understood that the City was conducting the concept planning. Washington County, in assuming the concept planning lead since adoption of Resolution of 03-3369A, has agreed to make a full faith effort to achieve these objectives.

C. Regional Housing Choices/Recommendations of the Housing Choice Task Force

Metro's Housing Choice Task Force recommended a series of solutions and desired actions and outcomes for amendments to Title 7 of the Metro Urban Growth Management Functional Plan. On January 25th, 2007, Metro adopted Ordinance 06-1129B to amend Title 7, which specifies affordable housing targets and requires consideration of implementation strategies for application at the local level.

D. Bethany Community Plan-North Bethany Design Elements (Washington County Comprehensive Plan)

Metro's role in Portland area regional land use and transportation planning does not usurp but merely provides context for included local jurisdictions. Washington County's role is to plan for and administer land use law, consistent with Metro's framework based on Washington County's comprehensive plan. As it relates to housing development, Washington County's comprehensive plan has been amended to incorporate, under its design elements, an Area of Special Concern No. 2. This area encompasses land located east of PCC Rock Creek Campus and north of Springville Road. It consists of a 109-acre parcel of land within North Bethany that was previously bought into the regional urban growth boundary. This parcel is currently referred to as the Arbor Oaks Development, a residential subdivision that includes single family and multi-family units. The design elements are intended to ensure that the Arbor Oaks Master Plan is consistent with Metro Title 11 requirements. As such, the design elements require a net average residential density of at lease 10 units/acre, a variety of housing types and provision for a minimum of 20% home ownership units that are affordable to households at or below 80% of area median incomes.

E. The Definition of Public Subsidy

Verification has been sought from Metro with respect to how Metro defines "public subsidy." They indicate that public subsidy is limited to the direct investment of public funds into the construction of housing. It is observed that getting affordable housing built in a new area such as Bethany will follow two major steps. The first is to develop broad affordable housing goals and objectives. The second step involves developing and adopting strategies for the county's overall affordable housing goals and objectives including those for Bethany. This also involves negotiations with various entities during the development phase in order to achieve affordable housing goals and objectives adopted in the Comprehensive Plan. It is not expected that any of the policies and strategies adopted in the comprehensive plan will include the county's interest to use public subsidy, such as investing public funds directly into the construction of the housing.

Metro goes on to acknowledge that in the second step, negotiations, may result in the modification of local regulatory and zoning requirements and provision of public subsidies such as property tax exemption, to encourage affordable housing development. Title 11 does not limit the outcome of the negotiations. We believe that recommendations contained in this report are consistent with this interpretation of public subsidy.

III. Vision for North Bethany: Community of Distinction

In addition to the mandates of Metro and Washington County, the Board of County Commissioners has put forth a vision statement as an expression of planning area aspirations. The vision is that:

> "North Bethany will be integrated into the existing, larger Bethany community. It is envisioned that North Bethany be a community of distinction, with a higher (than elsewhere in the unincorporated county) level of service for parks and open spaces, and a comprehensive design approach that integrates neighbors with open space, provides a variety of housing choices for a range of affordability levels, highlights community focal points (i.e. civic space, mixed use node, schools, etc.) and connects them to one another to adjacent points of interest and to neighborhoods via multimodal access routes. Transportation improvements will be planned to anticipate possible future expansion of the urban growth boundary in the North Bethany vicinity."

As further refinement of the vision statement, a series of project evaluation criteria provide a more detailed basis to measure the plan's components for adherence to the vision statement. Specific evaluation criteria applicable to the housing component include the following:

A. A Community of Distinction

1. The plan provides a variety of housing as indicated by the number and percentage of housing in total and in each neighborhood
2. The plan provides affordable housing choices (w/ details as recommended in this report).
3. Residential development is organized into clearly identifiable neighborhoods that are compact, pedestrian-friendly and mixed-use where appropriate

B. Equitable and Feasible Financing

The evaluation criteria states that, "the goal itself will be used to provide a criterion for an overall qualitative assessment of alternatives."

Our objective in this report is to identify the most readily available and appropriate tools and financial resources and approaches to development which will achieve the workforce (affordable) housing goals. We will also quantify the resources estimated as necessary to achieve the goals.

C. A Livable, Long-Term Future

The evaluation criteria state that, "housing choices and services should balance expected demographic and market trends."

D. Strategic Programming: Market Study vs. Market Strategy

The notion of balancing housing market studies with market strategies, which are necessary to affect outcomes consistent with the Bethany Vision, deserve explanation here. The North Bethany Strategic Programming Document of December 2006 raises this as a distinction that is particularly important to understand the importance of the strategies and tools recommended in this Affordable Housing Report. To achieve our affordable/workforce housing mandates, market strategies are required. To simply allow housing development within North Bethany to develop consistent with market demand will not achieve outcomes consistent with our affordable/workforce housing charge. The strategies and tools proposed in this report accept this reality. They are essential to achieving the market study/market strategy balance.

The Strategic Programming Document notes that successful community building to achieve our vision for a community of distinction requires a balance between short term market opportunity (as defined in a market study) and a longer term community objective (as defined in a market strategy). The distinction (market study v. market strategy) is both a matter of length of time and recognition of tools and obligations that go with place making and the power of public/private partnerships. A market study is an analysis of supply and demand which looks at the existing supply of housing currently in the marketplace compared to the amount that home buyers can and will demand and, in the case of affordable workforce housing, afford. However, doing a market study in connection with place making creates some problems. Such as:

- If there's no comparable product in the market area, demand for the product is more difficult to measure. Though this isn't strictly the problem with affordable/workforce housing, which need is broad and countywide, there is little of it in the Bethany market area.
- A market strategy asks, "What do we have to do in order to create the environment that will attract and support this new type of housing product?"…"What ingredients will make the difference and attract a broader demographic to provide product diversity and accelerate absorption?" Beyond the civic amenities addressed in the broader plan, our strategies and tools mean to eliminate impediments of affordability in the community that we are designing which otherwise has broad market attraction.
- Market studies are short-term and defined opportunities can change quickly. Market strategies look at longer time horizons and inform actions and interventions that make sure that market based strategies do not overwhelm long-term objectives.

IV. GUIDING PRINCIPLES FOR ACHIEVING BETHANY'S AFFORDABLE/WORKFORCE HOUSING GOALS

A clear context has been established for affordable/workforce housing's role within Bethany's vision and its place in the region. The project evaluation criteria were promoted by the Stakeholder Work Group with the anticipation that additional affordable housing evaluation criteria would be developed in consultation with the Housing Focus Group (HFG) and members of Bethany's development community. We suggest here guiding principles which we believe to be consistent with applicable Metro guidelines, the objectives for affordable housing in Washington County's Comprehensive and 2005/2010 Consolidated Plans. And, most importantly, they compliment and provide a finer grain basis for evaluating, adopting, and applying recommended tools. The following are recommended for the plan:

A. To have seamless affordable/workforce housing within the broader community context of Bethany

   1. It should be indistinguishable with respect to quality of design, construction and materials from market rate development in the same neighborhood.
   2. It should be of a size and scale compatible with similar housing types or mixed use buildings in the North Bethany community.
   3. To the extent practical, neighborhood unit distribution should be proportionate our overall affordability goal of 20% area wide and should occur in places consistent with the project's build out schedule.

Rationale: This is consistent with Washington County's Comprehensive Plan, its 2005/2010 Consolidated Plan and the North Bethany Vision Statement.

B. Ensure affordable/workforce housing's bedroom distribution is generally consistent with that distribution county wide, but responsive to the specific market in Bethany.

Rationale: This will ensure that affordable workforce housing is available to families and individuals consistent with the broad and long term county housing market as reflected in past housing development. This is consistent with Washington County's Comprehensive Plan, its 2005/2010 Consolidated Plan and the North Bethany Vision Statement. It also responds to the experience of other jurisdiction without such guidance which has seen affordable units over represented by small, less expensive units with limited market appeal.

C. Distribution between rental and ownership of affordable/workforce housing should be consistent with the broader study area's current distribution of 30% rental and 70% ownership.

Rationale: This recommendation will provide higher levels of affordable/workforce level home ownership than in the county as a whole (currently 40% rental/60%

ownership) which responds to Washington County's Comprehensive Plan, its 2005/2010 Consolidated Plans goals to increase the percentage of home owners county wide.

D. Affordable/workforce housing options be realistically achievable using currently available and accessible financial tools augmented by those within the purview of Washington County to effect. To the extent possible, the following criteria should be used to measure the effectiveness of recommended tools. It is not reasonable to expect that every recommendation will meet all of these criteria.

    1. Are applicable to projects and products which would be affected in meeting our charge of 20% affordability for 80% MFI buyers and 60% MFI renters.
    2. Use a currently available administrative structure and not require major new legislation or regulatory change for our use.
    3. Are funded at levels sufficient to assure timely access for projects to be developed in Bethany over the next 5-7 years.
    4. To the extent possible, they should not require local resources, either as direct contributions or forfeiture of tax and fee income i.e. tools should be used which make a net contribution to resources for development.
    5. Where programs which meet the preceding criteria are not sufficient to fill the funding gap, new programs recommended should be based on known successful models which have been effective and efficient and give maximum return (most "bang for the buck") for the assistance they provide.
    6. Programs must be administratively and financially efficient and should be established with limitations on funds raised commensurate with specific project needs and should be regularly evaluated for effectiveness of their application in meeting intended objectives.

Rationale: Supports the project's Equitable and Feasible Financing evaluation criteria.

E. Maintain affordable/workforce housing ownership affordability for 30 years, similar duration as our charge with respect to rental housing.

Rationale: This principle corresponds to Washington County' Comprehensive Plan, its 2005/2010 Consolidated Plan to increase percentage of homeowners county wide and the project's housing choice criteria.

F. Affordable/Workforce housing should reflect building typologies familiar to Bethany's for profit sales housing developers and Washington County's non-profit housing developers.

Rationale: This will ensure that development will be expedient, that products have already been acceptable in the market and have enjoyed community acceptance with respect to form and function of the product. This principle should not be read as discouraging innovation or introduction of new typologies of housing so long as it fits within the development context set for the North Bethany area.

V. Need and Targets Defined:

The need for affordable housing in the Portland region and Washington County specifically has been extensively studied and documented. There are three works in particular which are significant. One is Metro's Regional Housing Choice Implementation Strategy which includes findings and recommendations of the Housing Choice Task Force and were accepted by the Metro Council in March 2006. Another is Washington County's 2005-2010 Consolidated Plan, May 2005, which was prepared for the County's Office of Community Development. The Regional Housing Choice Implementation Strategy summarizes the work of Metro's 2005 Housing Choice Task Force, which was charged with assessing barriers that hinder affordable and workforce housing supply, to assess the experience and results of local pilot projects successful in meeting and increasing the supply of affordable housing and to help build broader support for housing supply solutions.

The County's Consolidated Plan is a requirement of the U.S. Department of Housing and Urban Development to guide local jurisdictions plan's for the use of federal funding of several programs administered by HUD. The Consolidated Plan includes, in its Housing Market Analysis and Housing and Homeless Needs Assessment chapter a summary of the County's housing needs. From this, the Plan determines local priorities for the use of public resources for the provision of a variety of the needs for the low and moderate income community within Washington County. It forms the basis for development of goals, polices, objectives and strategies for Washington County's Housing and Community Development programs. It is the Needs assessment section that is pertinent to our Bethany work

This housing report is not itself a needs assessment, but focuses on recommended strategies to meet our affordable/ workforce housing charge. That charge is derived from considerable evaluation of unmet housing needs in Washington County. Implicit in our charge is the recognition of the considerable need that housing be affordable to all of Washington County's residents. A summary of the conclusions of both Metro and Washington County's documented need is included here to remind the reader of the extent to which that need clearly exists.

Housing Affordability:

Housing is considered affordable when a household pays no more than 30% of its income toward housing. This generally accepted finance rule of thumb has been established by the United States Department of Housing and Urban Development. Included in this 30% for renters are rent and utilities. For homeowners, it includes payment for home loan principal, interest, taxes and insurance. Our charge is to define recommendations consistent with the prescribed median family income of our targeted our affordable workforce housing. Median income percentages for varying household sizes as determined by HUD and generally considered for determining affordability for the use of various public tools are contained in the Table V.A. The median family income of $67,900 for a family of four is the basis for the analysis and recommendations in this report.

V.A
Median Income Percentages – FY 2006

Household Size	30%	50%	60%	80%	100%	120%	150%
1	$14,250	$23,750	$28,500	$38,000	$47,550	$57,050	$71,300
2	$16,300	$27,150	$32,600	$43,450	$54,300	$65,200	$81,500
3	$18,350	$30,550	$36,650	$48,900	$61,000	$73,350	$91,650
4	$20,350	$33,950	$40,750	$54,300	$67,900	$81,500	$101,850
5	$22,000	$36,650	$44,000	$58,650	$73,350	$88,000	$110,000
6	$23,650	$39,400	$47,250	$63,000	$78,750	$94,500	$118,150
7	$25,250	$42,100	$50,500	$67,350	$84,200	$101,050	$126,300
8	$26,900	$44,800	$53,800	$71,700	$89,650	$107,550	$34,450

Source: Regional Blue Ribbon Committee on Housing Resource Development
Based on the HUD Portland Area Median Income as of February 2006: $67,900 for a family of four.
Figures are founded to the nearest $50.00)

To help understand the relativity of 30% affordability, Table V.B illustrates the monthly rent (or closely, the purchase cost) at various income levels of varying family sizes. Table V.C, Benchmark Affordable Housing Needs 2017, is from Metro's Housing Technical Advisory Committee's 20 year estimation of the regional need for affordable housing. This table arrives at the total needs for affordable housing, by households in each income group, based on Metro's Urban Growth Management Functional Plan. They assumed a similar distribution of incomes as in the 1995 American Housing Survey. They further assumed that housing production would approximate the distribution as determined by the 1990 U.S. Census as modified for Metro. By comparing household growth with housing production affordable by income, Metro was able to determine whether a deficit or surplus was likely. Based on this analysis, a look at the highlighted jurisdictions within Washington County indicates a total need of 39,922 affordable housing units in all of Washington County. Or 30,077 if we look only at unincorporated Washington County, which includes the Bethany study area.

V.B
2006 Housing Affordability - Maximum Monthly Rent Including Utilities by Median Family Income with a Housing Burden of 30%

# of Bedrooms	Household Size	30%	50%	60%	80%	100%	120%	150%
0	1	$356	$594	$713	$950	$1,189	$1,426	$1,783
1	1.5	$382	$636	$764	$1,018	$1,273	$1,528	$1,910
2	3	$459	$764	$916	$1,223	$1,528	$1,834	$2,291
3	4.5	$529	$883	$1,059	$1,412	$1,766	$2,119	$2,648
4	6	$591	$985	$1,181	$1,575	$1,969	$2,363	$2,954
5	7.5	$652	$1,086	$1,304	$1,738	$2,173	$2,608	$3,259

Source: Regional Blue Ribbon Committee on Housing Resource Development
(Based on the HUD Portland Area Median Income as of February 2006: $67,900 for a family of four.
Figures are founded to the nearest $1.00)

V.C
Benchmark Affordable Housing Need to 2017

(Total Affordable Housing Need - Not Targets or Goals)

Jurisdiction	Households 2017	Number of Households in each Income Group in 2017 based on Regional Percentages in 1992				Estimated Housing Units in 1998 Affordable to Defined Income Groups				Total Need for Affordable Housing Units by Jurisdiction by Income Group to Year 2017**			
		<30%	30-50%	51-80%	81-120%	<30%	30-50%	51-80%	81-120%	<30%	30-50%	51-80%	81-120%
Beaverton	38,704	4,451	4,296	7,780	7,160	175	2,005	8,557	8,105	(4,276)	(2,291)	777	944
Cornelius	3,601	414	400	724	666	16	300	1,244	1,234	(398)	(100)	520	568
Durham	533	61	59	107	99	6	23	85	326	(55)	(36)	(22)	228
Fairview	4,145	477	460	833	767	51	151	1,135	481	(425)	(309)	302	(286)
Forest Grove	8,227	946	913	1,654	1,522	398	817	2,104	2,076	(548)	(96)	451	554
Gladstone	4,582	527	509	921	848	91	413	1,883	1,462	(436)	(96)	962	614
Gresham	45,297	5,209	5,028	9,105	8,380	654	4,004	16,925	5,853	(4,555)	(1,024)	7,821	(2,527)
Happy Valley	2,583	297	287	519	478	3	8	56	510	(294)	(279)	(463)	32
Hillsboro	27,911	3,210	3,098	5,610	5,164	180	981	6,865	8,022	(3,030)	(2,117)	1,255	2,859
Johnson City	754	87	84	152	139	141	243	25	133	55	159	(126)	(7)
King City	417	48	46	84	77	2	42	660	608	(46)	(4)	576	531
Lake Oswego	16,452	1,892	1,826	3,307	3,044	42	284	2,823	3,683	(1,850)	(1,542)	(484)	639
Maywood Park	122	14	14	25	23	5	25	217	54	(9)	11	192	31
Milwaukie	11,709	1,347	1,300	2,354	2,166	304	1,323	3,471	3,062	(1,043)	23	1,118	896
Oregon City	12,896	1,483	1,431	2,592	2,386	253	1,076	4,137	3,166	(1,230)	(355)	1,545	780
Portland	280,528	32,261	31,139	56,386	51,898	12,396	33,055	89,310	50,141	(19,864)	1,916	32,923	(1,756)
Rivergrove	123	14	14	25	23	0	1	23	43	(14)	(13)	(2)	20
Sherwood	6,395	735	710	1,285	1,183	66	148	891	1,248	(670)	(561)	(394)	65
Tigard	19,179	2,206	2,129	3,855	3,548	37	1,092	3,604	5,038	(2,169)	(1,037)	(251)	1,490
Troutdale	7,096	816	788	1,426	1,313	65	229	2,257	1,564	(751)	(559)	831	251
Tualatin	10,552	1,213	1,171	2,121	1,952	6	475	1,948	3,511	(1,208)	(696)	(173)	1,559
West Linn	8,897	1,023	988	1,788	1,646	36	274	1,069	1,638	(987)	(713)	(719)	(8)
Wilsonville	8,842	1,017	981	1,777	1,636	17	184	1,714	1,138	(1,000)	(797)	(63)	(497)
Wood Village	1,548	178	172	311	286	14	160	551	282	(164)	(11)	240	(5)
Clackamas County Uninc	77,498	8,912	8,602	15,577	14,337	1,603	4,858	19,355	23,713	(7,309)	(3,744)	3,778	9,375
Multnomah County Uninc	7,621	876	846	1,532	1,410	62	312	1,632	1,820	(814)	(534)	100	410
Washington County Uninc	116,696	13,420	12,953	23,456	21,589	266	3,526	15,960	24,242	(13,154)	(9,427)	(7,496)	2,653
Totals	722,909	83,135	80,243	145,305	133,738	16,889	56,009	188,503	153,153	(66,245)*	(24,234)*	43,198	19,414

** Parentheses indicate a need for housing units.

1Based on Metro's Urban Growth Management Functional Plan.

2American Housing Survey, 1995. <30%MHI = 11.5%; 30-50%MHI = 11.1%; 51-80% = 20.1%; 81-120%MHI = 18.5%; 120%MHI+ = 38.8%.

3U.S. Census, 1990; Marathon Management, 1998; Metro, 1999. Assisted rental housing is included but not separately displayed on this table.

*H-TAC determined that the households with the greatest need for affordable housing were those in the 0-30% and 30-50%MHI (66,245 + 24,234 = 90,479)

Comment [PC1]: Urban only or rural as well?

Table V.D, Income Groups by Type of Occupation, puts family incomes into context by illustrating what types of jobs produce what levels of income. This is particularly pertinent for our purposes, since as you can see in Section VI of this report, 59% of Bethany's current and anticipated employment income is less than 60% while 78% is less than 80% of median family income.

V.D
Income Groups by Type of Occupation

Percent of Median Household Income (MHI)	**Size of Household & Occupations**
Less than 30% MHI	• ***1 person****:* fast food worker, service station attendant • ***4 people****:* preschool teacher with 3 children (*Many people in this income group are unemployed due to age or disability, for example, a single person receiving solely Social Security Income would have an income at approximately 14% MHI)*
30-50% MHI	• ***1 person****:* home health aide, hairdresser, receptionist • ***4 people****:* dental assistant with 3 children; fast food worker and a service station attendant with 2 children
51-80% MHI	• ***1 person****:* emergency medical technician, computer operator • ***4 people****:* full time registered nurse or social worker with 3 children; teacher's aide and bank teller with 2 children
81-120% MHI	• ***1 person****:* computer programmer, corrections officer, carpenter • ***4 people****:* electrical engineer or health services manager with 3 children; dental assistant and a maintenance worker with 2 children

Source: Metro Regional Affordable Housing Strategy, 2000

The summary of needs from Washington County's 2005-2010 Consolidated Plan indicates that Washington County faces a wide variety of housing needs particularly for households with low incomes and special needs. Approximately 34% of households in the country have very low, low or moderate incomes. A significant percentage of these households (approximately 65% of low and moderate income households or 32% of all households) face some kind of housing problem. These housing problems can include a cost burden (i.e. spending more than 30% of monthly income on housing), overcrowding (more than 1.02 persons per room) or a lack of complete kitchen and plumbing facilities.

A simplified way of viewing housing need in Washington County is by reference to Table V.E Washington County Housing Cost Snapshot: 2005 American Community Survey. It shows median family and household income, average housing occupancy by family and household size, renter/owner distribution and, most significantly, housing cost as a percentage of income. The Census Bureau defines a family as four or more people who reside together and are related by birth, marriage or adoption. A household is all people residing in a housing unit. Affordability, as defined by the Department of Housing and Urban Development, uses household and family size. In Washington County, as of

2005, households with mortgages were paying an average of 32.5% of income for housing. Rental households were paying 49.6% of income!

V.E
WASHINGTON COUNTY HOUSING COST SNAPSHOT: 2005 AMERICAN COMMUNITY SURVEY

INCOME	
Median Family	$64,879
Median Household	$53,431
AVERAGE HOUSING OCCUPANCY	
Family Size	3.32 persons
Household Size	2.70 persons
RENTER/OWNER DISTRIBUTION	39%/61%
HOUSING COST AS % OF INCOME	
Households w/Mortgages	32.5%
Households Renting	49.6%

In the Southwest Weekly section of the Oregonian of May 3rd, 2007, the article *For Rent: Nothing You Can Afford* additionally highlighted affordable housing need within Washington County. That article indicated 7,040 affordable housing units were available within Washington County but that it was estimated that the number needed by 2017 would be 46,676. And, it highlighted that at the current rate of adding 250 units per year, the county would fall far short of meeting its urgent affordable housing goals. The article also highlighted the rent to income discrepancy currently existing in the county. A monthly average rent for a 2-bedroom apartment is $750 and the hourly wage to afford that was $13.17 per hour. That is well beyond the reach of a single parent making minimum wage at $7.80 an hour. The article further stated it would be a stretch for a professional just starting out**.**

VI. AFFORDABILITY GAPS: CURRENT REALITY

Approximately 18% of current Bethany households make 60% of less in family income vs. 59% current and proposed employees. The comparison at 80% is 29% households residing in Bethany vs. 78% of current and proposed employees. This is where the concept of market strategy vs. market study is important to achieving the goals for Bethany area's affordable/workforce housing. There is vast difference between the housing market in Bethany, as reflected in recent development, and affordability relative to those employed in Bethany. Comparing Bethany's current household income distribution (Exhibit VI.A) with current and proposed employment income (Exhibit VI.F) makes that point clearly.

It is reasonable to establish that the predominant target for the market strategy for our affordable workforce housing be those working or who will be working in the study area. Our four principle employers are Portland Community College's Rock Creek Campus, Beaverton School District personnel employed in the three proposed schools, employees of Bethany Village, and the expected employment in the Village Center and Neighborhood Nodes proposed by our plan.

Table VI.B shows total current staffing and salaries at PCC Rock Creek. Of 239 full-time employees, 41% earn less than 60% of median family income, our target for renters. Fifty one per cent (51%) earn 80% or less. Over half of the faculty is part-time, but many are also employed part-time at other PCC facilities and at private and public colleges in the Portland metropolitan area. Estimates from PCC Human Resources office is that they likely make somewhat less than full-time faculty so may additionally contribute to the market for workforce sales housing.

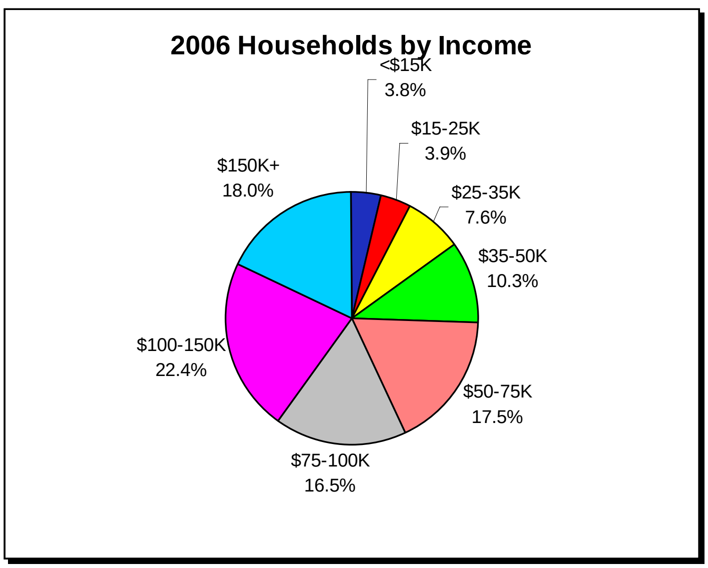
Three elementary schools will be built in the North Bethany area starting with the first opening projected for September 2009 and the final school to be completed in September 2016. (See Exhibit VI.C) Projected enrollment for all three schools is 2,355 students with full-time equivalent staff of 191. Staff salaries range from a high of $100,765 for principals to $22,482 for instructional assistants. 22% of employees will be under the 60% median family income, while 97% will be under 80%.

Our third employment component is existing Bethany Village. Table VI.D shows employment and incomes in existing Bethany Village tenancy as of April 3rd, 2007 derived from rent rolls, including type of business and square feet of rentable spaces supplied by central Bethany Development. The number of employees and income ranges were the result of applying methodologies from Metro's 1999 Employment Density Study. The Data Resource Center and Growth Management Services supplied industry grouping by FIC code. Employment for each grouping was determined by a weighted square foot per employee based on a sampling of 20 representative employment centers located throughout the Metro region. Incomes for each grouping were derived from the Oregon Employment Department, Washington County 2005 Covered Employment and Wages Summary Report, the last year for which full year average wages are available. The preceding methodology determined that 72% of current Bethany Village employees make under the 60% median family income with 77% under 80%.

The next employment component analyzed the future employment potential anticipated in the Village Center and Neighborhood Node developments in our plan. The North Bethany Strategic Programming report, dated November 2006, looked at a number of possible development scenarios distributed between village centers and neighborhood nodes of various sizes based on varying assumptions with respect to future development. Since that time, there has been some winnowing down of probable options. The current development scheme under discussion is the combination Village Center and Neighborhood Node development program. This is the option which was analyzed for employment and income potential. Table VI.E summarizes employment for the village center/node components which totals 168 employees. Using the same methodology as determined the number of employees and income distribution for Bethany Village, we conclude that 88% of Village Center/node employees will make less than 60% median family income, while 96% will be less than 80%.

Table VI.F summarizes the cumulative employment and income distribution for all four employment centers. Of the 1,001 total employees existing or anticipated, 646 or 59% are expected to be less than 60% median family income, while 78% will be less than 80%.

VI.A
NORTH BETHANY CURRENT AREA INCOME



VI.B
TOTAL CURRENT STAFFING AND SALARIES: PCC ROCK CREEK

POSITION	FULL-TIME	PART-TIME	AVG SALARY	%MFI
Clerical/Secretarial	44		$33,949	50%
Clerical/Secretarial		7	29,506	43%
Admin/Managerial	18		73,858	109%
Faculty	99		57,704	85%
Faculty		327	10,422	N/A
Academic/Professional	23		47,760	70%
Academic/Professional	2		40,565	60%
Service/Maintenance	24		31,715	47%
Service/Maintenance		11	24,191	36%
Skilled Crafts	2		41,223	61%
Technical/Paraprofessional	27		39,407	58%
Technical/Paraprofessional		5	41,103	61%
TOTAL	**239**	**350**		
TOTAL ALL	**589**			

VI.C
TOTAL PROJECTED STAFFING AND SALARIES FOR THE THREE ELEMENTARY SCHOOLS PROJECTED TO BE BUILT IN THE NORTH BETHANY AREA

SITE 1: Brugger Road Site
PROJECTED OPENING: September 2009 (725 students)
PROJECTED EXPANSION: September 2012 (180 students)

SITE 2: Kaiser Road Site
PROJECTED OPENING: September 2012 (725 students)

SITE 3: Perrin/Fishback Site
PROJECTED OPENING: September 2016 (725 students)

POSITION(S)	FTE	SALARY	% MFI
Principal	3.00	$100,765	148
Assistant Principal	2.00	92,700	137
Classroom Teachers	107.50	48,010	71
Special Teachers/Counselors	36.40	48,188	71
Instructional Assistants	17.75	20,482	30
Support Personnel	24.00	22,414	33
TOTAL	**190.65**		

**2007-2008 costs and full build-out to 2355 students (September 2012 and September 2016)*

NOTE: The three elementary schools are projected to enroll 2355 total students. However, only 1050 students are projected to be generated in residences in the currently designated “North Bethany Area.” The remaining students will come from neighborhoods south of Springville Road.

VI.D
Bethany Village's Current Employment Distribution and Income

Income Range*	52-59 Retail Trade**	60-68 Finance, Insurance and Real Estate	70-79 Non Health Services	80 Health Services	80-89 Education, Social and Membership Services	90-99 Government	TOTAL
9-30% ($0-$20,350)	118	1	1				120 (24%)
31-50% ($20,351-$33,950)	164	26			20		210 (42%)
51-60% ($33,951-$40,750)		20		8	2		30 (6%)
61-80% ($40,751-$54,300)		26				2	28 (6%)
81-100% ($54,301-$67,900)		14	3	84			101 (20%)
101%+ (54,301+)		14					14 (3%)
TOTALS	**282**	**101**	**4**	**92**	**22**	**2**	**503**

*Oregon Employment Department April 2007 covered employment and wages
**1999 Employment Density Study: Observed Building Densities Data Resource Center and Growth Management Services

VI.E
Projected Staffing Distribution: Bethany Village Center/Neighborhood Node Development

	Estimated Size*	Weighted SF/Employee**	Estimated Number of Employees	TOTAL
Retail	50,500	470	106	64%
Fitness Center	24,400	740	33	20%
General Office	6,000	370	16	10%
Library	5,000	740	7	4%
Community Cntr	3,500	740	5	2%
TOTAL			**168**	

* Bethany Strategic Programming Draft 11/21/06
** 1999 Employment Density: Observed Building Densities Data Resource Center and Growth Management Services

VI.F
Bethany's Current and Anticipated Employment/Income Summary

Employment Center	PCC Rock Creek*	Elementary Schools	Bethany Village	Village Center/Nodes	Total
Total	239	191	503	168	1101
60% or less	97 (41%)	42 (22%)	360 (72%)	147 (88%)	646 (59%)
80% or less	122 (51%)	188 (97%)	388 (77%)	161 (96%)	859 (78%)

*Full Time Employees

VII. MORE SPECIFIC GOALS: OWNER/RENTER SPLIT & UNIT SIZE DISTRIBUTION:

Our charge for affordable/workforce housing is made clear in Section II. What does this mean in terms of total workforce housing units? And, what is the appropriate approach with respect to the owner/renter split? And, what do we want to consider as a means for recommending unit distribution among housing type?

A. Owner/Renter Allocation

This section suggests more specific targets in each case. We take our cue from current and expected study area employment already discussed in Section VII. As our numeric basis for unit totals we use the six Housing Program Alternatives discussed in the December 2006 draft of the North Bethany Programming Report. We assumed that housing types designated apartment and specialty are rental with the remainder owner. The total housing unit range for the six housing program alternatives is between 4,710 and 5,928 units. (Table VII.A Housing Unit Ranges of Distribution)

VII.A
HOUSING UNIT RANGES OF DISTRIBUTION
November 2006
(Strategic Programming A-F
Apartment and Specialty = Renter
All Remaining Are Owner)

TOTAL UNITS RANGE

	RENTER/OWNER DISTRIBUTION		% DISTRIBUTION CURRENT BETHANY	% DISTRIBUTION CURRENT WACO
OWNER	3930 (83%)	4108 (69%)	70%	61%
RENTER	780 (12%)	1820 (31%)	30%	39%
TOTAL	**4710**	**5928**		

TOTAL AFFORDABLE RANGE			**% RANGE**	
OWNER	786 (20%)	822 (20%)	83%	69%
RENTER	156 (20%)	364 (20%)	17%	31%
TOTAL	**942**	**1186**		

Ownership units range from 3,930 or 83% of the low unit total to 4,108 or 69% of the high range. Conversely, renter units range from 780 or 12% of the low unit total to 1820 or 31% of the high range. Assigning the 20% affordability target to each of these categories gives us a range of 786 and 822 affordable workforce owner units and between 156-364 affordable workforce renter units with a total affordable range of 942-1196 units. This provides us a working range of both total units and the renter/owner split.

The owner and renter allocation for the low and high ranges can be discerned from the Strategic Programming's six alternatives. The range for owners is, between 83% of the low range and 69% of the high range. Renter allocation is between 17% of the low range and 31% of the high range. The high range split compares to the current renter/owner distribution existing currently in Bethany which is 70% owner and 30% renter. In Washington County, 61% are owners and 39% are renters. Our Strategic Programming's alternatives are skewed to favor more ownership over rentals, but the highest number is consistent with our applicable guiding principle. These ranges may change as options are winnowed down and adjusted based on feedback from SWG and TAC members, plan consultants, the general public and our client, Washington County.

Our development program is an evolving piece of our planning puzzle. But, it is appropriate that the final program recommendations be informed by our affordable/workforce housing charge, the community vision and criteria and workforce housing guiding principles. We recommend that the goal for ownership/renter split in the final development of North Bethany approximate its current distribution of 70% owner : 30% renter. This balances market considerations with the market strategies to achieve Bethany's goals and compliments those of Washington County's Comprehensive and Consolidated Plans.

B. Unit Size Distribution

We also propose goals for housing unit size for each ownership and rentals. We use the existing bedroom distribution for all of Washington County as our benchmark. Current county wide bedroom size is in the first column of Table VII.B. In choosing how to distribute units between rental and ownership, we similarly look at distribution patterns informed by past market conditions and the nature of demographics of each group. Renters tend to have more modest incomes, are smaller households, are younger and older than owners (are forming households or are older empty nesters) and more mobile.

VII.B
ALL UNIT HOUSING SIZE DISTRIBTION CURRENT: AFFORDABLE HOUSING UNIT DISTRIBUTION PROPOSED

	EXISTING DISTRIBUTION	ALL UNITS	AFFORDABLE OWNER % DISTRIBUTION	AFFORDABLE OWNER UNIT DISTRIBUTION	AFFORDABLE RENTAL % DISTRIBUTION	AFFORDABLE RENTER UNIT DISTRIBUTION
STUDIO	1%	47-59			10%	16-36
1 BEDROOM	12%	565-711			45%	70-164
2 BEDROOM	28%	1318-1659	28%	220-230	35%	55-127
3 BEDROOM	38%	1791-2254	50%	392-411	10%	16-36
4 BEDROOM	17%	801-1008	17%	136-140		
5+ BEDROOM	4%	188-237	5%	38-41		
TOTAL		**4710-5928**		**786-822**		**157-363**

Conversely, owners tend to be older, be larger households with more stabilized employment and higher incomes. The affordable owner distribution in column three of Exhibit VII.B, Unit Distribution Renter/Owner, and the affordable rental percent distribution in column five are recommended as a guideline to stimulate discussion about the importance that an affordable/workforce unit distribution strategy in assuring that the production of workforce housing units is developed in a way that best serves our target market.

VIII. OWNERSHIP HOUSING AFFORDABILITY GAP AND HOW TO BRIDGE IT:

A. Approach

As a basis for evaluating the existing sales housing affordability gap against our target buyer's ability to pay, we look to the most affordable housing type being developed by the three developers the most active in North Bethany. They are Matrix Development: Legend Homes; West Hills Development: Arbor Homes; and K&R Holdings. Together, they control the majority of the developable residential land in our planning area. Together they have a proven capacity to develop of a broad range of for sale housing types. Their product has proven broad market acceptance and, as development companies, they are invested in the successful outcome of Bethany's future residential development.

This assessment of current developer products serves to illustrate how we arrived at conclusions with respect to which suggested tools would have the greatest impact on affordability. Suggested strategies would have no less impact on the affordability of the products of other developer's who may enter the Bethany market in the future.

We have chosen, as our prototypes for analysis, their most affordable products consistent with unit type distribution that we have established in this report. We examined the cost components of our representative projects to determine which of those components might be affected by and be consistent with guiding principles for currently available and accessible tools as well as those which we have recommended. Reference to Table VIII.C (incomplete awaiting additional developer information) shows the major sales housing cost components. Land and System Development fees (SDC's) are the components which may be affected by recommendations within our prevue. We have not recommended waiver of SDC's as explained in Section XI of this report. But, we do propose a way to eliminate the cost of land for our targeted buyer as discussed in Section VIII.D.4, Land Trust.

For purposes of simplicity in our analysis, we use average costs for selected housing product as well as average median family income. We acknowledge that within the range of costs for selected housing types, there will be varying degrees of affordability. And, variables in family size affect median family income. We do not believe the nuanced application of these variables to our analysis would measurably affect the outcomes concluded with our simplified approach.

NOTE: RE: "Creative financing": In the past several years a number of new, complex, and often risky finance products have been introduced to the marketplace. These include interest only loans, extended amortization (up to 50 years), and adjustable rate mortgages with low initial interest but adjust to higher, often unaffordable rates soon after origination, among others. These products have been aimed at creating housing affordability for those with limited incomes or clouded credit history. These products have recently been shown to expose their users to higher levels of default and foreclosure that for more conventional loan *products following more conventional underwriting guidelines. Because of this, we have used conventional products with conventional underwriting for our analysis.*

B. Current Sales Housing Features and Price Distribution

Table VIII.A Current Sales Housing Features and Price Distribution summarized information on the selected homeownership prototypes. Table VIIIB summarizes low to high ranges for unit size, price and median price per square foot the prototypes. Of interest with respect to affordability is how consistent the median price per square foot. Excluding the highest and lowest cost per square foot, four remaining products only vary between $171 and $178 per square foot. The major variable affecting sales price is simply the size of the unit. Efficiently designed three bedroom/two bath units should provide pricing which, with appropriate tools, which will be affordable to our 80% MFI homeowner target.

C. What Mortgage an 80% MFI Buyer Can Afford?

We then looked the amount of mortgage that families making 80% MFI could afford. Then we examined the affordability impact, or “value added” to that amount by several tools to see the difference they made in housing affordability. To determine what our target family can afford, we looked at how conventional underwriting standards and available conventional loans would serve them. We then applied financial tools which meet the guidelines for our financial tools. The results of this analysis are summarized in Exhibit VIII.D and more fully described here.

VIII.A
CURRENT SALES HOUSING FEATURES AND PRICE DISTRIBUTION

LEGEND HOMES: MATRIX DEVELOPMENT
The Q: Attached Condos
Size: 819-1842 sf
(1330 sf median)
Features: 1-2 BR; 1-2.5 BA; 1 underground parking space

Price: $180,000 - $359,000
($269,500 avg)
($202/sf median)

The Village at Orenco: Single Family Detached
Size: 1975-2886 sf
(2280 sf median)
Features: 3-4 BR; 2.5 BA; 2 car garage

Price: $379,900 - $414,900
($397,400 avg)
($174/sf median)

Stonewater at Orenco: Townhouses
Size: 1217-2232 sf
(1724 sf median)

Features: 2-4 BR; 2.5 BA; 2 car garage

Price: $234,000 - $355,900
($294,950 avg)
($171/sf median)

ARBOR HOMES: WEST HILLS DEVELOPMENT
Arbor Park: Attached Two-Six Dwelling Buildings
Size: 1460-1550 sf
(1505 sf median)
Features: 2-3 BR; 2.5 BA; 2 car garage

Price: $249,900 - $284,900
($267,400 avg)
($178/sf median)

K&R HOLDINGS:
Woodhaven Crossing II: Flats and Townhomes
Size: 762-1567 sf
(11164 sf median)
Features: 1 BR flat-3BR; 2 BA; 2-car garage

Price: $140,950 - $219,950
($180,380 avg)
($155/sf median)

VIII.B
CURRENT SALES HOUSING SIZE & PRICE DISTRIBUTION SUMMARY

	LOW	HIGH
Median Size	1,164 sf	2,280 sf
Median Price	$180,380	$397,000
Median Price/SF	$155/sf	$202/sf

VIII.C
HOUSING AFFORDABILITY MAXIMUM MORTGAGE AMOUNTS WITH PURCHASE ASSISTANCE OPTIONS

MEDIAN FAMILY INCOME (MFI): $67,900/YR ($5,658/MO)
80% MEDIAN FAMILY INCOME (MFI): $54,320/YR ($4,527/MO)

UNDERWRITING CONSIDERATION: (PER MONTH)	
Percent of Income Allowable for All Debt:	**41-45%**
@ 80% MFI	$1,856 – $2,037
Income Allowable to Principle, Interest and Ins. (PITI)	**28-32%**
@80% MFI	$1,267 – $1,449

(Tax and insurance adjustment, based on median home value of $238,000)

Relationship of sale price to assessed value is 60% ($142,800). Tax is $17 per $1,000 of A.V. or $2,427/or $202/mo. Cost of insurance is $500-$1,000/yr w/avg $750/yr. Total TI = $3,177/yr or $265/mo.

AVAILABLE FOR MORTGAGE (PER MONTH)	
@ 80% MFI	1,002 – $1,184
MORTGAGE AT 6.5% X 30 YEARS	
@ 80% MFI	$158,527 – $187,320
WITH RATE REDUCTION TO 5.5% (VALUE ADDED)	$17,947 – $21,200 (11%)
@80% MFI	$176,474 – $208,528
WITH REAL PROPERTY TAX ABATEMENT (VALUE ADDED)	$35,577 (22 – 18%)
@ 80% MFI	$212,051 – $244,105
WITH LAND TRUST (VALUE ADDED)	$33,333 – $41,667 (21 – 22%)
@80% MFI	$245,384 – $285,771
TOTAL ASSISTANCE	**$86,857 – $98,444**
INCREASED AFFORDABILITY	**55% – 53%**

AFFORDABLE RANGE W/5% DOWN PAYMENT $257,653 – $300,000

Eighty percent (80%) of median family income is $54,320 per year or $4527 per month. Current conventional mortgage underwriting requires that all debt not exceed between 41-45% of income. This includes debt for home purchase as well as for autos, revolving credit card debt, etc. Clearly, other debt occurred prior to seeking underwriting for a home purchase will affect allowable debt for home purchase. However, for purposes of our illustration, we assume our buyer will be eligible for the maximum allowable mortgage debt. Underwriting caps this at 28-32% of income for principle, interest and property insurance. For our target family this is $1,267 - $1,449 per month.

To determine the amount available for the mortgage only payment, we need to adjust the monthly amount by allowances for taxes and insurance. We adjusted the tax amount based on county's median home value of $238,000. Washington County's Assessment and Taxation Division states that the relationship of sales price to assessed value in the Bethany area will be 60% or $142,000. By applying the current tax rate of $17 per $1,000/assessed valuation, we see that an annual tax payment of $2427 or $202/month is required. Insurance costs are between $500 and $1,000 per year, depending on lender and/or homeowner requirements. Using the average of $750, added to taxes, results in a total of $3,177 per year or $255/month for tax and insurance.

Deducting this from the total allowable payment for principle, interest and insurance, gives us a range of $1,002 to $1,184 to buy a mortgage. At a rate mortgage of 6 1/2% for a 30 year term mortgage, our homebuyer could finance between a $158,527 and $187,320 loan.

D. How Affordability Programs Impact Buyer Purchase Capacity

To increase this amount (by lowering cost to own) the first tool we apply is the Oregon Housing and Community Services Division Single Family Bond Loan Program. See Section VIII.D for an explanation of this and other programs used in this analysis.) The effect of this program is to reduce the current interest rate by one percentage point. (In times with higher market interest rates, this difference between market and bond rate can be higher). This has the effect of adding between $17,947 and $21,200 of value to our purchasers' payment stream. It increases their mortgage to $176,474-$208,528. Assuming a 5% down payment, they would be able to afford houses in the $185,398 - $218,954 price range. Only one of our prototypes would be affordable with this single tool.

The second tool we apply is the property real estate property tax abatement, which reduces our homeowner's costs by $202 per month and adds $35,577 to the mortgage value, resulting in a mortgage range from $121,451 - $244,105. The total value to our buyer of these two programs is $53,519 - $56,577. Assuming a 5% down payment, they would be able to afford houses in the $222,654 - $256,310 price range. Still, only one of our prototypes would be affordable.

We now look at another tool will have on affordability. Other than the actual cost of construction, land is the single largest component of housing costs within Bethany. As shown on Table VI.C, depending on the housing density, land costs can vary between a low of $35,714 per unit to over $60,500. Through the use of land trust, this cost can be eliminated for our targeted buyer. The impact is that all but the most expensive of our prototypes are affordable.

E. Description of Homeownership Financial Assistance Tools

In assessing available tools and recommending new ones, our guiding principles for financial tools were applied and have resulted in the following tools being recommended as being most consistent with and having the greatest benefit in meeting our goals. This list does not imply that other existing tools will not be used, but that those recommended will together provide the most significant help consistent with these principles.

A consistent characteristic of all of these tools is that they are "buyer initiated." This means that program benefits go to the qualified buyer of a qualified property. Development of the qualified properties is left to the private market using their usual tools to build product that they have proven effective in the marketplace. This would be particularly appropriate in the Bethany area with its vigorous private market sale housing production.

In the case of new program recommendations, note that most have been mentioned as possible tools in Metro's Housing Choice report and its Implementation Strategy and in Washington County's 2005-2010 Consolidated Plan. We believe that our affordable workforce housing charge for North Bethany gives us a good reason to try the recommended programs on a targeted basis to test their effectiveness in creating their expected outcomes. In all cases, recommendations include that they sunset unless regular program monitoring and evaluation confirms their effectiveness. Regular monitoring may also inform periodic adjustments based on their findings. This laboratory for testing tools may result in outcomes that support significant expansion to benefit more broadly those in need of help to achieve affordable homeownership and rental opportunities Countywide.

VIII.D
OWNERSHIP FINANCIAL TOOLS

Program & Purpose	Value to Buyer	Cost to Jurisdiction
Flexible Land Use Regulations	Developer cost savings passed on through reduced sales prices	0 (County-
Oregon Bond Program: Interest Rate Reduction	Increases purchaser's ability by +/- 11%	0 (State)
Homeowner Property Tax Abatement: Increased Affordability	Increases purchaser's ability by +/- 20%	$1 million/yr
Community Land Trust:	Reduces cost to purchase and increases purchaser's	$13-14 million

Increased Affordability ability by +/- 25%

1. Flexible Land Use Regulations. In the planning process for Bethany, we are both privileged and challenged that one of the principle products of the planning process will be land use regulations (zoning) for the area. Bethany may be the first community in the region with the opportunity to comprehensively apply land use regulatory solutions to reduce housing cost and increase its supply. In this pursuit, we may be guided by the Regional Housing Choice Implementation Strategy's recommendations for land use and regulatory solutions. We have the opportunity craft our regulatory recommendations and land use regulations consistent with the guidelines to enable maximum flexibility and creativity to affect the affordable development.

This is a unique opportunity and is considerably different than most forms of regulatory incentives for housing, which generally are crafted within the context of existing zoning regulation, which is restrictive of development, i.e., stipulates maximum densities, maximum floor area ratios, create exclusive use requirements etc. They are prescriptive, requiring, for instance, specific parking ratios, site setbacks or step back requirements, specify type and area of site landscaping, etc. In this context, regulatory incentives are granted as exceptions to specific requirements of the code; they "give back" what the code has taken away. In Bethany we can take a different approach. The following Metro recommended solutions for reducing cost of housing and increasing supply should guide our crafting of land use regulations for Bethany. Many of these concepts already guide our planning.

a. <u>Parking Requirements and Management</u>: Parking requirements and management solutions include updating regional parking ratio requirements to consider lower minimums, maximums and locations where they apply; implementing parking management requirements in centers to raise the money needed for community improvements such as structured parking, urban plazas, and improvements to create new pedestrian friendly streets; implementing parking management requirements in centers as part of Functional Plan compliance.

<u>What Will Be Achieved</u>: Reduced cost of building housing and passing the savings to potential owners and tenants.

b. <u>Complete Communities:</u> From a housing standpoint, planning for complete communities includes housing choices of varying income levels and household types; development in centers, along corridors and in other transit friendly locations should include amenities for families and children and residents of all incomes, including midrange grocery stores, playgrounds, parks, schools, and daycare centers.

<u>What Will Be Achieved</u>:

- Reduce the stress on public services such as transportation system impacted by jobs/housing imbalance.

- Reduce the stress on schools,(increasing class size and free lunch) due to out migration of low income households)

c. Encouraging Development in Centers and Corridors. Centers and Corridors can serve as good locations for affordable housing. Opportunities to encourage development of affordable housing in corridors include zoning changes, leveraging public investments to improve streetscapes, and educating property owners on benefits of changing land use and conducting further research to determine where building height limitations are a problem. Design solutions and case studies can be identified to integrate increased building heights in residential areas increasing the possibility of additional units.

What Will Be Achieved: Same as a. and b.

d. Decreased Construction Costs by Replacing Design Requirements with Form-Based Codes. Form based codes, which focus on urban form over a building's use or materials (as is the case with conventional zoning codes) can achieve many of the same goals as conventional zoning while allowing developers flexibility in materials and some elements of design. Form-based codes address the physical form of a building and development, community and neighborhood character and vision, and can prevent actions that encourage that encourage innovative use of land. "Urban form" includes the relationships of buildings to each other, to streets, and to open spaces.

What Will Be Achieved: Reduced cost of building housing and passing the savings to potential owners and tenants.

e. Inclusionary Zoning. State law currently restricts this type of zoning. One possibility is considering the application of inclusionary zoning in UGB expansion. There is legal precedent applying inclusionary zoning in expansion areas, since Metro has set a president of treating these places differently through recent legislation that applies a higher level of fish and wildlife habitat protection to newly added areas than within the existing UGB.

What Will Be Achieved: Negotiating a set of conditions to build and/or preserve affordable workforce housing.

2. Oregon Bond Program:

This State program of the Oregon Housing and Community Development Department provides home purchase financing at 1% less than prevailing market rate interest. This differential is more when market interest rates are higher. OHCSD periodically issues state mortgage revenue bonds to fund the program. The program's below market rate helps eligible families increase their home purchasing power and lower their monthly house payments. Along with a low interest rate, borrowers can choose an option which provides up to 3% of their loan amount for cash assistance.

The eligible borrowers are first time homebuyers or have not owned or occupied the primary residence during the three years prior to loan closing. Washington County family income is limited to $72,892, which exceeds 100% MFI in Washington County. The properties sales price cannot exceed $337,026. This is well above the median home price in Washington County and more than all but one of our prototype homes. The conventional underwriting applies with mortgage insurance required if the loan to value ratio is greater than 80%.

Relation to Guiding Principals: Program meets all applicable guidelines. Our targeted buyers are eligible. It is currently available, well administered with ample funding. It has well defined administrative procedures and is easy for lenders and borrowers to use. It does not require local resources.

3. Homeowner Real Estate Property Tax Abatement: This program is proposed because of its potential to significantly contribute to the enhancing the buying potential of our targeted homeowners. It is proposed to be time limited to 10 years and specifically focused on new construction in the Bethany area, with simple eligibility criteria. It is proposed to be administered by Washington County Department Assessment of Taxation, which already administers the County's real estate transfer tax program.

The criteria for granting real estate property tax abatement is as follows:

a. Located within the North Bethany area
b. Must be single family home or condominium and be owner-occupied
c. Must be new and not occupied prior to the granting of abatement
d. Home sales price value must be no greater than the purchase price allowed under OHCSD's Bond program ($337,026)
e. Income of all deed holders occupying the home cannot exceed 80% MFI as defined by HUD Portland Area MFI tables at the time of application. (This is currently $53,520)

Relation to Guiding Principals: This program is limited to benefit 80%MFI buyers in Bethany only. It does require Washington County's adoption. Administration is proposed to build on structure already in place within the Department of Assessment and Taxation which currently administers the County's real estate transfer tax. The program is time limited at ten years and is recommended to sunset within 5-7 years, subject to review of its effectiveness in achieving its goals. It does require deferral of future revenues for ten years. Successful models exist in the region and have proved effective in increasing home ownership in targeted areas.

4. Community Land Trust (CLT): Community land trusts are a proven mechanism for affecting financial aid to expand homeownership affordability for moderate income families. They have the added benefit of extending affordability of participating properties indefinitely. The CLT movement is national in scope, with existing land trusts active in Portland, Multnomah and Washington Counties. Its structure is highly flexible, allowing trusts to design their programs to meet local, specific affordability goals. They are usually, but not always administered by single purpose 501(c)(3) non-profit corporations. In Washington County, existing community development corporations or the county's Community Housing Fund or the Washington County Department of Housing Services (WCDHS) could choose to expand their mission to include activities of the Trust.

CLTs acquire and hold land to on which the affordable dwelling sits. This provides assurance of affordability by removing the land from market forces. The CLT owns the land and the homebuyer owns the improvement. The homeowner leases the land from the CLT. When the land trust homeowner decides to sell, the resale price is determined by a formula designed to give the homeowner a fair return on their investment while giving future homebuyers access to housing at an affordable price. This preserves affordability over an extended period of time. CLT's are designed to be self supporting after initial capitalization of the land purchase. Thus, the initial capital is highly leveraged and efficient over time.

As with the other homeownership tools recommended here, our model is designed as a buyer initiated home ownership program (BIHOP). In this model, development of qualified properties is left to the private market. The CLT acts primarily as a secondary lender in the home purchase process rather than directly developing homes. The CLT establishes eligibility for the property and purchaser which will be consistent with those recommended for Real Estate Property Tax Abatement Program discussed previously. Eligibility for participation by the trust would be determined in the course of normal purchase financing underwriting, based on the guidelines.

<u>Relation to Guiding Principals</u>: The CLT program is designed to serve the 80% MFI buyers in Bethany. It requires County action with respect to funding, but not necessarily with respect to organization. There are both CLT's available in the region to act as or assist with formation of a Washington County organization, as well as non profit community development corporations or the Community Housing Fund or WCDHS may want to take on this responsibility. It does require deferral of local property tax revenues in favor of their flowing to a Tax Increment Urban Renal Project which would use them to bond indebtedness to provide the approximate $30M in capital needed to fund both the homeownership and rental portions of the program. Once capitalized, the value in preserving affordability extends for the life of the CLT. The Program is financially efficient. Because the CLT acts as a secondary lender, with primary underwriting of program clients performed by

others, the program is administratively efficient.

VIII.E
OWNERSHIP AFFORDABILITY INCENTIVE "COSTS"

INTEREST RATE REDUCTION: OHCSD	$0
PROPERTY TAX ABATEMENT: WACO 886-836 homes @2427/YR/10 YR @50% participation	$9,538,110 - $10,144,840
LAND COST: TAX INCREMENT & LAND TRUST 786-836 homes @15/acre $500,00 / 15 = $33,333 @50%	$13,699,869 - $13,933,194

IX. RENTAL HOUSING AFFORDABILITY GAP AND HOW TO BRIDGE IT

A. Rental Housing Prototype Characteristics.

Table IX.A, Rental Housing Prototype Summary, illustrates the range of prototypes selected. Site area ranges from 2.15 to 2.5.Total units are between 32 and 91 with a density range of between 10 and 25 units per acre. Unit size distributions are broad, with Oleson Woods and Merlo Station being larger units than the bedroom distribution suggested for rental housing in Bethany. Total costs of between $4.5 and $12.2 million are quite similar with respect to cost per unit varying between $100,607 and $152,032 per unit.

Building typology is consistent with expectations for Bethany. Oleson Woods are two-story townhouses and reflect the quality of design, materials which you would expect to find in similar for sale units. This prototype works nicely in transition areas between single family districts and our higher density town centers. Center City represents the highest density with 25 units per acre with structured parking and highest profile at five stories. It would be comfortable in the highest density mixed use concentrations of town centers. Merlo Station at 25 dwellings per acre and three stories is the bridge between the other two and a variation of its theme would fit nicely into a town center or near one of our school sites.

IX.A
RENTAL HOUSING PROTOTYPE SUMMARY

	OLESON WOODS	MERLO STATION	CENTER CITY
Site Area	2.15 usable acres	2.5 acres	3.6 acres
Total Distribution			
Studio	0	4	0
1 BR	4	6	70
2 BR	0	15	21
3 BR	21	15	0
4 BR	7	4	0
TOTAL	32	80	91
Unit Density	10 du/acre	25 du/acre	25 du/acre
Total Cost	$4,563,529	$12,162,613	$9,155,250
Cost/Unit	$142,610	$152,032	$100,607
Year Compiled	Nov ‘06	Under Construction	Dec ‘04

B. Approach

The basis for evaluating rental housing affordability gap we look at three Washington County rental housing projects. The three projects: Olsen Woods, Merlo Station, and Hillsboro Center City were identified by members of the Housing Focus Group as good prototypes for the range of rental types appropriate as component of Bethany’s residential development program. These projects are consistent with the evaluation criteria for housing for our Community of Distinction and our Housing Focus Group's guiding principles with respect to affordable workforce housing being seamless within Bethany's broader community context. Their quality of design, construction and materials, physical form, range of density would find an appropriate home in the context of the emerging vision for Bethany.

It is the nature of affordable rental housing that each project is unique and is likely not directly replicable. A combination of factors contributes to this, including the mission of the developer, the site and its location, which in turn are effected by different environmental and regulatory constraints and costs. The attitude of the jurisdiction, level of community support and availability of local resources and local incentives to aid financial feasibility also contribute. Each of our selected prototypes reflects their varying circumstances in unique ways. We have tried to account for this in our analysis of their cost components; and, in some cases, by adjusting the costs. With Bethany, we expect that our work will establish the plan context, put in place regulatory and financial tools appropriate to our goals and the elicit community support which will make the development process go smoothly.

We collected the project's pro formas. We examined their costs. We made adjustments to account for our goals. And, we assessed the various financial tools', consistent with our principles, impacts on economic feasibility for these projects as if undertaken in Bethany. This approach is not unlike the developers of these projects took to establish feasible projects. But, because of each set of unique circumstances, some of these projects took as long as five years from conception to start of construction. Our goal for similar projects in Bethany is to provide enough certainty with respect to community support, the regulatory environment and availability of financial tools that time for development will be significantly shortened.

As a basis for measuring the impact of tools on financial feasibility, our initial step was to determine supportable market debt. To do this, we calculated rents based on maximum allowable with rents for our 60% target market. We deducted costs a vacancy allowance, cost of operations, including required operating and replacement reserves. Then, in the order in which available tools met our funding principles, we calculated their value to the project, i.e. what it contributed in additional cashflow to be applied toward additional debts. And, we measured the impact that different debt terms have on amount maximum loan amount.

C. Establishing the Benchmark: Affordable Debt at Market

We set our baseline as though the projects were going to be financed conventionally. To do this, we calculated effective gross income to maximum allowable 60% as our target population. We added other revenue as the project's proforma. We then deducted operating expense including operating and replacement reserves to get that operating income. For market financing, we assumed debt service coverage of 1.15 and used a 6.5% 30-year loan to calculate loan value.

D. Financial Tool impact on Affordability

Tax exempt bond debt, the adjustments made here were 1.10 debt service coverage at 4.75% interest, for a 30-year term. We subtracted the resulting supportable debt from the underlying debt and determined value by these programs. Next we looked at what use of the 4% low-income housing tax credits would contribute. We calculated that they would contribute 30% of the eligible project cost basis. We then looked at value in terms of increased debt which could be assumed if we have property tax abatement. We took the estimated annual property taxes out and capitalized them under the same terms as the tax exempt debt. The value of real estate property tax exemption to the project was similarly calculated. Our last assessment was to look at the cost of land. We used $500,000 per acre to reflect current Bethany market. We adjusted prototype projects costs reflect current Bethany land cost at $500,000 per acre.

Exhibits X.B, X.C, and X.D illustrate the outcomes of this approach for each property. The cumulative use of the tools evaluated brought all projects to within 8% to 11% of matching project costs with financial sources with project costs adjusted for Bethany. There are a variety of existing tools available at the State and County level to fund this gap. At the State level, these are principally the Oregon lender tax credit, and the State housing trust fund. Locally, the County's Community Development Block Grant (CDGB) and HOME funds are available. Funds from these programs are granted competitively with strong emphasis placed on how well these "gap" funds sources are leveraged, i.e. what total amount of financing has been lined up prior to request for "gap" funding. We believe the use of the principle tools invested in the Bethany area rental project will make them very competitive for these "gap" funds.

IX.B
RENTAL HOUSING COST COMPONENTS AND ADJUSTMENT ASSESSMENT

COST COMPONENT	OLESON WOODS	DIFFERENCE	NOTES
LAND (2.1 ACRES USABLE = 10 DWELLINGS/ACRE)	$340,391	$709,609	BETHANY COST $1,050,000
SITE DEVELOPMENT	175,000		
BLDG CONSTRUCTION	2,392,600		
PROFESSIONAL FEES	418,364		
FINANCING COSTS	370,285		WILL VARY WITH SOURCE
LAND USE FEES	0		
BUILDING FEES	31,269		
SYSTEMS DEVELOPMENT FEES	160,196		
OVERHEAD AND PROFIT	332,541		
TOTAL COST	$4,563,529	$5,273,138	@ BETHANY LAND COST
SUPPORTABLE DEBT @ MARKET	$2,882,125	$1,681,404	
SUPPORTABLE DEBT W/ TE BONDS	$3,492,206	$610,081 (21%*)	(13%)
SUPPORTABLE DEBT W/ PROP TAX ABATEMENT	$3,722,246	$230,040 (8%*)	BETHANY VALUE $743,606
			(26%*) & (16%**)
W/ 4%LIHTC	$5,091,305	$1,369,059 (30%**)	
(GAP) SURPLUS	$527,776	($522,224) (11%**)	W/ BETHANY LAND COST
* INCREASED % OF MARKET DEBT	** % OF TOTAL PROJECT COST		

IX.C
RENTAL HOUSING COST COMPONENTS AND ADJUSTMENT ASSESSMENT

COST COMPONENT	MERLO STATION #1	DIFFERENCE	NOTES
LAND (2.5 ACRES=32 DWELLINGS /ACRE)	$652,400	$597,600	BETHANY COST $1,250,000
SITE DEVELOPMENT	918,584		
BLDG CONSTRUCTION	7,296,569		
PROFESSIONAL FEES	475,199		
FINANCING COSTS	1,046,014		WILL VARY WITH SOURCE
LAND USE FEES	0		
BUILDING FEES	110,346		
SYSTEMS DEVELOPMENT FEES	604,001		
OVERHEAD AND PROFIT	1,065,500		$876,675 DEFERRED
TOTAL COST	**$12,162,613**	$12,760,213	@ BETHANY LAND COST
SUPPORTABLE DEBT @ MARKET	$4,927,160	($7,235,453)	
SUPPORTABLE DEBT W/ TE BOND	$6,241,573	$1,314,413 (27%*)	(11%**)
SUPPORTABLE DEBT W/ PROP TAX ABATEMENT	$8,106,835	$1,865,262 (38%*)	(15%**)
W/4%LIHTC	$11,755,618	$3,648,783(30%**)	
(GAP) SURPLUS	($406,995)	($1,033,595) (8%**)	W/BETHANY LAND COST
CDBG/HOME	$842,000		WACO CONTRIBUTION
* INCREASE % OF MARKET DEBT	** % OF TOTAL PROJECT COST		

IX.D.
RENTAL HOUSING COST COMPONENTS AND ADJUSTMENT ASSESSMENT

COST COMPONENT	CITY CENTER	DIFFERENCE	NOTES
LAND (2.1 ACRES USABLE = 46 DWELLINGS/ACRE)	Donated		1,000,000 in Bethany
SITE DEVELOPMENT	243,000		
BLDG CONSTRUCTION	5,892,810		93,750 for re_____ includes $75,000 market
PROFESSIONAL FEES	554,750		
FINANCING COSTS	814,273		Includes required reserves of $241,857
LAND USE FEES			
BUILDING FEES	238,117		
SYSTEMS DEVELOPMENT FEES	209,300		
OVERHEAD AND PROFIT	1,150,000		
TOTAL COST	9,155,250		
SUPPORTABLE DEBT @ MARKET			
SUPPORTABLE DEBT W/ TE BONDS			
SUPPORTABLE DEBT W/ PROP TAX ABATEMENT		$2,746,575 (30%)**	
W/ 4%LIHTC			
(GAP) SURPLUS			

*increase % of market debt
** % of total project cost

Table IX.E compares the effectiveness of applied tools for each project and shows their impact in absolute dollars and percent of total project cost. The most effective tool is the use of the 4% low-income housing tax credit which contributes 30% of total project cost in each case. In all cases, the next most valuable tool are tax-exempt bonds which increases supportable debt by between 21% and 27% and represents a contribution of between 11% and13% of project cost. Third is property tax abatement, which increases supportable debt by between 26% and 28% and represents a contribution of between 15% and 16% of project cost.

E. Description Of Recommended Programs

In assessing available tools and considering new ones, we applied funding principles and concluded the following recommended tools of having the greatest benefit in meeting our rental housing goals. As is seen from the previous analysis, these tools are very important in contributing to project financial feasibility.

These tools are developer initiated. We recommend that the suggested local tools all be limited to the development entities whose principal mission is development and management of affordable housing. We think they will be most effective in meeting Bethany's rental housing goals. They should be non-profit 501(c)(3) community development organizations and/or Washington County's Department of Housing Services. We believe, given the nature of their mission will develop and manage affordable rental housing to ensure the 30-year affordability provision of our charge. We note that except for property and developer requirements, the tools recommended are the same as for ownership housing.

IX.E
RENTAL FINANCIAL TOOLS

Program & Purpose	**Value to Project**	**Cost & Source**
Flexible Land Use Regulations	Maximum subdivision and building options	0 (County)
Interest Rate Reduction	21%-27% increased borrowing	0 (County or State)
Equity Contribution	30% capital contribution	0 (State)
Property Tax Abatement	26%-38% increased borrowing	\$215,000-\$501,000/yr (deferred tax receipts)
Land Trust	10%-20% reduction in project cost	\$3,100,000 -\$7,280,000 (deferred tax receipts applied to urban renewal bonds)

1. **Flexible Land Use Regulations**. See this discussion under the Ownership Housing Section VIII.E.

2. **Interest Rate Reduction**. Washington County Department of Housing Services Private Activity Bond Program, OHCSD Risk Share Program, and Pass-Through Revenue Bond Financing all provide the benefit of

interest rates significantly below market rate for financing similar projects. There subtle differences between programs which may make one program slightly more or less favorable for a particular project. This flexibility helps a developer to select the vehicle most appropriate for his project. OHCSD's Risk Share Fund, for instance, draws from a pool of funds created through tax-exempt bonding and may lower bond origination costs and related legal costs associated with bond issuance. Risk Share bonds are credit enhanced and thus may provide slightly lower interest than the funds provided by the other programs.

All programs share similar public benefit requirements, including minimum affordability requirements, length of affordability, cost reasonableness of project cost components, including developer fees, construction standards and quality of management. Financial underwriting standards are also similar with enough discreet differences generally distinguished by the type and size of projects and creditworthiness of borrower and risk perceived of the project.

In addition to the lower interest rate, underwriting requirements are more liberal with respect to the required debt coverage ratio which may be as low as 1.10:1 as compared to market which is often 1.15:1 or greater. Loan to value ratios are generally 85% of appraised value or 100% of certified allowable project cost, whichever is less. All programs are subject to regular compliance review and monitoring by the issuing entity.

Minimum affordability requirements are generally

- A minimum of 20% of project units must be occupied by individuals or families whose income are 50% or less MFI; or
- A minimum of 40% of project units must be occupied by individuals or families whose income is 60% or less MFI

Relationship to Guiding Principles. These programs apply to projects for our targeted 60% MFI renters, are currently available with administrative structure in place, have access to capital at a level sufficient to assure success in their use for our projects and do not require local resources.

3. Equity Contribution. The Low Income Housing Tax Credit Program, administered by OSCHD, was created by the 1986 Tax Reform Act as incentive to encourage construction and rehabilitation of rental housing for low-income households. The program offers credits on federal tax liabilities for ten years to individuals, corporations, and partnerships who benefit from tax credits. There are two components of the program generally called the 9% and 4% options. The 9%, or maximum credit option, provides a 70% credit on the eligible cost. The 4% option provides a 30% credit.

The difference is significant as it relates to our financing guiding principles. 9% credits are subject to a State limit and are thus, a scarce commodity. Though their value to a project is substantial, enabling a sponsor to raise as much 60% or more of project capital for their use, their scarcity also makes them inappropriate for use in Bethany. OHCSD, which administer them to assure maximum public benefit, significantly restricts the types of projects eligible for 9% credit. Its use generally restricted to very low-income and special needs populations. We do not anticipate their use for Bethany.

4% credits are unlimited and are paired with the use of tax exempt bonds discussed above. They can raise approximately 30% of capital. The project's restrict income for residents subject to a minimum of 20% of units being available for 50% MFI individuals or families or 40% of units restricted to those making 60% MFI (similar to affordability requirements of the tax exempt bond programs)

<u>Relationship to Guiding Principles</u>: The program is targeted consisted with our 60% MFI rental target, is currently available with administrative structure in place. No dollar limits are placed on its use and the program does not require local resources.

4. **Rental Property Tax Abatement**: This program is proposed because of its potential to significantly contribute to enhancing housing development feasibility of projects targeted our renters. The authority for abatement of rental properties serving low-income housing held by charitable non-profit organizations was enabled by legislation passed by the Oregon Legislature in 1985. Our proposal is that this abatement not be time-limited and be specifically focused on new rental housing construction in the Bethany area. We proposed that it be administered by the Washington County Department of Assessment and Taxation, which already administers the County's real estate tax transfer tax program.

The criteria for granting real estate property tax abatement is as follows:

- Located within the North Bethany area
- Owned or comprised of an ownership entity partnership whose managing general partner is a charitable non-profit organization tax exempt under IRS 501(c)(3) or (4) (ORS 307.180)
- Rents must be affordable to families and individuals at 60% MFI or below at time of original application and annual recertification.
- Properties must be new construction and not occupied prior to the granting of abatement.
- Must be habitable during the upcoming tax year by income eligible households, although vacant lend intended to be developed for low-income housing is eligible for exemption.
- Exemption applies only to residential portions of mixed-use

buildings unless non-residential portions of the building directly support uses which provide residential services or whose lease income directly contributes to offsetting operating costs and, thus contribute to affordability.

- Annual recertification will require that annual operating statements be provided as evidence of compliance with affordability requirements.
- Abatement may apply to mixed income building with the abatement proportionate to the ratio of eligible units to total units.
- Exemption will terminate on sale to a non-exempt buyer or if require affordability benefits are not provided.

Relationship to Guiding Principals: The program is directed at benefiting our 60% MFI renters. It does require Washington County's adoption. Administration is proposed to build on structure already in place within the Department of Assessment and Taxation which currently administers the County's real estate transfer tax. The program is time limited at ten years and is recommended to sunset within 5-7 years, subject to review of its effectiveness in achieving its goals. It does require deferral of future revenues. Successful models exist in the region and have proved effective in increasing home rental housing production.

5. **Land Trust:** For a more complete description of Community Land Trusts (CLT's), refer to their discussion in section VI. D4 of this report. CLT's equally viable in eliminating land cost from the cost of development for rental property. The flexibility of the trust allows eligibility tailored to our specific affordability goals for rental developments. We recommend that criteria for Land Trust participation be the similar to the Rental Property Tax Abatement Program with some additions as follows:

    - Located within the North Bethany area
    - Owned or comprised of an ownership entity partnership whose managing general partner is a charitable non-profit organization tax exempt under IRS 501(c)(3) or (4) (ORS 307.180)
    - Rents must be affordable to families and individuals at 60% MFI or below at time of original application and annual recertification.
    - Properties must be new construction and not occupied prior to the granting of abatement.
    - Properties must serve at lease 50% renters at 60% MFI.
    - Buildings may be mixed use and are not limited to the nature or amount of non residential so long as they contain at least 20 or more residential units

Relationship to Guiding Principals: See discussion in Section VIO.D4 of this report.

IX.F
RENTAL AFFORDABILITY INCENTIVE "COSTS" AND SOURCES

TAX EXEMPT BONDS W/4% LIHTC: OHCSD	0
PROPERTY TAX ABATEMENT: WACO (156-364 UNITS @ 135,000 X .6 X $17/1,000)	$214,812-501,228
8% LIHTC W/OHCSD LENDER TAX CREDITS: OHCSD	0
LAND COST: TAX INCREMENT & LAND TRUST (156 – 364 units @ 25 dwellings/acre = 6.2 – 14.56 acres @$500,000/acre)	$3,100,00 – 7,280,000

X. TOOLS CONSIDERED AS NOT ESSENTIAL BUT POSSIBLY USEFUL IN ACHIEVEING AFFORDABILITY:

Many ideas and solutions to reduce the cost of housing, preserve existing affordable units, expand the supply and address regulatory impacts on affordability are recommended in recent plans. Regionally, Metro's Regional Housing Choice Implementation Strategy offers a broad array of solutions addressing funding, land use and regulations, and financial assistance. The County's 2005/2010 Consolidated Plan proposes recommendations for a wide array of programs with similar scope to those in the Metro strategy.

All of these recommended solutions have been considered in arriving at the recommendations for Bethany. The recommendations contained in these documents represent the best thinking of practitioners in the field of affordable housing. While we acknowledge their efficacy, many will require extensive time and effort to adopt and implement. And, others which may be adoptable by Washington County simply do not meet our guiding principles for financial tools.

Our goals for Bethany are predicated on producing the desired affordable product concurrent with the build out of the Bethany plan. Affordable workforce housing should not lag overall Bethany development if we are to achieve a Community of Distinction consistent with the criteria to which we all have agreed. Therefore, the array of tools mentioned above have been evaluated based on the Guiding Principals discussed in Section V.D for selecting and applying financial tools for the achievement of the affordable housing goals in Bethany.

The following are programs which have been found not to meet the above criteria. They are listed here least anyone think they were not considered. And, they may always be reconsidered if circumstances warrant. Not being included in our recommended strategies does not mean that, to the extent they are available for developers in Bethany, that they cannot be used. They have simply been determined to be of lesser importance tin meeting our affordable workforce housing goals than those recommended here.

A. Oregon Housing Community Services Division Program:
- 9% low-income housing tax credits
- Oregon Affordable Housing tax credit
- Seed Money Advance Program
- Vertical Housing Program
- Housing Development Grant
- Housing Trust Fund

B. Washington County's Programs:
- SDC waivers
- Building Permit and related application fee waivers
- Expansion of real estate transfer tax
- Building permit fee surcharge

- Community Development Block Grant
- HOME Program
- Community Housing Fund
- Building permit and fee coordinator
- Guaranteed maximum permit processing time
- Guarantee maximum SCD/Permit costs at application

C. Federal Programs
- HUD Section 811/202 Elderly/Special Needs Grant Federal Assistance Program
- Section 108 Loan Guarantee

XI. WHERE WE GO FORM HERE: STEPS TO IMPLEMENT RECOMMENDATIONS

[To be added pending project work group discussions.]

SCG: srk

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