ALOHA-REEDVILLE WASHINGTON COUNTY

ECONOMIC DEVELOPMENT AND HOUSING FUNDING TOOLS AND STRATEGIES

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Contents

INTRODUCTION

This study is a three-year effort to engage the entire Aloha-Reedville community to improve the quality of life and address the impact of future growth. Community participation is vital to its success. The study's goal is to identify strategies to support job growth, business development, affordable housing options and transportation solutions.

Although primarily a transportation (including transit access, biking and walking improvements); land use; affordable housing; and economic analysis, the study may serve as a catalyst for future planning efforts and discussion among study area service providers. These and other community aspirations will play a vital role in discussions about where the community wants to go and how to get there.

Aloha-Reedville Citizen Advisory Committee

Through the *Aloha-Reedville Study and Livable Community Plan* planning process, Washington County will identify strategic investments that will increase the area's vitality and create opportunities for job growth and private-sector redevelopment. At this stage of planning, the County is evaluating the opportunities and barriers (land availability, real estate market dynamics, demographic trends, governance, etc.), and will use that evaluation to begin to identify specific strategic investments and actions that could help remove these barriers and achieve a community vision for the Aloha-Reedville area.

Funding should not be an afterthought to the planning process. The discussion of funding options should happen concurrently with the discussion of potential projects – a parallel track. It is critical to connect plan elements to potential funding sources, so that planners and the community have a realistic understanding of what projects are possible, and on what timeline. It is for this reason that this document on funding tools is part of the Phase 1 efforts.

This report presents information and strategies about the full range of funding options that could potentially be made available to implement economic and affordable housing projects identified through the *Aloha-Reedville Study and Livable Community Plan* planning process. It includes a set of strategies for using the tools listed within this document, as well as a discussion regarding the need to develop criteria for selecting the tools that will be most appropriate for Aloha-Reedville.

For all local governments in Oregon (and elsewhere), implementation of plans and projects increasingly requires creative responses to constraints on funding sources. Many regional, state, and federal grant sources are very competitive, and are subject to budgetary processes that limit their availability and create uncertainty about their stability in future years. At the same time, the sources of funds over which municipalities have the greatest control, property taxes, are subject to limitations on their growth[1] that make general fund contributions more difficult to allocate among worthy (but competing) priorities. Many Federal, State, and local funds are also subject to use restrictions—for example, Department of Transportation planning grants may only be used to fund transportation planning work.

The Aloha-Reedville area has some challenges to achieving redevelopment and economic development goals that are not likely to be overcome effectively in the short-term by the private sector alone. It has some areas with smaller parcels that may be difficult to consolidate and therefore less efficient to develop. It has challenges with connectivity between retail and residential areas for all modes of traffic. The general market for redevelopment is not positive given the current economic climate. And, typical of many unincorporated but urbanizing areas, it lacks a defined center that makes it difficult to achieve planned-for densities. Finally, the *Aloha-Reedville Study and Livable Community Plan* planning process is specifically charged with maintaining and increasing the stock of affordable housing in the area. The financing tools and strategies used to construct and maintain affordable housing are extremely complicated and dependent on funding sources that fluctuate with the economic tides.

Because of these challenges and the limitations on funding sources, an important part of the next phase of planning for Aloha-Reedville will be the prioritization of investments, based on their ability to leverage other sources of funds and move the county closer to its goals for the area.

In this context, the purpose of this document is to provide an overview of the public-sector funding tools that are available and criteria by which those funding tools should be evaluated, so that they can be explicitly considered as part of the prioritization process that will follow in the next phase. Since a key strategy to revitalization involves public-private partnerships, the document also includes a discussion of financial and non-financial strategies for integrating public and private efforts.

ORGANIZATION OF THIS REPORT

This report includes a matrix of funding tools, with a brief description, a list of who pays, typical projects funded and constraints. A more complete description of each tool is included in the Appendix at the end of this report. The matrix begins with funding sources for infrastructure investments. This is followed by tools that would apply to economic development and redevelopment efforts. Finally, the matrix includes affordable housing tools. In several cases, certain tools have broad applicability and could apply to several different project types. Strategies for using the tools and implementing chosen projects follow the matrix. The report concludes with a set of criteria which can be used to evaluate the funding tools and choose those tools most appropriate to Aloha-Reedville.

[1] Measure 5 and Measure 50, citizen initiatives passed in the 1990s, effectively limit growth on property taxes to 3% annually for existing properties.

FUNDING TOOLS MATRIX

The following matrix gives a brief overview of available funding tools for infrastructure, economic development, and affordable housing. A broader description of each funding tool can be found in the appendix. The list is comprehensive and includes many tools that may already be in place and others that could potentially be applied in the future. It is important to understand that the financing process is dynamic and is impacted by federal, state, and local government policies and budgets and the private sector lending and investing environment. Therefore, some of the funding tools below have experienced significant reductions and are not currently in a position to fund new projects. However, that does not mean that funding will not be available in the future or that priorities could change, making them applicable to projects in Aloha-Reedville. It simply highlights the importance of maintaining partnerships between the public and private sector with staff, investors and private developers who understand the complexity of blending these programs to finance projects that enhance the livability of Aloha-Reedville.

Table 1. Funding Tools – definition, funding source, typical projects and constraints

	Definition	Who Pays?	Typical Projects	Constraints
		Existing Funding Sources		
Major Streets Transportation Improvement Program (MSTIP)	MSTIP is a component of the general fund that is paid as a permanent rate on property taxes.	Property owners in Washington County.	Transportation projects that improve safety, remove bottlenecks, are on major roads, and address demand from multiple modes of transportation.	Competitive process; for roads projects only.
SDCs and traffic impacts fees	Fees imposed on new development to pay for the impact of the additional development on the system.	Developers or property owners.	Wastewater, water, stormwater, roads, and parks.	SDCs are only generated by new construction or rehabilitation. SDCs are not intended to cover the full cost of infrastructure provision. SDCs can only be used for statutorily supported purposes.
Transportation Development Tax	A fee on new construction that is dedicated to improvements to the transportation system	Developers or property owners, at the time of new construction	Capital improvements that add capacity to the system: major roads, sidewalks and bike lanes, transit project	Only collected when new construction occurs. Managed at a county-wide level.
General Fund / Capital Improvement Plan	The County undertakes annual budget planning, in which they identify funding priorities for coming years. For larger projects, the County may choose to bond against its property tax revenue.	County property owners.	Very flexible source of funds that can be used for capital or programatic expenses. Major capital projects such as: schools, water and sewage treatment facilities, bridges, major road improvements could require bonds.	General fund allocations reflect the priorities of the Commission: projects compete against other projects and programs for funding annually. Bonds against the general fund must be authorized by a vote of the public.
Grants	Grants may be available through Metro, the State of Oregon, or federal sources to support certain types of projects.	Metro, State, or Federal taxpayers.	Projects that clearly intersect with funders' priorities.	Sources are increasingly limited, and are typically available only through a competitive process.
Revenue bonds	A type of municipal bond that is repaid by a future revenue stream. That revenue stream could be a utility or other rate or fee.	Rate payers or residents (depending on source of revenue).	Major capital projects: roads, bridges, water treatment facilities, etc	Revenue streams are often relied upon for operating and maintaining an existing system, and may not be available to cover debt.
Minor Betterments	Site-specific enhancement to the county's transportation system.	Annual road maintenance budget.	Interim projects. Intended to supplement routine maintenance and capital improvements.	Comptetitive process with limited budget.
Urban Road Maintenance District	Road maintenance for neighborhood streets (not arterials or collectors, althought they are eligible for safety improvements) within the District.	County property owners within the urban unincorporated area.	Preventitive maintenance and construction for safety improvements.	Comptetitive process with limited budget.
Gas Tax Revenue	In addition to the State's gas tax revenue, the County charges one cent per gallon.	Gax purchases within Washington County	Road maintenance prioritized by frequency of travel.	Rural roads less frequently travelled may not receive funding.

	Definition	Who Pays?	Typical Projects	Constraints
Infrastructure and Capital Expenses				
Tax Increment Financing/ Urban Renewal	Captures growth in assessed value inside a boundary for reinvestment in capital projects that reduce blight.	Property owners, indirectly (TIF is a re-allocation of property tax revenues, rather than a new fee or tax).	Property acquisition, storefront and steetscape improvements, gap financing, public infrastructure provision.	Requires urban renewal plan and report. Typically managed by a city, not county, although counties are legally empowered to form a TIF district.
Local Improvement District	A local improvement district is a geographic area in which real property is taxed to defray all or part of the costs of a public improvement. Costs are apportioned according to the estimated benefit that will accrue to each property.	Property owners.	Paving streets, building sidewalks, installing stormwater management, improving streetscapes.	Must meet state and County law. Can have relatively high admin costs. Usually requires extensive political outreach, as property owners must agree to the tax increase.
Sole Source SDCs	Keeps SDCs generated by the area in the area, rather than available for use County-wide.	Developers or property owners.	Parks, transportation, water, or sewer-related projects (depending on SDC source).	SDCs are only generated by new construction or rehabilitation. SDCs are not intended to cover the full cost of infrastructure provision. SDCs can only be used for statutorily supported purposes.
Economic Development / Program Funding				
New Market Tax Credits	Tax credits designed to support business and development in low-income communities	Federal tax payers	Large-scale projects that serve low-income communities	Must work with a qualified CDE; Only certain parts of Aloha-Reedville are in qualified census tracts
Energy Tax Credits	Incentives to reduce the cost of energy-efficient developments	State or federal tax payers	New construction, equipment, engineering or design, supplies and installation of energy-efficient materials and buildings	Limited availability expected in future legislative cycles.
Vertical Housing programs	(See description under Affordable Rental Housing below)			
Redevelopment and Public Private Partnerships				
Economic (or Business) Improvement Districts	A fee on property owners for the purpose of improving and maintaining the district.	Property or business owners.	District marketing, streetscape improvements and maintenance, signage.	Taxpayers must volunteer individually, so there is little incentive to agree.
Enterprise Zones	Waiver on property taxes for qualified busines for 3 to 5 years.	Local jurisdiction in foregone property taxes.	New businesses or expansion of an existing business. Biggest benefit to large manufacturing business with lots of taxable equipment.	Geographically limited. Can counteract other property tax based funding tools.

	Definition	Who Pays?	Typical Projects	Constraints
		Affordable Homeownership Financing		
Residential Loan Program (Bonds)	Oregon Housing and Community Services (OHCS) issued tax-exempt mortgage revenue bonds through private lender.	Borrower/Property Owners.	Eligible housing includes existing or new construction home; condo units in a qualified PUD; manufactured housing permanently affixed to foundation.	Restricted to low and moderate income borrowers. Purchase price limits, except waivers in target areas. Funds not currently available and may not be for some time.
Subordinate Mortgage Financing	Provides second mortgage assistance of up to $50,000 to income-eligible homebuyers to purchase bank-owned foreclosed properties (more commonly known as Real Estate Owned or REOs) in targeted areas undergoing foreclosures or are at high risk of foreclosures.	Neighborhood Stabilization Program (NSP) 2. Federal Funds administered by OHCS. Washington County is a subgrantee.	Foreclosed-upon home or residential property in target areas.	Aloha is one target area within Washington County. The home must remain the borrower's primary residence and cannot be used at any time as a rental property. Funds may already be allocated.
Downpayment Assistance Programs	Provides down payment assistance to first time homebuyers	OHCS awards assistance to partner organizations including Proud Ground which serves Washington County.	First time home buyers meeting income guidelines and attending a homebuyer education program.	Funding may not always be available.
Individual Development Accounts (IDA)	Prospective homebuyers save for a downpayment and closing on a monthly basis and the borrowers savings are matched by Neighborhood Partnership Fund sufficient to complete the purchase	OHCS and NPF provide the funding match to a network of nonprofit providers who work with prospective homeowners and/or entrepreneurs.	CASA of Oregon distributes funds to nonprofit providers including Bienestar, Inc which provides housing and services to western Washington County and specifically residents of Aloha Reedville.	Income restrictions for the Borrower as well as resale limitations based on affordability.
Deferred Interest Bearing Loan Program (DIBL)	To assist low income owner occupants in making needed repairs to single family dwellings that do not meet accepted standards or which have one or more major systems in need of repair because of failure or near failure.	Funding is from the Washington County CDBG allocation and Borrower is responsible for repayment.	The loan may be used to finance many types of necessary critical repairs, including roofing, plumbing, electrical and heating systems repair or replacement. Weatherization, structural repairs, exterior painting, and accessibility improvements are also eligible repairs.	The household must have a gross annual income of less than 80% of Annual Median Income of the Portland PMSA,
Home Access and Repair for Disabled and Elderly (HARDE)	Grants to provide general repairs to elderly and/or disabled low and moderate homeowners to address urgent repairs and accessibility improvements. Does not help with home purchase, but can help existing homeowners remain in their home.	Federal Community Development Block Grant (CDBG) through Washington County.	Deteriorated roofing or siding, failure of electrical or plumbing systems, lack of hot or cold water, etc. Access improvements to owners or renters who are elderly or disabled or both, to gain better access into and within their single family dwellings.	Income restrictions on eligibility and repairs of an urgent nature. Does not help with purchase of a home.
Land Trusts	A non profit entity which maintains below market rate housing by requiring participants to agree to limit appreciation in value when they sell to the next owner.	Homeowners forego appreciation in the home's value. Can include grants for downpayments.	Homeownership, typically for single family homes.	Income at or below 80% MFI.

	Definition	Who Pays?	Typical Projects	Constraints
		Affordable Homeownership Financing		
Low Income Income Weatherization Assistance	Provides weatherization and energy conservation services at no cost to households below 60 percent of Oregon statewide median income.	Primary funding for the program is from the U.S. DOE, U.S. HHS, utility companies, Bonneville Power Administration.	Services to both single family and multfamily owners may include: ceiling, wall, and floor insulation; energy related minor home repairs; energy conservation education; infiltration reduction; furnace repair and replacement; and heating duct improvements.	Household Income Limits. Does not help with purchase of home, but may help homeowner's remain in home.
Cooperative Housing	A legal entity—usually a corporation—that owns real estate, consisting of one or more residential buildings. The corporation is membership based, with membership granted by way of a share purchase in the cooperative.	A limited equity cooperative may be elibible for HUD 223 loan guarantee. Residents service the first mortgage debt and some minimum buy-in capital.	Most limited equity cooperatives are targeted to seniors.	Targeted at or below 80% MFI. Some cooperative housing is set at market rates and not income restricted.
Mobile Home Parks Purchase Program	A revolving loan fund to provide pre-purchase assistance to qualified organizations to assist manufactured dwelling park residents in gaining control over the rising rents through ownership of their park.	Annual fees charged to Mobile Home Park owners.	Only "initial" or redevelopment costs are eligible to be used by loan funds.	Eligible borrowers include a Qualified Facility Purchase Association, a tenants association, or a tenants association supported non-profit organization.
		Affordable Rental Housing		
Pass-through Revenue Bond Financing (Conduit) Program	The Conduit Program provides funds to finance the construction, rehabilitation and acquisition of multi-unit affordable housing for lower-income Oregonians.	State tax-exempt bonds through a private lender. Eligible borrowers include for-profit, non-profit and governmental entities.	This program provides funds to finance the construction, rehabilitation and acquisition of multi-unit affordable housing for lower-income Oregonians.	The development team must have adequate financial strength and creditworthiness and the capacity to develop, own, maintain and manage the proposal as an affordable bond / 4% LIHTC housing project for a minimum of 15 years.
Risk Sharing Loan Program	A below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multifamily rental housing projects.	State of Oregon issued tax-exempt bonds purchased by investors.	Multifamily rental housing projects with a minimum of five units. New construction or acquisition with rehabilitation.	Two options for unit mix: 1) at least 20 percent of the units occupied by families whose income is 50% or less than the area MFI; 2) at least 40% of the units occupied by families whose income is 60 percent or less of the area MFI.
Vertical Housing programs	Incentives for higher-density, location-efficient housing, in the form of property tax abatements	Local governments (through property tax abatements)	Higher-density housing projects	Requires that local government develop and implement a program, and forgo the revenue from taxes on eligible projects

	Definition	Who Pays?	Typical Projects	Constraints
		Affordable Rental Housing		
Low Income Housing Tax Credits	Tax credits offer direct federal income tax savings to owners of rental housing developments who are willing to set-aside a minimum portion of the development's units for households earning 60 percent or less of gross MFI.	The program offers credits on federal tax liabilities for 10 years. Individuals, corporations, partnerships and other legal entities may benefit from tax credits in exchange for initial project capitalization.	All rental housing developments qualify under the tax credit guidelines; new construction or acquisition with substantial rehabilitation of existing properties.	Rent to income qualified (at or below 60% MFI) for a minimum of 30 years.
Community Development Block Grant (CDBG)	The major objectives for the CDBG program are: 1) Meet the needs of the low and moderate income population; 2) Eliminate and prevent the creation of slums and blight; 3) Meet other urgent housing and community development needs.	Federal Funds allocated to Washington County per County's Consolidated Plan and current action plan.	Revitalizing lower income neighborhoods through infrastructure improvements; public services facilities; public services; housing improvements.	Serves low and moderate income households and/or neighborhoods. Has faced serious budget cuts recently.
HOME Investment Partnership Program	The HOME Program provides funds for the development of affordable housing for low- and very low-income households.	Federal Funds administered by Washington County Office of Community Development and is loaned to affordable housing developers/ owners at 3% over a minimum of 20 years.	HOME funds can be used for acquisition, rehabilitation, and/or new construction of single- or multifamily rental units which house low- and very low-income. households.	OCD has a policy of limiting the HOME support ot units affordable to 50% MFI and have deed restrictions running with the land to ensure affordability regarding income/rent limitations. Has faced serious budget cuts recently.
General Housing Account GHAP	Expand the state's supply of housing for low- and very low-income Oregonians, by affordable multifamily housing development and increasing the capacity of OHCS partners to meet the state's affordable housing needs.	Set aside funds authorized by the Oregon Legislature from revenues received from a document recording fee.	Capital Grants and Loans, Capital Needs Assessment Revolving Loan Fund, Permanent Preservation of Expiring Use Projects, Permanent Supportive Housing, Project Operating Grants, Existing Portfolio, Housing Innovations.	Investment of capital resources to expand the supply of affordable housing for low- and very low income households. Currently prioritizing preservation projects.
Housing Development Grant Program (Trust Fund)	State "Trust Fund" was created to expand Oregon's supply of housing for low- and very low-income families and individuals.	State of Oregon.	Provides funds to construct new housing or to acquire and/or rehabilitate existing structures.	The Program must allocate at least 75 percent of the funding to housing for households with incomes at or below 50% MFI. Remainder of funds may be allocated to housing for households at or below 80% MFI. Currently prioritizing preservation projects.
Oregon Affordable Housing Tax Credit (OAHTC)	Provides a state income tax credit for affordable housing loans for which a lender reduces the interest rate by up to 4%. Applications must demonstrate a 20-year term during which the benefit of the tax credit will be entirely used to reduce rents for the tenants.	Reduced State income tax revenue.	Reduced rents to households earning than 80% of the MFI.	All of the savings from the reduced loan must be directly passed through to the tenants in the form of lower rents. Restrictive Covenants required to guarantee long term affordability.

	Definition	Who Pays?	Typical Projects	Constraints
		Affordable Rental Housing		
Low Income Weatherization Program	Increase the efficiency of heating and other uses of energy in multifamily housing through the installation of energy-efficient insulation, windows, appliances, light fixtures and other energy-reducing activities.	A combination of funds from Energy Trust of Oregon, PGE, and State.	Projects using electric heat are eligible for insulation, high efficiency electrical heating systems, windows and other weatherization measures. Regardless of heating source, upgrades of base load activities such as refrigerators, water heaters, washers and lighting in common areas are eligible.	Eligible projects must be located in the PGE service area. The project receiving a LIW grant must remain affordable for at least 10 years.
Section 8 Rental Vouchers	The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments.	Housing choice vouchers are administered locally by public housing agencies (PHAs) such as the Washington County Housing Authority. The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program.	A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program. Under certain circumstances, if authorized by the PHA, a family may use its voucher to purchase a modest home.	In general, the family's income may not exceed 50% MFI. 75% of a PHA's vouchers must be used for applicants whose incomes do not exceed 30% MFI. Current waitlist is closed with nearly 6,000 households waiting for 2,600 vouchers. Washington County has limited ability to project-base vouchers for new or rehabbed projects.
Metro Transit Oriented Development	Metro provides funding through public/private partnerships, investments and incentives in key development projects located near transit.	Federal, State, local funds through Metro.	Mixed-use housing projects near transit	Project must contribute to regional planning objectives
Tax Increment Financing/ Urban Renewal	(See description under Infrastructure and Capital Expenses above)			
Property Tax Exemption	Nonprofit owned property would receive a property tax exemption with an annual application for exemption.	Local jurisdiction in foregone property taxes.	Housing Authorities receive exemption automatically under State formation ordinace but most affordable housing providers in Washington County are ineligible	LIHTC funded projects are ineligible under County policy
Reduced / Waived Systems Development Charges / Traffic Development Tax	Low-income housing projects would be exempt or pay a reduced amount for SDC or Traffic Impact Fees usually assessed on new construction projects.	Local jurisdiction in foregone impact fees.	Low-income and affordable housing projects based on parameters set by County.	Projects are currently ineligible under County policy

	Definition	Who Pays?	Typical Projects	Constraints
		Affordable Rental Special Needs Housing		
Elderly & Disabled Bond Program	Provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multi-unit rental housing projects (construction of new affordable housing, or acquisition and/or rehabilitation of existing properties).	State of Oregon issued tax-exempt bonds purchased by investors.	This program finances apartments, congregate care, residential care, and assisted living facilities for elderly persons, as well as group care homes for mentally and physically disabled persons. OHCS provides credit enhancement, plus bond issuance.	Same as Risk Share Bond requirements and an ALF or RCF must be licensed by the Senior and Persons with Disabilities (SPD).
HELP Program	Established to provide funding for safe, decent, and sanitary housing affordable to very low-income families and individuals.	Funded by monies realized from HUD-authorized refunding of existing bonds issued by the agency and originally used to finance housing projects.	OHCS set-aside HELP funds for these distinct populations; Homeless, including victims of domestic violence, and group homes for persons with developmental disabilities or chronic mental illness.	Targeted special needs housing for very low income, less than 50% MFI.
HUD Section 811 Program	Program allows persons with disabilities to live independently. Provides project rental assistance, which covers the difference between the HUD-approved operating costs of the project and the tenants' contribution toward rent.	Federal funding directly to the project single asset nonprofit owner.	The HUD capital advance can finance the construction, rehabilitation, or acquisition with or without rehabilitation of supportive housing.	At least one member of the household must be 18 years old or older with a disability, such as a physical or developmental disability or chronic mental illness.
Hud Section 202 Program	Provides very low-income elderly with options that allow them to live independently but in an environment that provides support activities such as cleaning, cooking, transportation, etc.	HUD funding directly to the project non-profit single asset owner.	HUD provides capital advances to finance the construction, rehabilitation or acquisition with or without rehabilitation of structures that serve as supportive housing with rent subsidy for very low-income elderly persons.	Occupancy is open to any very low-income household comprised of at least one person who is at least 62 years old at the time of initial occupancy. Project must remain affordable for 40 years. New priorities might exclude Washington County from future awards.
Oregon Health Authority - Addictions and Mental Health Program	Provides funding for supportive housing for households living with chronic mental illness and/or addiction.	Federal and State.	Affordable supportive housing for persons living with chronic mental illness.	Income and disability diagnosis.
Farmworker Tax Credit	The credit is available to anyone who actually pays or incurs costs for the construction, rehabilitation or installation of farmworker housing. A nonprofit may be eligible for this tax credit by assigning the tax credit to an investor in the housing project.	State income tax credit to investors in such projects.	Housing occupied by farmworkers and their immediate families during the year. Can be year-round or seasonal housing, in-town or on-farm, stick-built or manufactured. Must be located in Oregon.	Must be rented to Farmworkers as defined in the authorizing statute. Must remain designated for farmworker use for a minimum of 10 years.
Veterans Affairs Supportive Housing (HUD-VASH)	The HUD-VASH Program combines HUD Housing Choice Voucher (HCV) rental assistance with case management and clinical services provided by VA.	Federal funding to Washington County Housing Services.	Target population includes homeless veterans and their families, and chronically homeless veterans.	Washington County Housing Services has an allocation of VASH vouchers. The 25 existing vouchers are already allocated.

	Definition	Who Pays?	Typical Projects	Constraints
		Affordable Rental Special Needs housing		
HUD Continuum of Care (Washington County Housing Services/Housing Supportive Services Network-HSSN)	Federal programs created to address the problems of homelessness in a comprehensive manner including Emergency Shelter Grant Program, Supportive Housing Program and Shelter + Care Program.	Federal funding matching local funding.	Targets homeless individuals and families.	Washington County Housing Services coordinates 41 agencies to administer HUD Continuum of Care funds. Current funds have been completely allocated. Funds for new projects limited to small competitive Permanent Housing Bonus of approximately $130,000.

Source: ECONorthwest, Leland Consulting Group, The Nielson Group

ECONOMIC DEVELOPMENT STRATEGIES

This section of the document discusses strategies for implementing the plan's goals that go beyond funding tools themselves. Indeed, funding alone is usually inadequate to successfully implement a project – it needs a coordinated set of policies, actions, and leadership to make it happen.

Because economic development can include diverse projects such as job creation efforts, business recruitment and marketing, redevelopment and revitalization of commercial areas, and many other activities, it requires a strong coordination between financial resources, public policies, and human capacity. Moreover, what makes economic development efforts successful is not usually the building or implementation of any single project, but, rather, the combination of many, many projects that leverage each other to achieve the desired outcome. The unique combination of these projects and strategies for Aloha-Reedville will depend on the community's aspirations and the alternative solutions that emerge in the planning process.

Staffing

Successful implementation will require the combined resources of many public and private sector partners. In order to ensure that efforts are coordinated across all of these organizations, daily management will be needed to oversee all of the efforts and serve as a single point of contact for the community, business owners, and government. In effect, the successful implementation of the Aloha-Reedville Plan will be this person's full-time assignment. This speaks to a need for funding and possibly a new organization to be formed to accommodate this position. Some specific duties of this role could include:

- Business outreach: Communicate with area property and business owners to better understand their needs and to connect them with county services. Serve as a resource to support marketing efforts and a liaison to business groups.

- Grant writing and administration: Many regional, state, and federal grants may be available to support implementation. However, securing and using grant funds requires staff time to write grant applications and administer the grant project.

- Success audit and communications: Even before the Aloha-Reedville Study is complete, a lot of activity and investments will have already occurred in the area. Yet in many cases, the "story" of these investments, actions, and programs is not being effectively communicated. A success audit is a simple written and/or online tool to profile the many public and private projects that have taken place in the area. It demonstrates to public and private leaders the value of recent investments and provides assurance to the marketplace that Aloha-Reedville is an area with economic momentum. Projects to be profiled should include recent developments (housing, commercial, and public), new policies (zoning, public initiatives), marketing initiatives (private and public), and any other element that helps demonstrate positive momentum. This information can then be a part of Aloha-Reedville's communications efforts in print and online.

Public-Private Partnerships

Public-private partnerships include a broad range of strategies and tactics where public and private goals are met collaboratively. While public-private partnerships often involve financial considerations, they can include any process where public and private partners agree to certain responsibilities, actions, and projects toward a desired outcome. Some specific elements of public-private partnerships can include:

- Memorandums of Understanding (MOUs): MOUs are usually simple, legally nonbinding agreements between partners that describe a shared understanding of a project, objectives, future strategies, and many other issues. While legally nonbinding, an MOU can be a strong public and political statement of the shared objectives of a public agency and a private developer or organization.
- Development Agreement (DA): A DA is a legally binding agreement between an agency and a private developer or organization. It usually represents a negotiated set of conditions, obligations, ownerships, and other elements of a specific project (typically a development project).

Land Assembly

One of the challenges to commercial redevelopment in Aloha-Reedville is the relatively limited supply of vacant or underutilized property under single ownership, as demonstrated in the Existing Conditions report. In a market where the economic situation already makes new development difficult, the added cost to a developer of speculatively buying and holding property in the hopes of assembling a larger site is usually prohibitive. One opportunity to provide potential large-lot sites is to purchase opportunity sites over time and assemble them into consolidated redevelopment sites that can later be sold to private developers through a competitive process. The possibility of accomplishing this through the public sector is one consideration. This eliminates the holding costs to a developer and allows for greater efficiencies that a larger site provides.

Annexation and Incorporation

When choosing to make investments in jobs, housing, or commercial development, the private sector seeks certainty. Certainty assures investors that they know what the ground rules are and that they will get through the "process" in a reasonable amount of time. Aloha-Reedville's development has occurred within the county's land use policies. The county and cities have discussed urbanization policies and those discussions continue. Washington County is not technically an urban service provider however, the Aloha-Reedville Study will contribute to the urbanization discussions by identifying whether existing service provision and policies are adequate. Discussions regarding Aloha-Reedville's governance will be part of the process. Previous efforts have considered both annexation and incorporation.

AFFORDABLE HOUSING STRATEGIES

In order to achieve new construction development and/or rehabilitation to ensure affordable housing options to target income levels, it is necessary to attract and strategically blend multiple financing and funding sources which include: debt (primary and secondary), grants, and development cost reductions. The funding tools offered by the programs outlined above are each intended to support the economic, social and environmental health of a community. One of the primary issues that affect community health and vitality is the affordability of the housing for all income and capacity levels within the community. One of the goals of the Sustainable Communities Grant funding this project is to promote multijurisdictional collaboration to address the goals of the Aloha-Reedville community.

The public financing programs and strategies outlined in this report are administered through federal, state, and local jurisdictions and from different departments within those jurisdictions. Currently there are few formal opportunities or requirements for these various jurisdictions and departments to work collaboratively on coordinated funding priorities and share responsibility for the resulting outcomes. Clearly, coordinated efforts will be needed to make the most efficient use of limited resources. Services providers at all levels are looking for ways to combine efforts, resulting in such innovations as the coordination between HUD and DOT in providing the Sustainable Communities grants funding this planning project.

Metro is one clear example of coordination in planning among local jurisdictions. Another is Washington County human services and housing providers who have joined together in the Housing and Supportive Service Network (HSSN) to coordinate health and human services needs and programs within the HUD funded Continuum of Care, which serves the most vulnerable in Washington County. They meet monthly to advocate and coordinate their activities. In addition the Washington County community development corporations and other housing providers have formed the Housing Advisory Group (HAG) which meets monthly to share information and inform the community and policy makers regarding affordable housing issues.

Current Funding Priorities

The current Washington County Consolidated Plan indicates that the highest funding priority for Washington County's HUD programs is to fund affordable housing that serves the most vulnerable and/or special needs populations. These projects require deeper development and rent subsidies because these populations are frequently at extremely low incomes (e.g., below 30% MFI). Extremely low income residents do not have sufficient income to pay rent at a level that will cover basic properly maintenance costs or debt service for construction or rehab loans—therefore, the gap between revenue (rents paid by residents) and costs (maintenance and debt service) must be covered by other funding and subsidies.

Affordable housing development is an investment that is generally considered successful if the property has high occupancy (stable rents); consistently serves the income-targeted households; provides a return to lenders/investors; and is well maintained and affordable to its residents over its entire affordability compliance period. There are many challenges to constructing, maintaining and operating a affordable housing project successfully, especially for the most vulnerable populations.

The attendant human/health services programs that support successful independent living for disabled and special-needs residents are funded separately, and are generally focused on the individual, rather than delivering consistent care to all residents in a particular housing development. Supportive services funding is frequently provided through Oregon State Department of Human Services and similar programs that are vulnerable to legislative funding cuts. When funding is reduced, programs are eliminated, eligibility requirements are tightened, or other changes are put in place to reduce the number of people served. As a result of funding instability, supportive services are not always consistently available for residents who need them.

Chronically homeless, special needs, and disabled households need specific housing and service support to break the cycle of homelessness and poverty. These households need sustained support in order to remain housed and stable in the community. The Veterans Association (VA), the Department of Human Services (DHS) and Oregon Housing Authorities (OHA) are the primary funders of the local services agencies and programs for the most vulnerable community residents.

Financing Market

Given the complexity of financing for affordable and affordable special needs housing, funding sources must be carefully vetted to ensure that all of the restrictions and requirements will work together to strategically and sustainably serve the target populations. Some funding tools have requirements which make it impossible to use them together on the same project, while others may dovetail to provide the needed funding. Further, the financing strategy for development (new construction and/or rehab) must show enough demand for housing to attract sufficient capital and/or project-based rent subsidies to make the project viable, while also demonstrating long-term investment performance to private equity sources.

Like human services funding, housing priorities may change when Federal allocations shift, especially in CDBG (Community Development Block Grant) and HOME Investment Partnership funding. Federal requirements for these funding sources have increased dramatically, while the funding has been significantly reduced, making it challenging to use CDBG and HOME funds to meet local needs. In addition, the Low Income Housing Tax Credit (LIHTC) is market driven, dependent upon an investor’s appetite for tax liability reduction. The recession saw a significant reduction in pricing as investors experienced lower profits and reduced tax liability. Demand for LIHTC is returning and these credits are regaining value, but LIHTC cannot fill the gap resulting from cuts to other funding streams.

While the cost to rehabilitate or construct new affordable multifamily housing requires significant capital, the funding environment is very competitive; locally, statewide through OHCS, and nationally through HUD. There are a number of local nonprofit organizations (housing developers and providers, and service providers) who compete for funding. Most funding sources are awarded only once per year, and funding polls are allocated annually. As a result, it often takes years to accumulate awards and capital to fully fund an affordable housing project. These delays increase the cost of development. Predevelopment loans are available to pay the cost of site acquisition, project design, and fundraising and funding applications, but these loans often only offer two- to three-year terms—which may not be enough time to complete financing and start construction.

Financing Strategies

Most of the financing tools outlined in this report exist and are available to Washington County housing providers to produce regulated affordable housing in the Aloha-Reedville Study area. It is necessary to understand that these sources ***must be strategically combined*** depending on the target market, scale of the project, the location, and funding priorities. One funding tool alone is not enough to bridge the gap between the cost of development and the project revenues. Given the economic impacts of the Great Recession (foreclosures, high unemployment, stagnant wages, underemployment) and the fact that the public funding sources are under tremendous pressure to reduce their programs, it is time to look at some different ways to promote the development of regulated affordable housing in Washington County.

One major challenge of regulated affordable housing development is that anticipated revenue (generated by the rent paid by residents) is not sufficient to cover the cost of construction. In order for a housing development to remain affordable, especially to lower-income households, rents must be tied to income. Federal guidelines suggest that households should not pay more than 30 percent of gross income toward housing costs[2]. For example, a household earning 30% of Median Family Income (MFI) in the Portland Metro Area for 2011 would pay no more than $411 in monthly rent.

[2] Housing costs include rent or mortgage payments and basic utilities, such as electricity, water, etc.

As seen in the examples in Figure 1 and Figure 2, residents with lower income levels pay lower rents. Therefore, housing developments targeted to lower income households have a larger funding gap. The rent charged ($411) on a two bedroom unit affordable to a household making 30% MFI would only be able to support a loan of $8,392 (after paying operating expenses). However, it costs $224,000 to build that two bedroom unit. Therefore, in order to build the housing, there is a funding gap of $215,608 per housing unit that must be filled with other sources.

Figure 1. Example of a Project Operating Budget

	ONE TWO-BEDROOM UNIT		
	30% MFI	**50% MFI**	**120% MFI ***
Maximum Allowable Rent based on MFI	411	735	1,869
Operating Expenses/ mo. (@ 4,200 per yr.)	- 350	- 350	-350
Available for Debt Payments (Service)	61	385	1,544
Loan Amount Supportable at above debt payments (6.5%, 30 years)	**8,392**	**52,966**	**212,415**

Source: Housing Advocacy Group Washington County

Figure 2. Example of an Affordable Housing Funding Gap

SOURCES AND USES BUDGET

		Two Bedroom Unit	
Land	19,000	19,000	19,000
Soft Costs	75,000	75,000	75,000
Construction Costs	130,000	130,000	130,000
TOTAL COSTS	**224,000**	**224,000**	**224,000**
TOTAL COSTS	224,000	224,000	224,000
SOURCES	30% MFI	50% MFI	120% MFI
Private Debt (6.5%, 30 Yr.)	**8,392**	**52,966**	**212,415**
GAP TO FILL	**215,608**	**171,034**	**1,585**

Source: Housing Advocacy Group Washington County

In order to build regulated affordable housing, the gap between project revenue and project costs must be bridged. There are two main ways this may be accomplished, either by reducing the gap or filling the gap.

Reduce the Gap:

Find ways to stretch the debt service dollars:

- Improve debt financing terms (e.g., lower interest rate) to allow a larger loan with the same debt payment;
- Increase dollars available to pay debt service:
  - Reduce operating expenses to increase dollars to pay debt (property tax exemptions);
  - Subsidize rents to allow higher rents to be collected while preserving affordability to tenants.
- Other tools to reduce development costs.

Fill the Gap:

- Equity (tax credit or other owner equity);
- Grants (e.g., housing trust funds);
- Public grant funds like HOME or CDBG, without required debt service.

CRITERIA FOR EVALUATING FUNDING TOOLS

In the next phase of planning, additional work will need to be done to evaluate which funding tools will be most appropriate in Aloha-Reedville, and what type of strategic investments should be prioritized. A common and useful way to evaluate a long list of tools is through the use of evaluation criteria. Criteria provide a framework to evaluate one tool against another and to screen tools for usefulness in different projects. Moreover, they provide a clear and meaningful way to communicate a chosen process to the community and elected leaders.

The following criteria are a starting place[3]:

Financial capacity and leverage- *How much revenue might the tool generate? Does the tool have the ability to leverage other sources of funds (including private sources)? Tools that can bring the most money to the table or best connect to other funding opportunities should be prioritized.*

[3] Modified from the criteria that Washington County used for planning for funding investments in the North Bethany area.

Flexibility of use- *Does the tool have constraints that limit its use for certain types of projects or in certain circumstances now or in the future? Particularly in this uncertain economy, flexibility to adjust how funding is spent, or the ability to tailor a project to changing market conditions, is important.*

Fairness- *From whom is the source derived? Developers? Taxpayers in all of Washington County? Commercial property owners? Are those sources paying in proportion to the benefits they receive or the costs they impose to the system? Equity issues can affect how much of a given resource can actually be applied to Aloha-Reedville and can even impact the political viability of putting the tool into effect in the first place.*

Administrative ease- *Will the funding source require new programs to be developed or staff to be hired? How expensive is it to administer the funds? Ensuring that the benefits of the tool are commensurate with the effort to secure it will help ensure that Washington County's limited resources are being used efficiently.*

Legal authority- *Does the County currently have the legal authority to implement the funding source? Or is new legislative authority required? New authority should not necessarily eliminate a tool from consideration, but the process and time to grant the authority should be taken into consideration.*

Political acceptability- *Will decision-makers and the general public support the funding tools application in the Aloha-Reedville area? This is often a moving target, but community support and leadership are always the hallmark of a successful project.*

CONCLUSION

Implementation of the programs, policies, and projects that emerge from the Aloha-Reedville Study will require the coordination of many different tools and strategies. Smart planning requires that the identification of projects take into account the County's and the community's ability to pay for projects. It is for this reason that evaluation of potential tools is presented early in the process, even before specific projects and actions have been identified. The planning process must consider factors such as the process to secure funds, the timing of those funds, competing uses for those funds, community and political support, and many other factors.

Governments at all levels are facing unprecedented financial pressures, which are not expected to alleviate anytime soon. Economic development, infrastructure improvement, and affordable housing development all will compete for more limited resources and Aloha-Reedville will face stiffer and stiffer competition with other areas in the region and the country for the same pool of funds. The coordinated, interagency and interdepartmental planning effort of the Aloha-Reedville Study will help ensure that future applications for funding in Aloha-Reedville will maximize their leveraging capacity and tell a compelling story about how these resources might fulfill the goals of community revitalization.

APPENDIX: DESCRIPTION OF FUNDING TOOLS

Existing Funding Streams

Washington County currently funds projects and programs like those that will be recommended for Aloha Reedville using a mix of the following tools. Note that some very important public services, such as public schools, parks, and public safety, are funded through separate taxing districts that have independent authority to levy and collect property taxes. These sources are not considered here, however partnerships with overlapping taxing districts is discussed in the "partnerships" section. Some projects might jointly benefit the County and these districts, and could be funded jointly.

Major Streets Transportation Improvement Program (MSTIP)[4]

The majority of County-funded road improvement projects are paid for via MSTIP using local property taxes. Property owners in Washington County pay MSTIP through their property tax bills. That money goes to the County to design and manage projects, and back to private sector planning, engineering and construction firms on a competitive bid basis to build projects under the county's supervision. Funding amounts are decided upon annually by the Board of County Commissioners as part of the budget process. The allocation for 2009-2010 was $32 million. MSTIP development is a joint effort of Washington County local governments, including the county and the cities of Banks, Beaverton, Cornelius, Durham, Forest Grove, Gaston, Hillsboro, King City, North Plains, Sherwood, Tigard, Tualatin and Wilsonville. Elected officials from each of these jurisdictions meet regularly as the Washington County Coordinating Committee to address local and regional transportation issues. Historically projects have had to meet certain criteria to be eligible for MSTIP funding. Projects must: improve safety, remove bottlenecks, improve major roadways used by many residents, rank as high local government priorities, address multiple transportation demands (cars, trucks, bikes, pedestrians, transit), be geographically balanced, and provide benefit to residents all around the County.

Systems Development Charges (SDCs)

SDCs and traffic impact fees are imposed on new development to pay for the impact of the additional development on the system. SDCs are only generated by new construction or building rehabilitation. SDCs are not intended to cover the full cost of infrastructure provision. SDCs can only be used for statutorily supported purposes. SDCs are generally pooled when they are generated, and that pool is available for investment in appropriate projects County-wide.

Transportation Development Tax (TDT)

Washington County amended and replaced its Traffic Impact Fee with a Transportation Development Tax (TDT) in 2009. The County directs all revenues from this measure toward

[4] Summary adapted from Washington County website summary of the MSTIP program.

capital improvements that add capacity to the transportation system. Eligible projects are major roads, including sidewalks and bike lanes, and transit capital projects, such as bus pull-outs and shelters. The TDT is designed to generate enough revenue to construct approximately 28% of the growth-related transportation infrastructure called for in the county and cities' 20-year Transportation Plans. [5]

The TDT is based on the estimated traffic generated by each type of development. The tax charged to a developing property for a particular land use is the same whether the developing property is located within a city, an unincorporated urban area, or a rural area. The County calculates the TDT by: 1) determining the category of the proposed use; 2) determining the TDT rate per unit for that use; and 3) determining the number of units for the proposed use. The TDT rate per unit, multiplied by the number of units for the use, is the TDT charge.[6]

General Fund / Capital Improvement Plan

The General Fund is the revenue source over which Washington County has the greatest control. While it contains a relatively large pot of money ($206,134,514 adopted budget FY 2011-12), Washington County operates a wide range of critical services and programs using its resources, including public safety, economic development, and other critical functions. The General Fund is funded with revenues from property taxes and other sources, most of which have declined or remained stagnant as a result of larger economic conditions. General Fund dollars are allocated through an annual budgeting process that reflects the priorities of the Commission. General fund dollars are overwhelmingly allocated to existing services and programs, so any new use of general funds would require diverting funds from its current use. Anticipated investments are outlined in a Capital Improvement Plan for the County. Larger projects may require the County to borrow against its General Fund revenues. This is called a "general obligation bond"; a vote of the public is required to authorize a general obligation bond.

Grants

Grants may be available through Metro, the State of Oregon, or federal sources to support certain types of projects (the current round of planning for Aloha Reedville was supported by federal and local grants) but these sources are competitive and may or may not be available from year to year. However, the type of comprehensive, integrated planning undertaken by this study should help Aloha-Reedville be more competitive when pursuing grants in the future.

[5] Washington County Current Planning Department – Transportation Development Tax. http://www.co.washington.or.us/LUT/Divisions/CurrentPlanning/Transportation/transportation-development-tax.cfm

[6] Washington County Current Planning Department – Transportation Development Tax. http://www.co.washington.or.us/LUT/Divisions/CurrentPlanning/Transportation/transportation-development-tax.cfm

Revenue Bonds

The County may have other (non-General Fund) streams of revenue against which it can borrow. Some jurisdictions have been issued revenue bonds against systems development charges, utility fees, franchise fees, or other sources of funds. These revenue streams are often relied upon for operating and maintaining the systems, and may not be available to bond against for capital expenses.

Minor Betterments

The minor betterments program is a competitive, site specific enhancement to the County's transportation system for interim projects not included in the annual maintenance or capital improvement budgets. Projects can include improvements to safety, capacity, environmental and/or connectivity issues. Proposals are prioritized and selected by a selection and review committee on an annual basis. Recommended projects funded by the approved budget are included in the Road Maintenance Annual Work Program which is then presented to the Board of County Commissioners for consideration and approval, but is not guaranteed to be funded or constructed.

Urban Road Maintenance District

The Urban Road Maintenance District (URMD) is a special district meant to fund road maintenance in unincorporated urban areas of the County that are not under the jurisdiction of any city and therefore often get overlooked for routine maintenance. It is an ad valorem property tax, approved by voters in 1994. Property owners in the URMD pay $0.2456 per $1,000 assessed value. The funds provide preventative maintenance for neighborhood streets (not arterials and collectors) within the URMD. In 2011 it was expanded to allow for construction of safety enhancements for all roads in the URMD, including arterials and collectors.

Gas Tax Revenue

In addition to the state gas tax, Washington County taxes all gas purchased within the County at a rate of 1 cent per gallon, which goes toward the maintenance of County roads. The Transportation Plan prioritizes roads by frequency of travel. Rural roads, and those less frequently travelled receive a lower priority than highly travelled roads.

Infrastructure and Capital Expenses

Tax increment finance / urban renewal

The County could establish an Urban Renewal Area (URA) to issue bonds to finance catalytic redevelopment projects and other economic development programs. Urban renewal is typically initiated by cities, not counties, although it is allowed by state statute and Clackamas County has four urban renewal districts. State requirements limit the use of urban renewal to blighted areas, and require dollars to be spent on capital projects that improve blight. Property taxes in a URA are frozen at existing levels, and increases in tax collections due to growth in assessed value is diverted from other taxing districts to the redevelopment agency to pay debt service on urban renewal bonds. The formation of an urban renewal area requires the Commission to develop and adopt an urban renewal plan and report.

Local Improvement District

LIDs are authorized by ORS 371.605 – 371.660 and Title 3, Chapter 3.20 of the Washington County Code. It may be initiated by the County or by property owners. [7] An LID petition of property owners must be signed by at least 51% of the property owners within the LID area. After a study by the County, the property owners have a chance to review the financial impact and if the owners of two-thirds of the lots or parcels to be assessed request in writing that the project be suspended, the County will suspend the process for six months. The Board is obligated to hear objections at a subsequent hearing, but ultimately has the discretion to make the final decision regarding formation of the district.

Sole Source SDCs

The County may, in certain circumstances, allocate the SDCs generated in an area to improvements within that area. In some cases, municipalities choose to increase the SDC rate in a particular area, and keep only that increased amount for investment in the area, while allowing the base rate amount that is generated to flow into County-wide SDC pools for distribution.

Redevelopment and Public-Private Partnerships

Through public/private partnerships, government entities, developers and investors share the risks and rewards of projects. Public-private partnerships can offer a way for developers to develop projects that would not otherwise be feasible using traditional debt and equity borrowing.

Several techniques are often used in public-private partnerships to reduce development costs and streamline the process. As part of a public-private partnership, local governments may:

- Help to acquire and consolidate parcels, rezone them, and fund environmental remediation of contaminated sites through grants.
- Provide incentive-based zoning provides developers with rewards, like density or floor-area bonuses, for meeting certain housing objectives. Many localities and some states offer incentives as part of joint development activities.

[7] The county governing body may designate any public road improved under ORS 371.605 to 371.660 as a county road without invalidating the assessments levied for the purpose of the improvements. Except as otherwise provided in this section, a county may supersede any provision in ORS 371.605 to 371.660 by enacting an ordinance under ORS 203.030 to 203.065 authorizing the use of assessments to finance local improvements, as defined in ORS 223.001, and providing a procedure for levying such assessments.

- Offer parking reductions in the form of reduced minimum parking requirements or maximum parking requirements. Parking reductions work to increase the feasibility of mixed-income and mixed-use developments.
- Leverage additional resources from the private sector through in-kind matches, or in lieu of fees contributions from the government.
- Provide consistent review processes and land permits, reducing construction risk through good inspection and contractors,
- Seek out lower-cost loans and help to market the units.
- Create a vibrant built environment surrounding the development with strategic investments.

New Market Tax Credits Program (NMTC Program)

The NMTC Program was established by Congress in 2000 to spur new or increased investments into operating businesses and real estate projects located in low-income communities. The program attracts investment capital to low-income communities by permitting individual and corporate investors to receive a tax credit against their Federal income tax return in exchange for making equity investments in specialized financial institutions called Community Development Entities (CDEs). The credit totals 39 percent of the original investment amount and is claimed over a period of seven years (five percent for each of the first three years, and six percent for each of the remaining four years). The investment cannot be redeemed before the end of the seven-year period.

An organization wishing to receive awards under the NMTC Program must be certified as a CDE by the Fund. To qualify as a CDE, an organization must:

- be a domestic corporation or partnership at the time of the certification application;
- demonstrate a primary a mission of serving, or providing investment capital for, low-income communities or low-income persons; and
- maintain accountability to residents of low-income communities through representation on a governing board of or advisory board to the entity.[8]

Additionally, projects must be in qualified census tracts to receive funding. Certain parts of Aloha-Reedville are qualified, but others are not.

Generally speaking, because of the complexity of NMTC-related deals, only projects that are of significant scale and cost are good candidates for these tax credits.

Energy Tax Credits

Energy tax credits are incentives for investments in energy conservation, recycling, renewable energy resources, sustainable buildings, and less-polluting transportation fuels. The tax credit can

[8] Community Development Financial Institutions Fund.
http://www.cdfifund.gov/what_we_do/programs_id.asp?programid=5

cover costs directly related to the project, including equipment cost, engineering and design fees, materials, supplies and installation costs. Loan fees and permit costs also may be claimed. However, replacing equipment at the end of its useful life or equipment required to meet codes or other government regulations are not eligible. Maintenance costs are also not eligible.

Some programs offer a pass-through option, allowing a project owner to transfer a tax credit to a pass-through partner in return for a lump-sum cash payment (the net present value of the tax credit) upon completion of the project. The pass-through option allows non-profit organizations, schools, governmental agencies, tribes, and other public entities and businesses without tax liability to use the tax credits by transferring their tax credit for an eligible project to a partner with a tax liability.

Economic Development / Program Funding

The County may decide that it wants to create new programs that can be used for marketing, business attraction and recruitment, business or economic development planning, or other similar uses that are not capital expenses. The general fund may be a source for such programs, if general fund dollars are diverted from other uses. Economic Improvement Districts (EIDs) and Business Improvement Districts (BIDs) are others.

Economic Improvement District (EID)

An EID is for commercial property owners and is authorized by ORS 223.112. An EID is a funding mechanism to enable an area to fulfill its commercial revitalization plans including beautification and property improvements: business development recruitment and retention efforts, marketing commercial districts and other commercial activities.

An EID may be an assessment on the value of the property (commercial property only) or it may be a fee paid by the property owner. If it is an assessment, the assessments cannot exceed 1% of the total assessed value of the properties within the proposed district. The maximum length is 5 years, but may be renewed indefinitely and may be voluntary or involuntary. If involuntary, it must have 2/3 support of the commercial property owners within the district. It is established through the City Council in an ordinance after 2 public hearings. Opposition is received either through written communication from the commercial property owner or testimony in opposition at the hearing where the property owner would also present a letter in opposition. A voluntary EID allows those opposing the EID to opt out of the payments. It generally takes 9 months to establish an EID.

Business Improvement District (BID)

A BID is for business owners within a specified area and is authorized by ORS 223.112. A BID is enacted through a business license fee imposed by the City Council after receiving a petition for the formation of the BID signed by 33 percent or more of persons conducting business with the proposed district. A BID is for a maximum of 5 years, which can be extended, and provides for a hearing of the impacted businesses. If more than 33 percent of the persons conducting business within the district oppose the district in writing, the district and the projects it funds will be terminated. It generally takes 9 months to establish a BID.

Enterprise Zones

Enterprise Zones serve to help attract private business investment and to help resident businesses to reinvest and grow in those communities facing economic challenges. They also assist many local governments that wish to have tax incentives and other assistance available to stimulate sound business investments that support and improve the quality of life.

In exchange for locating or expanding into an Enterprise Zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment for at least three years (with a maximum of five years) in the standard program. Sponsored by local city/county/port governments or tribal governments, an Enterprise Zone typically serves as a focal point for local development efforts and incentives. Enterprise Zones are typically formed by cities, not counties. There are 107 cities in 35 counties currently using Enterprise Zones to create better economic opportunities, with 59 Enterprise Zones across Oregon (48 rural, 11 urban).

Affordable Homeownership Financing

Residential Loan Program (Bonds)

Oregon Housing and Community Services (OHCS) helps low and moderate-income families in Oregon buy their first home by providing below-market rate financing and cash assistance (currently out of funds, however renewed funding is expected in the spring 2012) through its Residential Loan Program. The program's below-market rate helps eligible families increase their home purchasing power and lowers their monthly house payments. [9]

Subordinate Mortgage Financing:

In Washington County's Office of Community Development (OCD) will provide "soft" second mortgage assistance of up to $50,000 to income-eligible homebuyers in Aloha to purchase bank-owned foreclosed properties (more commonly known as Real Estate Owned or REOs) in targeted areas undergoing foreclosures or are at high risk of foreclosures. These second mortgages will be subordinated to the first mortgage from the homebuyer's primary lender which must be a 30-year term loan with a fixed interest rate. The assistance can include down payment, closing costs, pre-paids and first mortgage reduction. Depending on the physical quality of the property, the assistance can also include rehabilitation provided that the total assistance remains at or below $50,000. The home must remain the borrower's primary residence and cannot be used at any time as a rental property. The homebuyer eligibility requirements for the program

[9] Source: Oregon Housing and Community Services (OHCS)

are income restrictions for households that do not exceed 120% of the Median Family income (MFI). In this program, 120% MFI is deemed "middle-income" by HUD.[10]

Down Payment Assistance Programs (GHAP Program)

OHCS has awarded $725,325 to nine partner organizations (Proud Ground serves Washington County) to provide down payment assistance to first-time homebuyers. The awards are funded by the document recording fee, which we use to expand the state's supply of homeownership housing for low and very low-income families and individuals, with particular focus on underserved populations.

These awarded funds will allow the organizations to continue or expand their existing down payment assistance programs. The programs give qualified buyers who have completed a homebuyer education program up to $5,000 for a down payment and/or closing costs.[11]

Individual Development Accounts (IDA):

IDAs are one of the funding tools that OHCS uses to create pathways of opportunity for low-wealth Oregonians to build financial assets. Through Neighborhood Partnership Fund and its partnership with the network of IDA providers, more than 1,700 Oregonians have graduated from the IDA program and have purchased their home, started or expanded a small business in their community, or are gaining a post high school education to improve their skills and employability. The impact goes well beyond the individuals and families – homeowners help stabilize their neighborhoods and expand the tax base, new businesses that enrich their communities and it all contributes to greater economic vitality in Oregon. Awards range in size based upon the scale and capacity of the IDA provider. The Community And Shelter Assistance Corporation of Oregon (CASA of Oregon) has been awarded $3,278,075. CASA of Oregon is noteworthy for their work with educational IDA's through the Matched Education Savings Account (MESA) program. The Umpqua Community Development Corporation (UCDC) has been awarded $2,032,425. UCDC has been successful with the full range of IDA's, building new businesses; creating homeowners; and helping participants save for an education. CASA and UCDC subcontract with networks of more than 70 non-profits to provide IDA services including Bienestar Inc. that is a housing and services provider in Aloha.[12]

Deferred Interest Bearing Loan Program (DIBL):

Funding provided through Washington County OCD from its allocation of CDBG funding. The program assists low income owner occupants in making needed repairs to single family dwellings that do not meet accepted standards or which have one or more major systems in need of repair because of failure or near failure. The applicant must reside in and own, or be buying

[10] Source: Washington County Office of Community Development (OCD)

[11] Source: OHCS

[12] Source: Neighborhood Partnership Fund IDA Initiative

the dwelling. The household must have a gross annual income of less than 80% of Annual Median Income of the Portland PMSA, based on family size and as certified annually by HUD. The applicant must reside in and own, or be buying the dwelling. The applicant must continue to own and occupy the home for the duration of the loan. The single family dwelling rehabilitation loans are deferred payment, simple interest bearing loans which are due and payable when the property is sold or is no longer occupied by the persons who received the loan. The established simple interest rate will be 3%. Interest will be applied to the loan principal for ten years or until the loan is repaid, whichever occurs first. The maximum loan amount is $25,000. The minimum loan amount is $2,000. Loans may be made more than once but the total of all loans, to any one owner shall not exceed $25,000. No loan will be made that will cause the total debt on the property to exceed 100% of the after rehab value. Applicants shall have a minimum of 10% equity in the property at the time of application. The loans are secured by a Promissory Note and Trust Deed.[13]

Home Access and Repair for Disabled and Elderly (HARDE):

Funding provided through the Washington County OCD from its allocation of CDBG. While it does not help in the purchase of a home, it may make it possible for some households to remain in their homes through upgrades and modifications. The program addresses general repairs to assist low and moderate income owner occupants who are 62 years or older in making repairs of an urgent nature to their single family dwellings. In addition the program addresses general repairs to assist low and moderate income owner occupants who are disabled, in making repairs of an urgent and/or necessary nature to their single family dwellings. The program addresses accessibility improvements to low and moderate income owner occupants and low income renters who are elderly or disabled or both, to access into and within their single family dwellings. There is no age limit for this group.[14]

Land Trusts

Land Trusts provides financial assistance in the form of grants to lower the purchase price for first-time homebuyers. With the lot land held in trust by the Land Trust, the buyers are able to purchase the home for a lower price, with the stipulation that they agree to limit appreciation to 25 percent of the home’s market-rate appreciation on the house should they choose to sell it, which keeps it affordable for the next owner. Proud Ground is an example of a land trust that has become active in Washington County.

Low Income Weatherization Assistance:

Weatherization Assistance programs provide conservation services, health & safety repairs, heating system repair and replacement, baseload measures and energy conservation education to households at or below 200 percent of Federal Poverty Level. The programs are administered through local community based organizations, including Community Action Program (CAP)

[13] Source: Washington County OCD

[14] Source: Washington County OCD

agencies, senior centers, housing authorities and tribes. Once an application has been submitted and approved, the qualifying household is placed on a weatherization waiting list. Priority is given to senior (60 years of age and older) and disabled persons who are qualified applicants, and households with children under six (6) years of age. Funding Source: United States Department of Energy, United States Department of Health & Human Services, public purpose funds (ECHO only) and the Bonneville Power Administration (BPA).[15]

Cooperative Housing:

Cooperative housing models consist of a legal entity—usually a corporation—that owns real estate, consisting of one or more residential buildings. The corporation is membership based, with membership granted by way of a share purchase in the cooperative. Each shareholder in the co-op is granted the right to occupy one housing unit. Housing cooperatives fall into two general tenure categories: non-ownership (referred to as non-equity or continuing) and ownership (referred to as equity or strata). In non-equity cooperatives, occupancy rights are sometimes granted subject to an occupancy agreement, which is similar to a lease. In equity cooperatives, occupancy rights are sometimes granted by way of the purchase agreements and legal instruments registered on the title. The corporation's articles of incorporation and bylaws, as well as occupancy agreement specify the co-op's rules. [16]

HUD insures mortgages made by private lending institutions on cooperative housing projects of five or more dwelling units to be occupied by members of nonprofit cooperative ownership housing corporations. These loans may finance new construction, rehabilitation, acquisition, improvement, or repair of a project already owned, and resale of individual memberships; construction of projects composed of individual family dwellings to be bought by individual members with separate insured mortgages; and construction or rehabilitation of projects that the owners intend to sell to nonprofit cooperatives. Limited equity cooperatives are very popular in the Midwest and less so on the West Coast. Limited equity cooperatives are designed and supported by HUD 236 loan guarantee specifically for low income senior projects. However, not all co-ops are based on an affordable housing model. They can be market rate entities as well.

Mobile Home Parks Purchase Program:

The Mobile Home Parks Purchase Program (MHPP) is designed to assist qualified tenants' associations, tenants' associations supported non-profit organizations and Facility Purchase Associations with financing predevelopment costs associated with purchasing a manufactured dwelling park (mobile home park). These funds provide qualified organizations with an affordable alternative for financing the initial costs organizations incur prior to purchasing a park. State of Oregon funding through OHCS and authorized under the Manufactured Communities Resource Center (MCRC), authorized in1989 by the Oregon legislature.[17] Casa of

[15] Source: OHCS

[16] Source: Definition from Wikipedia

[17] Source: OHCS

Oregon, a community development nonprofit and lender has substantial experience working with funding from this program.

Affordable Rental housing

Pass-through Revenue Bond Financing (Conduit) Program:

The OHCS provides bond issuance services but does not provide the loan (through a private lender) or credit enhancement. This program provides funds to finance the construction, rehabilitation and acquisition of multi-unit affordable housing for lower-income Oregonians. The program objectives include additional flexibility in loan structure. Experienced affordable housing development teams have the ability to maximize control in selecting the financing team and negotiate financing terms. The Conduit process assumes the tax-exempt bond allocation request is coupled with a request for 4% Low Income Housing Tax Credits (LIHTC) and possibly other OHCS funding sources. Conduit bond allocation requests are non-competitive at this time and the application is open year round.[18]

Risk Sharing Loan Program:

The Program provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multifamily rental housing projects. The Department and HUD share the loan risk and through HUD's FHA mortgage insurance program the bond funds receive AAA credit enhancement. The project must be a qualified low-income development according to Section 142 of the Internal Revenue Code (IRS). The borrower must choose one of the two following options: 1) at least 20 percent of the units are occupied by families whose income is 50 percent or less than the area median income with adjustments for family size; or 2) at least 40 percent of the units are occupied by families whose income is 60 percent or less of the area median income with adjustment for family size. Up to one-third of the units may be occupied by families whose income is more than 120 percent of area median income. Low-income units must be equally distributed throughout the project and unit mix (types of units). Borrowers may not recover off-site development costs, marketing, advertising, lease-up reserves, and other items which are not capitalizable from OHCS bond financing.[19]

Vertical Housing Program:

The purpose of the vertical housing Programs is to encourage investment in and rehabilitation of properties in targeted areas of a city or community, to revitalize communities, to increase the availability of appropriate housing, and to revitalize communities. The program encourages mixed-use developments that contain both non-residential and residential uses in areas (zones) designated by local jurisdictions. The residential portion may be for market rate or lower income households. Eligible projects receive a partial property tax exemption, which varies with the number of "Equalized Floors" in a project, with a maximum property tax exemption of 80

[18] Source: OHCS

[19]Source: OHCS

percent over a 10 year term. An additional partial property tax exemption on the land may be given if some or all of the residential housing is for low-income persons (80 percent of area median income or below). The 2005 Legislature passed legislation moving the Vertical Housing Program from Oregon Economic and Community Development Department (OECDD) to Oregon Housing and Community Services (OHCS) beginning in November 2005.[20]

Low Income Housing Tax Credits:

The 1986 Tax Reform Act created the Low Income Housing Tax Credit (LIHTC) as an incentive to encourage the construction and rehabilitation of rental housing for lower-income households. The program offers credits on federal tax liabilities for 10 years. Individuals, corporations, partnerships and other legal entities may benefit from tax credits, subject to applicable restrictions. Annually, the U.S. Department of Treasury allocates tax credits to each state. Federal law limits the annual per capita tax credit issued to each state to $2.15 in 2011 and indexed to inflation thereafter. Oregon Housing and Community Services (OHCS) administers' the tax credit program for the state of Oregon.

Tax credits offer direct federal income tax savings to owners of rental housing developments who are willing to set-aside a minimum portion of the development's units for households earning 60 percent or less of gross area median income. Developers of tax credit developments typically sell the credits to investors who are willing to provide equity capital in return for the economic benefits (including tax credits) generated by the development.

The amount of tax credit an owner receives is determined at the time the tax credit is allocated. The tax credit amount is based on several factors including depreciable development costs, type of development (new construction, rehabilitation or acquisition,) percentage of housing units designated for low-income use, the allocating agency's evaluation and development financing. Tax credits may be claimed annually for a 10 year period. In order to claim the tax credit, the owner must comply with governing rules and regulations (Section 42 of the Internal Revenue Code as amended) throughout the applicable compliance period.[21]

Community Development Block Grant (CDBG):

The major objectives for the CDBG program are: 1) Meeting the needs of the low and moderate income population; 2) Eliminating and preventing the creation of slums and blight; and 3) Meeting other urgent housing and community development needs. In past years, the Washington County CDBG program has financed a variety of facilities, programs and improvements. These have included housing rehabilitation, community and senior centers, special housing for people with disabilities, extensive neighborhood improvements, and social services. In 1979, Washington County's population of 200,000 made it eligible for a federal Community Development Block Grant. To date, approximately $69 million has been invested in housing and community development projects benefiting income qualified residents throughout the county.

[20] Source: OHCS

[21] Source: OHCS

Working together, 11 cities, the county and its citizens have helped to make it all possible. Since 1994, the City of Beaverton has operated its own CDBG program.[22]

HOME Investment Partnership Program:

First authorized by Congress under the National Affordable Housing Act of 1990, HOME Investment Partnerships Program (HOME) funds are federal resources awarded to states, counties, cities and consortiums (City-County partnerships) for the purposes of developing affordable housing projects that shelter low-income households.

In past years, the Washington County HOME Consortium financed a variety of housing projects including preservation projects, acquisition and rehabilitation projects, special needs owner-occupied housing rehab programs, homeownership programs, and affordable rental housing projects. Since 1992, Washington County has operated the HOME program. To date, more than $19,000,000 in HOME funds has been invested in over 49 projects, that have leveraged over $156,000,000 in development capital.

The HOME program also provides funding for Community Housing Development Organizations (CHDO) called CHDO Operating Grants. Annually nonprofit organizations compete for these funds through a certification and award process overseen by the Washington County Office of Community Development. Bienestar, Inc. is the Tier 1 CHDO serving the Aloha-Reedville Study Area.

General Housing Account GHAP:

The 2009 Legislature created the General Housing Account Program (GHAP) to expand the state's supply of housing for low- and very low-income Oregonians. GHAP resources support two primary activities: affordable multifamily housing development and increasing the capacity of OHCS partners to meet the state's affordable housing needs. All projected uses are subject to availability of revenue. During the 2009-11 biennium OHCS targeted the bulk of GHAP funds – $4.8 million – to multifamily affordable housing development primarily through the 2010 and 2011 Consolidated Funding Cycles (CFC). Developers are currently requesting funds in a new funding cycle. The need is anticipated to outstrip the supply of these funds.

OHCS expects to fund a variety of development types ranging from housing for persons with special needs to housing for lower income working Oregonians. All GHAP funded units must have rents that are affordable to – as well as serve – households with incomes less than 80 percent of median income.

OHCS has identified $300,000 for a revolving loan fund to provide short-term financing of a capital needs assessment. Eligible projects must have previously received OHCS resources and exhibit life safety issues or be preservation projects with expiring federal contracts that will be applying for OHCS resources. OHCS will designate $1,147,800 of GHAP funds to use in

[22] Source: Washington County OCD

conjunction with Neighborhood Stabilization Program 2 (NSP2) funds, for the creation or operation of permanent supportive housing for people experiencing homelessness. The NSP2 Consortia include Clackamas, Deschutes, Marion, Washington, and Jackson counties. The combined GHAP and NSP2 funds will target foreclosed and abandoned properties in targeted neighborhoods as is the general intent of the NSP funds. OHCS will make the funds available as grants.

Operating Grants will be limited to projects serving residents at or below 50 percent of area median income (maximum $100,000). Eligible expenses include: establishing operating reserves and funding rent subsidies and eligible services in conjunction with current CFC project application for capital funding. In addition, resources will be set aside to provide support for projects in which the department has some financial interest. Also, funding is available to support innovative strategies to increase the supply of affordable housing. Possible uses include land banking, manufactured dwelling park preservation, and other innovative strategies.[23]

Housing Development Program Grant (Trust Fund):

The Housing Development Grant Program ("Trust Fund") was created to expand Oregon's supply of housing for low- and very low-income families and individuals by providing funds to construct new housing or to acquire and/or rehabilitate existing structures. Applications for the Trust Fund are accepted during the department's Consolidated Funding Cycle (CFC). The maximum funding amount for any one project in a CFC application is $500,000 per funding cycle. Applicants are encouraged to leverage grant dollars with other public and private funds. Preference is given to those projects that provide resident services geared towards the needs of the residents, i.e. daycare, job counseling, emergency assistance, finance management, etc. Housing Development Grant Funds ("Trust Fund") are allocated regionally throughout the state based on the region's percentage of the state's unmet need. The Program must allocate at least 75 percent of the funding to housing for very low-income households, which are households with incomes at or below 50 percent of area median income as determined by the U.S. Department of Housing and Urban Development (HUD). The remainder of the grant funds may be allocated for housing for low-income households, which are households whose incomes are at or below 80 percent of area median income.[24]

Oregon Affordable Housing Tax Credit (OAHTC):

The 1989 Oregon Legislature created the OAHTC**.** Under the OAHTC Program, OHCS has the authority to certify tax credits for projects. Through the use of tax credits, lending institutions are able to lower the cost of financing by as much as four percent for new construction housing projects or community rehabilitation programs serving low-income households. The savings generated by the reduced interest rate must be passed directly to the tenant in the form of reduced

[23] Source: OHCS

[24] Source: OHCS

rents. OAHTC is a state tax credit to the project lender in the amount of the value of the reduced interest rate provided over a 20 year period.[25]

Low Income Weatherization Program (LIW):

The Low Income Weatherization Program is funded as a result of Legislative action in the 1999–2001session. Funds can be used to increase the efficiency of heating and other uses of energy in multifamily housing through the installation of energy-efficient insulation, windows, appliances, light fixtures and other energy-reducing activities. A construction or rehabilitation activity must demonstrate measurable cost-effective energy conservation to be considered eligible for the LIW Program funding. As a whole, projects awarded LIW funds during the CFC must show first year savings equal to or greater than one kilowatt-hour saved for each program dollar spent. Project sponsors usually hire a consultant to work with an architect and contractor to identify the eligible savings. Only projects using electric heating sources are eligible for shell measures such as insulation, high efficiency electrical heating systems, windows and other weatherization measures. Regardless of heating source, upgrades of base load activities such as refrigerators, water heaters, washers and lighting in common areas are eligible uses of the funding source.[26]

Section 8 Rental Vouchers:

The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Since housing assistance is provided on behalf of the family or individual, participants are able to find their own housing, including single-family homes, townhouses and apartments. The participant is free to choose any housing that meets the requirements of the program and is not limited to units located in subsidized housing projects. The current wait list is closed and expected to remain closed for several years, as current waits for households on list can exceed 3 to 4 years.

Housing choice vouchers are administered locally by public housing agencies (PHAs). The PHAs receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. This unit may include the family's present residence. Rental units must meet minimum standards of health and safety, as determined by the PHA.

A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

A unique component of the Section 8 voucher program administered by Washington County Housing Authority is a program to support homeownership for qualified families. Specifically, as

[25] Source: OHCS

[26] Source: OHCS

part of the Family Self-Sufficiency Program, families who wish to purchase a modest home and who can qualify (good credit and stable income) for a home mortgage from a private lender may apply their existing Section 8 voucher payment toward their mortgage payment for a limited period of time. [27]

Metro Transit Oriented Development:

Metro's Transit-Oriented Development Program provides financial incentives and uses public private partnerships to enhance the economic feasibility of higher density mixed-use projects served by transit. The program uses site control and requests for proposals and qualifications to engage a private development partner or purchases a transit-oriented development easement on projects eligible for program funding. The program continues to build capacity of the private sector to develop projects that meet regional planning objectives while demonstrating to the public that the future they envisioned is indeed possible, and is happening. Developers of housing (regulated affordable or not) with site control may take the initiative to contact Metro directly to determine eligibility for funding for compact and mixed-use TOD projects that would not be feasible without public participation.[28]

Urban Renewal Tax Increment Financing:

As discussed above, urban renewal can help to stabilize neighborhoods and commercial districts by assisting in the reinvestment of these areas, and by also focusing new development where it is most appropriate. As a part of those revitalization efforts, urban renewal tax increment financing can be applied to public and private housing development.

Property Tax Exemption:

A property tax exemption is a legislatively approved program to relieve qualified individuals or organizations from paying all or part of their property taxes. There are over 100 exemption programs in Oregon. Exemptions can be either full or partial, depending on the program requirements and the extent to which the property is used in a qualifying manner. Most exemptions granted to non-governmental entities are granted to religious, fraternal, literary, benevolent, or charitable organizations. The exempt property must be reasonably necessary and used in a way to achieve the organization's purpose (e.g. community development organization/social service providers). Any portion of the property that does not meet the requirements of the exemption program is taxable as in mixed use housing projects. Many individuals receive partial property tax exemptions through the Disabled Veteran or Surviving Spouse exemption, or the Active Military Service Member's exemption.

If an affordable housing project is owned by a nonprofit organization then it is exempt as in group homes and HUD 811/202 projects. However projects that are owned by a limited partnership as a result of the utilization of Low Income Housing Tax Credits, then in Washington

[27] Source: HUD, Housing Authority of Washington County

[28] Source: Metro

County these projects pay property taxes, even though it is affordable housing nonprofit controlled. Some of these properties are taxed at a reduced value through a special assessment program that recognizes that the property value is restricted by the rent affordability deed restrictions. In that case, the lower assessed value results in a reduced tax liability for these qualified projects. However to apply for and receive a special assessment designation requires special expertise to submit the application and is a time consuming and costly application process for the project sponsors.[29]

Reduced/Waived Systems Development Charges/ Traffic Development Tax:

As discussed above, SDC and Traffic Impact Fees are charged by Washington County and Clean Water Services to developers when building new construction housing. They are charged by formulas based on anticipated usage and/or the impact to the community infrastructure. These fees have been steadily increasing and have a significant effect on the cost of development of affordable housing. These fees often exceed the amount of local OCD funding awards that an affordable project receives. The City of Portland has made SDC reductions and/or partial waivers a part of its affordable housing funding tool kit. Reducing or waiving such fees for specifically qualifying projects (e.g., affordable housing) can significantly improve project financial feasibility.[30]

Affordable Rental Special Needs Housing

Elderly & Disabled Bond Program:

The Elderly and Disabled Bond Program provides below-market interest rate permanent mortgage loans by issuing pooled tax-exempt bond financing for affordable multi-unit rental housing projects. Borrowers may apply for this loan for construction of new affordable housing or for acquisition and/or rehabilitation of existing properties. This program finances apartments, congregate care, residential care, and assisted living facilities for elderly persons, as well as group care homes for mentally and physically disabled persons. OHCS provides credit enhancement, plus bond issuance. This is the special needs version of the Risk Share Bond Program.[31]

HELP Program:

The HELP Program funded by monies realized from HUD-authorized refunding of existing bonds issued by the agency and originally used to finance housing projects. Funding of the HELP Program is subsidized by an agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Financing Adjustment Factor (FAF) program. HUD shares such monies with bond issuers such as the OHCS on an equal basis, and attaches certain

[29] Source: TNG experience, Washington County Fair Housing Work Group/OCD.

[30] Source: TNG project experience and Housing Development Center presentation to HAG “Financing Affordable Housing”.

[31] Source: OHCS

restrictions and requirements upon the use of funds realized from such refunding. The HELP Program's objective is to provide financial assistance for the construction, acquisition and/or rehabilitation of rental housing for very low-income individuals and families for the purposes of expanding the supply of affordable, decent, safe, and sanitary housing in Oregon.

OHCS has, at its discretion, set aside HELP funds for three distinct populations: Homeless, including victims of domestic violence (Housing PLUS definition only), and group homes for persons with development disabilities or chronic mental illness.

Project sponsors are limited to nonprofit or local governmental entities, including housing authorities.[32]

HUD Section 811 Program:

HUD provides interest-free capital advances to nonprofit sponsors to help them finance the development of rental housing such as independent living projects, condominium units and small group homes with the availability of supportive services for persons with disabilities. The capital advance can finance the construction, rehabilitation, or acquisition with or without rehabilitation of supportive housing. The advance does not have to be repaid as long as the housing remains available for very low-income persons with disabilities for at least 40 years. HUD provides funding to nonprofit organizations to develop rental housing with the availability of supportive services for very low-income adults with disabilities, and provides rent subsidies for the projects to help make them affordable. It is a very rigorous, national competition for the award. There was only one award in the entire northwest section of the country in 2011.[33]

HUD Section 202 Program:

HUD provides interest-free capital advances to private, nonprofit sponsors to finance the development of supportive housing for the elderly. The capital advance does not have to be repaid as long as the project serves very low-income elderly persons for 40 years. Project rental assistance funds are provided to cover the difference between the HUD-approved operating cost for the project and the tenants' contribution towards rent. Project rental assistance contracts are approved initially for 3 years and are renewable based on the availability of funds. National competition for award.[34] This program is under significant reorganization and neither Oregon or Washington received funding in 2011/12. Section 202 priorities appear to mean that Washington County will probably not get 202 awards in the near future.

[32] Source: OHCS

[33] Source: HUD

[34] Source: HUD

Oregon Health Authority - Addictions and Mental Health Program:

This program provides limited funding for the construction and services for housing that serves persons living with chronic mental illness and/or addiction recovery. This source in combination with HUD 811 program helped fund the most recent 15 unit new construction affordable supportive housing in Aloha-Reedville – Spruce Place. [35]

Farmworker Tax Credit:

The Farmworker Tax Credit Program is designed to give a state income tax credit to investors who incur costs to construct, install, acquire or rehabilitate farmworker housing. The tax credit may be taken on 50 percent of the eligible costs actually paid or incurred to complete a farmworker housing project. The total of estimated eligible costs for all approved projects for each calendar year is $7.25 million. 100 percent of the credit may be transferred to a contributor of the project. The housing must be located in Oregon and remain designated for farmworker use for a minimum of 10 years. “Farmworker” means any person who, for an agreed remuneration or rate of pay, performs temporary or permanent labor for another in the production of farm products or in the planting, cultivating or harvesting of seasonal agricultural crops or in the forestation or reforestation of lands, including but not limited to the planting, transplanting, tubing, pre-commercial thinning and thinning of trees and seedlings, the clearing, piling and disposal of brush and slash and other related activities.[36]

Veterans Affairs Supportive Housing (HUD-VASH):

The HUD-VASH Program combines the Department of Housing and Urban Development (HUD) Housing Choice Voucher (HCV) rental assistance for homeless veterans and their families with case management and clinical services provided by the Department of Veterans Affairs (VA) at its medical centers and in the community. Beneficiaries of HUD-VASH assist homeless veterans and their families afford decent, safe, and sanitary housing through the distribution of housing vouchers. Beneficiaries are selected based on certain requirements including health care eligibility, homelessness status, and income. Since 2008, beneficiaries are no longer required to be chronically mentally ill or have chronic substance abuse disorders. However, chronically homeless veterans are a target population for HUD-VASH. The number of vouchers distributed to each PHA was determined by HUD and the VA. Washington County Housing Services has 25 VASH vouchers, all of which been allocated.[37]

The Continuum of Care (CoC)

The Continuum of Care (CoC) is a HUD funded set of three competitively-awarded programs created to address the problems of homelessness in a comprehensive manner with other federal agencies and two of which are part of the Washington County HSSN: Supportive Housing

[35] Source: Oregon Health Authority

[36] Source: OHCS

[37] Source: HUD

Program (SHP) and Shelter Plus Care Program (S+C). These funds currently have been completely allocated. Washington County does not currently have funding for new projects beyond a small competitive Permanent Housing bonus of approximately $130,000. As stated previously funding is dynamic and although funds are not available today, they may be in the future and therefore should continue to be considered as new budgeting cycles arise.

The Housing and Supportive Services Network (HSSN)

The Housing and Supportive Services Network was developed to plan and implement a Continuum of Care for individuals and families who are homeless or may have special needs. The Network ensures that a Continuum of Care provides integrated and coordinated access to a range of affordable housing and services designed to prevent homelessness and help families and individuals experiencing homelessness to achieve their maximum level of independence and self-sufficiency.

With the Department of Housing Services playing an active role, Washington County's Housing and Supportive Services Network has established itself as a vital planning, coordinating, and resource development body for homeless services in the county. The group is largely composed of representatives of nonprofit organizations, direct service providers, and public agencies who share a commitment to developing a continuum of opportunities for the homeless. The Network has been instrumental in streamlining the referral process by providing a forum for 41 Washington County agencies and nonprofit organizations to share information, refer clients to each other, and collaborate on federal applications to bring resources to the county.[38]

Emergency Shelter Grants (ESG) Program

Emergency Shelter Grants (ESG) Program (first step in the Continuum of Care) provides funds for emergency shelters — immediate alternatives to the street — and transitional housing that helps people reach independent living. Grantees use ESG funds to rehabilitate and operate these facilities, provide essential social services, and prevent homelessness. The ESG Program strives to help homeless individuals and families, and subpopulations within this group, such as victims of domestic violence, youth, people with mental illness, families with children and veterans. ESG funds can also be used to aid people who are at imminent risk of becoming homeless due to eviction, foreclosure, or utility shutoff. Eligible Applicants The governments of States, large cities, urban counties, and U.S. territories are all eligible to participate in the ESG Program. Once they become grantees, these jurisdictions distribute ESG funds to recipients (local governmental agencies or private nonprofit organizations), who are then responsible for directly implementing eligible activities.[39]

[38] Source: Washington County HSSN and Housing Services

[39] Sources: HUD/Washington County Housing Services

Supportive Housing Program (SHP):

SHP helps develop housing and related supportive services for people moving from homelessness to independent living. Program funds help homeless people live in a stable place, increase their skills or income, and gain more control over the decisions that affect their lives. The Supportive Housing Program is authorized by Title IV, Subtitle C, of the McKinney-Vento Homeless Assistance Act of 1987, as amended. It is designed to promote, as part of a local Continuum of Care strategy, the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. Assistance in the Supportive Housing Program is provided to help homeless persons meet three overall goals: achieve residential stability increase their skill levels and/or incomes, and obtain greater self-determination (i.e., more influence over decisions that affect their lives).[40]

Shelter Plus Care (S + C):

The Shelter Plus Care (S + C) program is designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters. The program allows for a variety of housing choices, and a range of supportive services funded by other sources, in response to the needs of the hard-to-reach homeless population with disabilities. Program grants are used for the provision of rental assistance payments through: Tenant-based Rental Assistance (TRA); Sponsor-based Rental Assistance (SRA); Project-based Rental Assistance with (PRAW) or without rehabilitation (PRA).[41]

[40] Source: HUD/Washington County Housing Services

[41] Source: HUD/Washington County Housing Services

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