

City of Portland, Oregon

Public Hearing

\$258 million General Obligation Bond Measure No. 26-179

(November 8, 2016 Primary Election)

Date: October 20, 2016
Time: 10:30 a.m.
Place: Portland City Hall
City Council Chambers
1221 SW 4th Ave.
Portland, Oregon

“The Council finds that there exists in the City of Portland, Oregon, insanitary and unsafe inhabited dwelling accommodations and that there is a shortage of safe and sanitary dwelling accommodations in said city available to persons of low income at rentals they can afford.....”

This passage is from the December 11, 1941 City of Portland Resolution (#22081) that created the Housing Authority of Portland, the predecessor of today’s Home Forward. Housing for “persons of low income” appears to be a stubborn problem, 75 years later it continues to vex the community.

General Obligation Bond Issue Measures

The Oregon Constitution and Oregon Revised Statutes give municipal corporations authority to incur debt to finance government functions.

One form of debt is Unlimited Tax General Obligation Bonds (GO Bonds). When GO Bonds are issued, the municipality pledges to make payments on the bonds from any unrestricted resources. Few municipal corporations have enough unrestricted revenue available for this purpose, so they commonly ask the voters to authorize a dedicated property tax levy to generate revenue to pay the debt service.

The Oregon Constitution and statutes confine the use of GO Bonds to:

...costs of land and of other assets having a useful life of more than one year, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair.

GO Bond levies are dollar-amount levies. A district with a GO Bond levy determines the amount of money it needs to pay debt service on the issue in the coming year and



instructs the County Assessor to levy that dollar amount. The Assessor converts that dollar amount into a rate. GO Bond levies are not subject to property tax limitations or compression.

The project information in the bond measure is the taxing district's commitment on how the bond proceeds will be spent. Should the district spend the proceeds in ways contrary to the bond measure, then the tax levy loses its exemption to tax limitations.

Ultimately, the exact levy amount and rate cannot be known until the bonds are sold, so all the bond-specific information in the bond measure (except the maximum amount of the issue) is an estimate.

District Background

The City of Portland serves an area of 146.6 square miles with an estimated population of 613,355. The City's Boundaries extend into Clackamas and Washington Counties.

The City is governed by a full-time, salaried Council comprised of the mayor and four commissioners. All are elected at large to four year terms on a non-partisan ballot. The Mayor is the formal representative of the City.

The administrative services of the City are divided into six operational areas:

- Public Safety
- Transportation and Parking
- Public Utilities
- Parks, Recreation & Culture
- Legislative, Administration & Support Services
- Community Development

The City is organized into 37 Bureaus and the Mayor assigns bureau supervision to Commissioners who then serve as Bureau Heads. This bond measure is in the purview of Commissioner Dan Saltzman and will be administered by the Portland Housing Bureau, Kurt Creager, Director, Leslie Goodlow, Bureau Business Manager, and Javier Mena, Assistant Director.



2016 General Obligation Affordable Housing Bond Measure

This Measure would authorize \$258.4 million in general obligation bonds for affordable housing for low income households.

The bond proceeds will be used to build new housing, purchase, rehabilitate existing housing to maintain affordability, prevent displacement, allow residents to remain in their homes.

Housing will contain a mix of unit sizes. Some units will be accessible for low-income people with disabilities, seniors. Housing may include space to provide products and services for residents.

“Affordable” means rents restricted by designated household size and income level for the dwelling. Low income means a household making 60% or less of median family income; lower income thresholds for some units; flexibility for existing residents and hardship. In 2016, 60% of median family income for a family of four is \$43,980 per year.

A five-member independent oversight committee will review bond expenditures; provide annual reports. The Chair will be appointed by the Commissioner in Charge of Housing.

Tax rate for this measure is estimated to be \$0.4208 per \$1,000 of assessed value. Bonds may be issued in multiple series. Annual audits required. Administrative costs cannot exceed seven percent.

Property Tax Impact

The City of Portland has several property tax rates. The total tax rate for this year (2016-17) is \$7.9705.

Property Tax Rates Extended for 2016-17

Operations	\$4.5770
Fire Police Disability & Retirement	2.4859
Children’s Initiative Local Option	0.4026
Urban Renewal Special Levy	0.2405
Debt Service	0.2645
Total Property Tax Rate	\$7.9705

Adding this new bond measure rate of \$0.4208 would increase total City levies by 4% to \$8.3913. The bond levy itself would add \$42 per \$100,000 of Assessed Value, bringing the total extended City of Portland property tax to \$839 per \$100,000 of Assessed Value.



This rate is an estimate. The actual rate will be a function of the amount of debt issued (and it will be issued incrementally), the term of the debt, and assessed value. The City will provide the assessor annually with a dollar amount needed to pay debt service and the Assessor will divide that amount by the Assessed Value to get the tax rate.

According to the City, the average City of Portland residential Assessed Value is \$178,320 and this bond would add a maximum of \$75 annually to that average property annually for the life of the bond ¹.

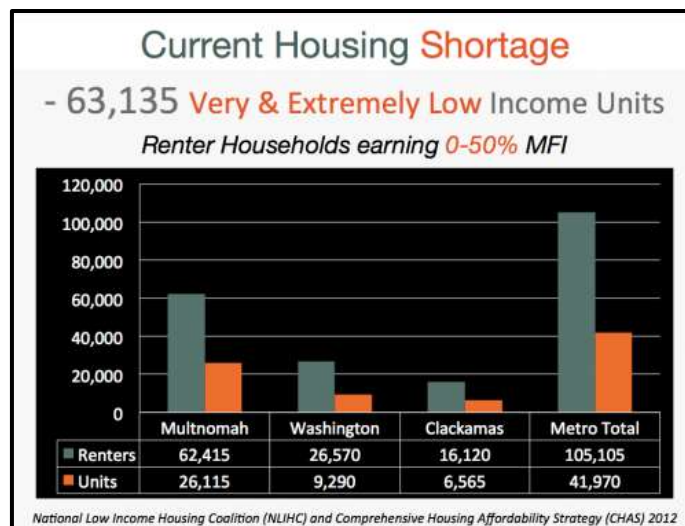
The total property tax levy for properties in the City varies depending on which taxing districts a property resides in. For instance, properties in Portland are in one of five school districts, each with a different tax rate. In all, there are 45 Tax Area Codes in Portland, each with a unique set of taxing districts. The total tax rates in these Tax Area Codes range from \$21.0052 to \$23.5775. This bond levy would increase the total tax rate by an average of 1.8% across the City.

Background

The Portland City Council is putting forth this bond measure in response to a lack of affordable housing in the area. It is part of a coordinated effort between the City and the County to increase the supply of shelter, both temporary and permanent, in the face of increasing homelessness and increasing rents. The Resolution² authorizing this measure sets out some of the reasons for it.

- A documented need for 24,000 affordable housing units.
- Portland's nation-leading average rental rate increase of 15% in 2015.
- Over 100% of the income of a minimum wage earner is now needed to afford the average new rental rate in Portland.

The chart to the right captures the affordable housing situation in the Metro area succinctly. The supply of affordable housing is less than half the number of very low and extremely low income households needing it. And this graph is from 2012. According to the "Welcome Home"³ website for every five very low and extremely low income households, there are only two affordable housing units.



¹ [Resolution 37220](#), June 30, 2016

² Ibid

³ [Welcome Home](#) is a local organization of 143 businesses and community organizations "working to build back our affordable housing infrastructure with at least 63,000 homes affordable to Portland Metro area families."

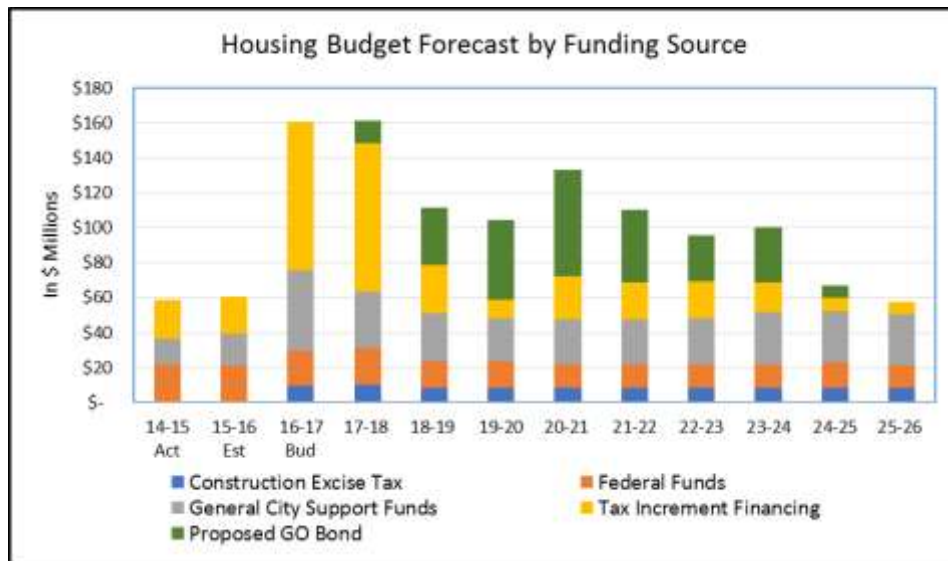
A year ago, Multnomah County and the City of Portland committed \$30 million to tackle the problem of homelessness in the county. Within a few days, the City of Portland declared a Housing Emergency, “The Portland City Council voted unanimously Wednesday to approve the emergency declaration, which allows leaders to waive city code to allow temporary emergency homeless shelters, to open day-storage areas, and to use city properties to address a growing crisis.”⁴

These actions were followed by the opening of several shelters in the area, talk of establishing large homeless shelters in unused buildings, and reallocation of Urban Renewal funds to affordable housing uses.⁵

This bond measure was approved by the Portland City Council on June 30, 2016. On July 1, 2016 the City of Portland and Multnomah County launched the Joint Office of Homeless Services (Joint Office) empowering the Chair of the Board of Commissioners to lead the effort to reduce homelessness countywide. The Intergovernmental Agreement (IGA) creating the Joint Office reaffirmed the City of Portland’s role to lead on the creation of permanent affordable housing through the PHB. This proposed GO Bond is one facet of the PHB’s effort to solve the unmet housing needs of low income Portlanders.

Bond Financial Information

This bond measure is intended to augment other City funding of affordable housing needs. The chart below shows the financial plan for the use of the resources.



The GO Bond is prospective in nature: specific projects, the norm for GO Bonds, have not been identified and budgeted for. Rather, the City determined how large a bond

⁴ [“Portland approves housing emergency plan, what comes next is unclear”](#) Oregonian, 10-7-15

⁵ See [“County steps up to housing state of emergency”](#) for an timely summary of recent City/County actions



could be issued given specific parameters. The City's Debt Management Office was asked to calculate a levy amount using the following parameters.

- A target average tax amount of \$75 per year
- An average residential Assessed Value of \$178,230
- One tax-exempt issue for the full amount
- A 6% interest rate and a 20 year term

The Debt Management Office determined that these factors would generate a bond of \$258.4 million and the estimated tax rate to generate the debt service for a bond of that size and those characteristics would be \$0.4208.

In reality, the bond will likely have more than one issue and a portion will be taxable. The bond will generate a pot of money with which the City will pursue the bond projects.

The City has a debt limit policy on GO Bonds of 0.75% of real market value. The chart to the right shows that adding a bond of this size to the City's portfolio will not surpass that limit.

Policy Debt Limit for Unlimited Tax General Obligation Bonds	
Policy Limit	0.75% of Real Market Value
2015-16 Real Market Value	\$102,628,140,456
Debt Limitation	\$769,711,053
Bonds Outstanding or Authorized	\$151,625,000
Available Debt Capacity	\$618,086,053

Bond Projects

Most recent GO Bond measures in the state have been undertaken to complete one or more specified capital projects. This bond measure is different. It identifies only goals, outputs, and outcomes. There are no specifically planned projects to discuss.

In general, the purpose of the bond is to “acquire and preserve or produce at least 1,300 affordable dwelling units...”⁶ Other program goals, outputs and outcomes are:

1. 100% of the beneficiaries will be low income (at or below 60% of the MFI) including seniors, veterans, families and people with disabilities (or combinations thereof);
2. Goal to serve 600 of the households at or below 30% of the MFI (less than \$22,000 for a family of four);
3. Goal to serve 50% of the households whom are in need of family-sized (2 & 3 Bedroom) dwellings;
4. Approximately 2,900 Portlanders would reside in the 1,300 bond-financed dwellings;
5. Estimate that 50,000-58,000 Portlanders will benefit from 1,300 new or preserved dwellings over a sixty (60) year period;
6. Affordable means rent restricted by designated household size and income level for the dwelling unit;

⁶ “Affordable Housing Bond for Portland” June 27, 2016 Memo to Portland City Council, page 3

7. City bond proceeds will enable existing market rate but affordable housing to be preserved, improved and stabilized for public benefit;
8. Net cash flow (after operating expenses and depreciation) if any, will be dedicated for routine maintenance to ensure financial sustainability over the economic life of the properties;
9. Ancillary community and resident support (wrap around) services will be proffered through contracts with community based organizations; and
10. Some properties may have community rooms, neighborhood commercial or social service services accommodated on site to ensure resident health, safety and general welfare.

Sequence

The general obligation bonds would be issued over five years, but revenue would be expended over up to eight years, as shown in the chart above. This is in anticipation that the later tranches of bond revenue would be used for new construction and the attendant time necessary (18-36 months) to bring a new construction project to fruition. The schedule allows for the bonds to be expended in full within three years of each issue.

The first bond expenditures are anticipated to consist of land and building acquisition followed by rehabilitation and finally, new construction. The PHB will work in collaboration with Home Forward on asset management and the alignment of Housing Choice Vouchers (Section 8) Rental Assistance Vouchers and Veterans Affairs Supportive Housing (VASH) Vouchers to attach rent subsidies to approximately a 1/3 or 400 dwelling units. This will help ensure extremely low income households do not pay in excess of 30% of their income on rent.

Other Provisions of the Measure

1. Proceeds from the Bonds will be placed in a special fund.
2. Proceeds will be used only for the capital costs for affordable housing purposes: acquisition, construction, reconstruction, rehabilitation, capital maintenance and capital repairs of facilities to provide affordable housing
3. No more than 7% of the special fund may be spent for expenses associated with administering the fund, including the issuance of the bonds.
4. The Council may authorize up to 20% of the project for provision of spaces for services, e.g. childcare facilities, groceries, pharmacies, community rooms, etc., to serve the needs of the residents of the facilities (some bonds will be taxable).
5. The Council will form an oversight committee to review bond expenditures and provide Council with an annual report.