

**NEWBERG AFFORDABLE HOUSING
JOINT CITY HOUSING PROGRAM AND
FEES/FINANCE SUBCOMMITTEES**

Wednesday, July 28, 2010

7 p.m. to 9 p.m.

Newberg City Hall

Permit Center Conference Room

414 E. First Street, Newberg, OR

I. Open meeting

II. Roll call

III. Housing Trust Fund

- a. Funding sources**
- b. Eligible Fund projects**

IV. Other business

V. Next meetings:

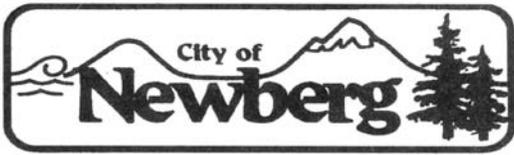
- Full Committee: Wednesday, September 22, 2010 at 7:00 pm in City Hall (Permit Center Conference Room)
- City Housing Program Subcommittee: Wednesday, August 25, 2010 at 7:00 pm in City Hall (Permit Center Conference Room)
- Fees/Finance Subcommittee: Wednesday, September 9, 2010 at 7:00 pm in City Hall (Permit Center Conference Room). *NOTE: Scheduled August 11, 2010 meeting has been cancelled.*

VI. Adjourn

ATTACHMENTS:

Memo from Barton Brierley: *Possible sources of funding for Housing Trust Fund*

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MEMORANDUM

Date: May 20, 2010

To: **Affordable Housing City Housing Program and Fees/Finance Committee**

From: Barton Brierley, AICP
Planning and Building Director

RE: Possible sources of funding for Housing Trust Fund

At the July 28, 2010 joint meeting, we will discuss funding for the Housing Trust Fund. There are four main questions that we will explore:

1. For what kinds of projects should the trust fund loan its funds?
2. For what kinds of projects should the trust fund grant its funds?
3. How much money will the trust fund need to raise?
4. Where should the trust fund get its money?

The following will explore these four questions.

1. For what kinds of projects should the trust fund loan its funds?

The obvious advantage of a loan over a grant is that the money can be recycled and used in the future for new projects. A housing trust loan fund could be competitive in market place. Newberg's investment returns are low, so loaning money even at a subprime rate would still be a net positive for the fund.

Other committee discussions indicated a priority should be given to creating a rental rehabilitation loan fund. This would be an attractive option for several reasons: it would improve the existing housing stock and keep it from further deterioration, the loan would have a funding stream to allow repayment over a specified period, and a condition of the loan could be that the unit be available to low income families.

Staff suggests that the trust loan fund should be flexible to respond to specific needs. In addition to a rental rehabilitation program, the fund could be available to other projects such as land purchase for a non-profit housing project.

2. For what kinds of projects should the trust fund grant its funds?

Staff suggests that grant funds be used to support existing programs rather than creating new programs. Staff also suggests grant funds be used for programs where the grants leverage other contributions. As an example, a local non-profit group could use volunteer labor to paint or repair homes of low income families. The grant funds could buy the paint, caulk, or other materials.

Staff suggests that the trust fund make a certain amount of funding available annually. The fund would solicit proposals, and then award the funds to one or more projects.

3. How much money will the trust fund need to raise?

The estimates below are very general ballpark figures for a policy discussion.

At a minimum, an annual grant fund should be in the \$5,000 to \$10,000 range to justify its cost of operation. This amount would probably be enough for a group with volunteer labor and other donations to effectively rehabilitate one or two homes per year.

A loan fund would probably have to offer loans of \$15,000 to \$25,000 to rehabilitate one dwelling unit. For calculation purposes, we have assumed a 10 year repayment schedule and a zero-net-sum loan (the fund recovers all of its administrative costs, and the interest payments are sufficient to cover inflation costs, with no profit), and a \$100,000 initial balance. Based on this, the fund would need to generate about \$5,000 per year from outside sources to be able to offer a loan for one unit per year for the first 10 year period. It would need to generate about \$15,000 per year for each additional unit. After the initial build up period, the fund could be self-sustaining at the level chosen.

Based on this information, the committees can make some general decision on the number of units it would like to serve annually, which in turn will determine how much income the fund would need.

4. Where should the trust fund get its money?

The Affordable Housing Action Plan lists the following potential sources:

- Housing developer “affordable housing in-lieu” fees
- Commercial development affordable housing fees
- Public grants
- Foundation grants
- Charitable gifts
- City or County funds
- Asset sales, such as condemned property
- Banks
- Transient Room Tax funds
- Fee assessment through existing business license program
- Community-wide fee assessment

Other potential sources that have been mentioned include:

- Permit fee surcharges
- Utility bill surcharges

The Fees/Finance subcommittee has met to discuss these sources. The committee has not recommended any options, but the following have at least received the most discussion:

- Utility bill surcharge
- Hotel/motel tax
- Housing developer in-lieu fees
- Business license

The following analyzes the potential revenue for each of these sources:

Utility bill surcharge. Newberg has approximately 6,000 utility accounts. Therefore, each surcharge increment of 10 cents per month would yield approximately \$7,200 annually.

Hotel/motel tax. The current hotel/motel taxes raise about \$225,000 annually. About \$40,000 of that must be dedicated to tourism, the remainder is general fund. The current rate is 6%. If this were increased 1%, 70% of the increase would have to be dedicated to tourism. 30% (about \$11,250 per 1% increase) could be dedicated to other purposes, such as housing.

Housing developer in-lieu fees. This would be a source from developers who choose the “flexible development track” option, and choose to pay affordable housing credits in lieu of constructing units. Each credit purchased could generate \$25,000 to \$40,000 of revenue, depending on the established rate. The income stream would not be steady: there may be 2 or 3 credits purchased in one year, and then none for several years.

Business license. Newberg currently charges a license fee of \$50 per business. Annual revenues are about \$40,000. Funds are used for economic development and tourism promotion. Newberg currently licenses about 1,750 businesses. About 2 percent of those are residential property managers. The fund could be restructured, as currently a single person hair salon pays the same amount as a several hundred employee retail store.

Strategy #6: Develop and support public and private programs

There are many organizations, both public and private, whose mission is to encourage, develop and maintain affordable housing. The City should support these programs in ways best further the missions of those organizations. In addition, there other tools that support affordable housing that the City should develop, sometimes in concert with other partners. The following are action that the City should undertake to strengthen affordable housing in Newberg.

Action 6.1: Create a Newberg Housing Trust Fund

Newberg could create a housing trust fund. The fund could be used for a number of programs to promote affordable housing, such as:

- Housing rehabilitation loans or grants (rentals and owner-occupied)
- Purchase of land for affordable housing
- Grants to non-profit groups to purchase land or construct affordable housing
- Home-buyer education programs
- Direct construction of affordable housing
- Permit fee subsidies
- Rehabilitation consultation
- Downpayment revolving loan fund
- Transitional housing
- Foreclosure prevention
- Pre-development and acquisition financing for affordable housing projects

Several sources could be used to provide money for the fund, including:

- Housing developer “affordable housing in-lieu” fees
- Commercial development affordable housing fees
- Public grants
- Foundation grants
- Charitable gifts
- City or County funds
- Asset sales, such as condemned property
- Banks
- Transient Room Tax funds
- Fee assessment through existing business license program
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Exact program fund uses and funding sources should be determined as part of the trust fund formation process. The Affordable Housing Ad Hoc Committee recommends that rehabilitation of rental properties should be a high priority for the funds.

Responsible parties: The trust fund could be set up under the City, under an existing agency, such as the Housing Authority of Yamhill County or Mid-Willamette Valley COG, or under a new non-profit.