

**NEWBERG AFFORDABLE HOUSING
FEES/FINANCE – CITY HOUSING
SUBCOMMITTEES JOINT MEETING**

Wednesday, January 12, 2011

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. Funding for Housing Trust Fund

IV. Draft Housing Trust Fund Ordinance/Resolution

V. Other business

VI. Next meetings:

Full committee: Wednesday, February 23, 2011

Fees/Finance: Wednesday, February 9, 2011 at 7:00 pm in City Hall
(Permit Center Conference Room)

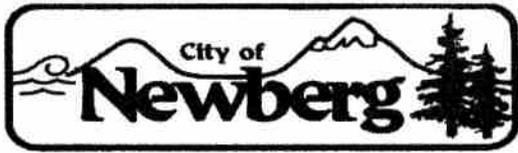
VII. Adjourn

Attachments:

Possible Funding Sources Memo

Draft Housing Trust Fund Ordinance/Resolution

(This page left blank, intentionally)



MEMORANDUM

Date: January 5, 2011

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 January 11, 2011 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
- Community Development Block Grant (CDBG) entitlements

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.

CDBG entitlements. Since the Fees/Finance Subcommittee met to discuss the above-mentioned potential revenue sources, this option has been brought forward. Currently, the City is a non-entitled CDBG community (population of under 50,000) and must compete for funding of proposed projects that serve low to moderate income families. It should be possible for the City to apply to become an entitled community, meaning that we would receive a fairly consistent amount of funding annually from the State to pay for activities to serve low to moderate income families, as set forth in an annual plan created by the City. Exactly how much the City may generate annually through this option is uncertain, but staff believes that number could be somewhere between \$20,000 and \$30,000. If this option is acted upon, the City would no longer be able to compete for funding of potential future CDBG projects, where there is a potential for securing high amounts of CDBG funding (e.g. the City secured \$800,000 in CDBG funding for the recent Newberg Head Start facility).

ORDINANCE NO. ???

AN ORDINANCE AMENDING THE NEW MUNICIPAL CODE, ADDING A NEW SECTION ESTABLISHING AN NEWBERG AFFORDABLE HOUSING TRUST FUND

RECITALS:

1. Chapter II. Section 5 of the Newberg City Charter provides:

Powers. The City has all powers that the constitutions, statutes, and common law of the United States and Oregon expressly or impliedly grant or allow the city, as fully as though this charter specifically enumerated each of those powers.
2. The above referenced grant of power has been interpreted as affording all legislative powers home rule constitutional provisions reserved to Oregon Cities. City of Beaverton v International Ass'n of Firefighters, Local 1660, Beaverton Shop 20 OR, App. 293,531 P2d 730, 734 (1975).
3. The City Council of the City of Newberg has determined that in order to protect the health, safety and welfare of existing and future residents of Newberg who are adversely impacted by the lack of housing available to all income types, specifically very low, low, and moderate income households, it is necessary to establish a fund to support the development, preservation, and rehabilitation, of needed housing types within the City.
4. The Newberg City Council recognizes that for a healthy community the provision of a range of affordable housing opportunities and funding mechanisms for affordable development is a priority for the City of Newberg; and
5. The Newberg City Council has determined that neither the private market, nor the public sector has yet provided the levels of housing affordability necessary to maintain a balanced community, local government must take an active lead to ensure an adequate supply of housing for residents and working people of all income levels.

THE CITY OF NEWBERG ORDAINS AS FOLLOWS:

SECTION 1. A new section under Title 3 Administration is hereby added to the Newberg Municipal Code to read as follows:

Chapter 36.80 NEWBERG AFFORDABLE HOUSING TRUST FUND

36.81 PURPOSE

(A) The purpose of the Newberg Affordable Housing Trust Fund [NAHTF] is to support the development, preservation, and rehabilitation of housing that is affordable to the citizens of Newberg with incomes that do not exceed 100% of the area median income. The NAHTF will have a dedicated source of revenue to provide ongoing funding for housing projects or programs that address the housing needs of these Newberg residents. The primary purpose of the NAHTF is to encourage the development, preservation, and rehabilitation of housing for homeownership or rent, at the cost that will enable very low, low and moderate-

income families to afford quality housing while paying no more than thirty per cent of gross household income on housing.

(B) NAHTF funds will support activities that create, preserve or acquire affordable housing within the Newberg city limits. NAHTF funds also may be used for permanent or transitional housing for homeless families and individuals, and for the modernization, rehabilitation and repair of public housing.

(C) The NAHTF is not intended to be the sole source of funding for affordable housing, and any activity or project eligible for support from the NAHTF is expected to develop additional sources of funds.

(D) To achieve the purposes of the NAHTF, it is the goal of the City to operate a fund that is strong and effective.

36.82 DEFINITIONS

The following words and phrases whenever used in this chapter shall be construed as defined in this section unless from the context a different meaning is intended.

(A) Newberg Affordable Housing Trust Fund (NAHTF) means a separate account created by the City Finance Department established by this ordinance and used exclusively for NAHTF purposes as set forth in this ordinance and implementing resolutions of the Council.

(B) Administrative Procedures mean the procedures for administration of the NAHTF established by Resolution of the City Council, including but not limited to procedures which outline application, evaluation, and all other associated procedures for administration of the NAHTF.

(C) Affordable Housing means residential housing primarily for households or persons earning less than 100% the area median income where housing costs or rent do not constitute more than 30% the household income, and as more fully defined per Newberg Code Section XXX.

(D) Eligible uses and Activities mean those uses for the NAHTF which are set forth in an implementing resolution of the City Council, such uses including but not limited to uses and activities which facilitate the production and preservation of affordable housing within Newberg's city limits.

(E) Affordable Housing Priorities mean priorities established from time to time by the City Council by Motion, Order or Resolution, to guide the allocation of funds from the NAHTF.

36.83 ESTABLISHMENT OF NEWBERG AFFORDABLE HOUSING TRUST FUND/USE OF FUNDS

(A) There is hereby established and created an Newberg Affordable Housing Trust Fund (NAHTF). The Fund is a separate account established by the City of Newberg Finance Department for purposes consistent with this ordinance. The Fund will provide a discrete account for earmarked affordable housing funds and dedicated affordable housing funds.

(B)The NAHTF allows for dedicated funds to be used in support of affordable housing priorities through receipt of donations and dedicated revenue streams, including but not limited to donations, grants, sale of surplus city property, or any other revenue sources approved by the Newberg City Council.

(C)Distribution of funds shall be in accordance with the policies and procedures adopted by resolution of the Newberg City Council

36.84 ESTABLISHMENT OF POLICIES AND PROCEDURES

The Administrative Procedures associated with the NAHTF, including fund administration, determination of eligible applicants, eligible uses and activities, award preferences, eligibility criteria, award process, and selection criteria are initially approved by the city Council per establishment of Resolution 2011-???, and may be amended from time to time.

SECTION 2. Severability. The sections, subsections, paragraphs and clauses of this ordinance are severable. The invalidity of one section, subsection, paragraph or clause shall not affect the validity of the remaining sections, subsections, paragraphs and clauses.

SECTION 3. Codification. Provisions of this ordinance shall be incorporated in the City Code and the word "ordinance" may be changed to "code", "article", "section", or another word, and the sections of this ordinance may be renumbered, or re-lettered, provided however that any clauses and boilerplate provisions (i.e. Chapters 2-3) need not be codified and the City Recorder is authorized to correct any cross-references and any typographical errors.

➤ **EFFECTIVE DATE** of this ordinance is 30 days after the adoption date, which is: _____, 2011.

ADOPTED by the City Council of the City of Newberg, Oregon, this ____ day of _____, 2011, by the following votes: **AYE:** **NAY:** **ABSENT:** **ABSTAIN:**

Norma I. Alley, City Recorder

ATTEST by the Mayor this _____ day of _____, 200x.

Bob Andrews, Mayor

LEGISLATIVE HISTORY

By and through _____ Committee at ____ / ____ /2011 meeting. Or, ___ None.
(committee name) (date) (check if applicable)

RESOLUTION NO 2011-???

A RESOLUTION ESTABLISHING POLICIES AND PROCEDURES FOR ADMINISTRATION OF THE CITY OF NEWBERG'S AFFORDABLE HOUSING TRUST FUND

RECITALS:

1. The City of Newberg City Council approved the establishment of the Newberg Affordable Housing Trust Fund (Ordinance XXX), to keep our community diverse and healthy by facilitating the production and preservation of affordable housing throughout Newberg.
2. The policies and procedures for administration of the Newberg Affordable Housing Trust Fund establish eligible uses, eligible applicants, the method by which funds are awarded, and selection criteria.
3. The City Council understands the changing nature of the housing market and corresponding housing needs, and therefore has established the policies and procedures for administering the Newberg Housing Trust Fund (NAHTF) to remain flexible to respond to changing market conditions and opportunities.

THE CITY OF NEWBERG RESOLVES AS FOLLOWS:

SECTION 1. Purpose

- 1.1 The purpose of the Newberg Affordable Housing Trust Fund [NAHTF] is to support the development, preservation, and rehabilitation of housing that is affordable to the citizens of Newberg with incomes that do not exceed 100% of the area median income. The NAHTF will have a dedicated source of revenue to provide ongoing funding for housing projects or programs that address the housing needs of these Newberg residents. The primary purpose of the NAHTF is to encouraging the development, preservation, and rehabilitation of housing for homeownership or rent, at the cost that will enable very low, low and moderate-income families to afford quality housing while paying no more than thirty per cent of gross household income on housing.
- 1.2 To promote the rehabilitation, preservation and production of quality, well-designed rental and ownership housing, the NAHTF will award funds to community development partners that are furthering the NAHTF mission. It is expected that the local contributions made through Newberg's Affordable Housing Trust Fund will assist in maximizing the leveraging of State and Federal funds, as well as encourage private sector investment in affordable housing.
- 1.3 Understanding the high cost of housing regionally, it is evident that low and moderate-income households are not being served by the housing market. To address the disparity between the cost of housing and the means of resident household to afford housing, the Newberg Affordable Housing Trust Fund aims to provide direct financial support to projects that retain or increase the supply of needed housing for households earning less than 100% the Area Median Income as defined by the Newberg Planning and Building Director, using the best available data.

- 1.4 The Administrative Procedures associated with the Newberg Affordable Housing Trust Fund, including fund administration, determination of eligible applicants, eligible uses and activities, award preferences, eligibility criteria, award process, and selection criteria are hereby established.

SECTION 2. Eligible Applicants

- 2.1 The Newberg Affordable Housing Trust Fund is structured to ensure that many different types of organizations and persons are eligible to receive funds.
- 2.2 Eligible applicants include governmental subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based non-profit housing organization, other non-profit organizations, for-profit entities and private employers, and private landlords.

SECTION 3. Eligible Uses and Activities

- 3.1 Newberg Affordable Housing Trust Funds shall support the creation or preservation of housing that is affordable to households with incomes that do not exceed 100% of the area median income, as defined by the Newberg Planning and Building Director, using the best available data.
- 3.2 Newberg Affordable Housing Trust Funds will be limited to those activities that create, preserve or acquire housing within the Newberg city limits.
- 3.3 Housing developments financed by the NAHTF which receive subsidy, financing, tax credits or other assistance under a State or Federal housing program, may contain market rate units insofar as permissible under those programs and/or to the extent that they are necessary to support the creation of an/or ongoing sustainability for the affordable housing units in the development. However, Newberg Affordable Housing Trust Funds may not be used to support such market rate units.
- 3.4 Affordable housing units developed utilizing subsidy from the Newberg Affordable Housing Trust Fund shall comply with the income and housing cost limits established by Newberg Code Section XXX, as amended, and as restricted by a contract prepared by the City of Newberg. The City Council reserves the right to make exceptions to the standards established by Newberg Code Section XXX for proposed projects it wishes to support and deems furthers the provision of affordable housing within the community.
- 3.5 The Newberg Affordable Housing Trust Funds can be provided as either a grant or a loan depending on the project or program receiving funding. To retain a significant degree of flexibility, the eligible uses have a broad application including the following:
- 3.5.a Acquisition and Construction of new affordable housing.** Eligible acquisition and construction costs include reasonable costs associated with building or land purchase, including but not limited to:
- Purchase price
 - Option costs
 - Financing fees

- Appraisal costs
 - Closing costs
 - Interest
 - Inspection fees
 - Title insurance
 - Relocation costs
 - Architectural/engineering fees
 - Permit fees
 - System Development Charges
 - Construction costs
- 3.5.b. Conservation** of energy through the use of “green” technologies provided that the benefits of the energy savings is passed on in the form of reduced costs to the qualified occupants of the affordable housing.
- 3.5.c. Land Banking:** the purchase of land to be dedicated toward the development of affordable housing in the near or long-term.
- 3.5.d. Predevelopment activities** undertaken by a community development organization in support of the development of affordable housing including planning, architectural services, engineering services, landscape design, legal services, surveys, appraisals, site clearance and demolition, environmental clearance, permit application fees and system development charges. Grant funding for these types of activities may be required to convert to a loan if the project receives full funding. For-profit developers are not eligible to apply for Newberg’s Affordable Housing Trust Funds to assist with predevelopment costs.
- 3.5.e. Bridge loans** to assist in development of affordable housing (for rental or owner occupancy). Bridge loans are intended to provide funding to permit housing projects to proceed in advance of the availability of permanent project funding. Bridge loan funding is available for acquisition or construction activities.
- 3.5.f. Capacity Building** for non-profit affordable housing providers in the form of direct grant awards to fund administration of an affordable housing project or program.
- 3.5.g. Rehabilitation and Emergency Repairs** as part of an established program to secure units as affordable or to provide direct benefits to existing very low-moderate income households. Eligible rehabilitation and emergency repair costs include but are not limited to:
- Architectural/engineering fees
 - Consultations
 - Construction costs
 - Relocation costs
 - Hazardous materials abatement including lead based paint noticing consistent with the Federal Lead Safe Housing Regulations HUD requirements at 24 CFR §35
- 3.5.h. Direct benefits** to very low-moderate income households through an established program including down payment assistance, rental assistance, mortgage foreclosure prevention, emergency housing vouchers, homeownership training, renter education, or other programs intended to increase housing opportunities for Newberg’s low-moderate income residents.
- 3.5.i. Transitional and Emergency Housing** for homeless individuals and families through an established program to move people toward self-sufficiency.
- 3.5.j. Educational programs and services** for potential home owners and renters.

- 3.5.k. Other uses as deemed appropriate** by the Newberg City Council as supporting the development or preservation of affordable housing within the City of Newberg.

SECTION 4. Program Goals

- 4.1.** To help maintain the effectiveness and long-term viability of the NAHTF, preferences will be given to the provision of loans over grants. General criteria of project selection are found in Section 8 of this resolution. In no particular order, the following preferences are provided as general guidance for future applicants for Newberg Affordable Housing Trust Funds.
- 4.1.a.** Developments that produce “new” affordable housing units. New affordable housing units shall include housing units constructed where none had existed previously, abandoned or fire-damaged residential units to be returned to residential use, and non-residential or mixed-use projects in non-residentially-zoned property. Any designated new affordable housing units shall be secured as affordable for future use through the recording of an appropriate legal instrument approved by the City Attorney.
 - 4.1.b.** Developments that provide new affordability. New affordability refers to existing housing where a new level of affordability is provided that does not currently exist. This could occur in rental or ownership housing where the number of affordable units is increased; where a portion of existing units will be made affordable to households at income levels substantially lower than the units previously served; or where the term of affordability on the units will be extended for a period of at least twenty-five (25) years.
 - 4.1.c.** Developments that improve the energy efficiency and safety of existing affordable housing stock while maintaining affordability of the units.
 - 4.1.d.** Developments of housing utilizing the Land Trust model to secure property and perpetual affordability.
 - 4.1.e.** Developments that include joint ventures between multiple non-profit developers and or for-profit developers, working in partnership, to complete an affordable housing project.
 - 4.1.f.** Developments that include a joint venture between service providers and non-profit affordable housing developers to create projects that contain additional benefits to low income individuals in the development of the project, or additional services for the resident upon completion.
 - 4.1.g.** Developments that incorporate the use of “green” building materials, use of energy-efficient appliances, low-water use landscaping, reduced storm water runoff, and incorporation of building design and operational factors that minimize energy use and resource consumption as well as avoid indoor health impact.
 - 4.1.h.** Developments that include affordable units for the disabled and the homeless.
 - 4.1.i.** Projects that propose long-term affordability.
 - 4.1.j.** Projects that are sponsored by non-profit organizations.
 - 4.1.k.** Projects that use private funding sources and State funding sources to leverage the least amount of Newberg’s Affordable Housing Trust Funds.

SECTION 5. Fund Administration

The Newberg Affordable Housing Trust Fund (NAHTF) originated through the direction of the Newberg City Council.

- 5.1 The City of Newberg acts as fiduciary agent and administrator of the funds. The City reserves the right to contract certain tasks to most effectively and efficiently achieve its administrative duties.
- 5.2 Funds dedicated to the Newberg Housing Trust fund shall be exclusively reserved to support the eligible uses activities identified in Section 3, and shall not be used for the general operation of the City.
- 5.3 The City of Newberg shall accept requests for funding from the NAHTF's Time Sensitive Loan Program from eligible applicants at anytime in order to accommodate affordable housing project opportunities that are time sensitive. Coordination with other private and government funding application timelines will help ensure that NAHTF funds are best applied to leverage additional resources in support of the housing projects. Project submittals deemed not time-sensitive will not be approved, but the applicant will be encouraged to submit their proposal to the annual request for proposals (RFP) funding process under the NAHTF's Competitive Awards Program. Also, eligible applicants may submit proposals to the NAHTF's Rental Rehabilitation Loan Program at any time.
- 5.4 The City of Newberg shall annually issue a Notice of Funding Available (NOFA) to announce the availability of funds. The City shall also issue a Request for Proposals (RFP) for affordable housing projects that are not time sensitive.
- 5.5 As a target in any given year, up to 80 percent of the NAHTF will be available for project loans and up to 5 percent will be available for project grants. The remaining 15 percent of the NAHTF will be available for project contingencies through grants and/or loans.
- 5.6 In any given year, at least 50% of the available funds within the NAHTF shall be available for use through the Competitive Awards Program. In any given year, the Newberg City Council may make an exception to this standard to take advantage of affordable housing opportunities.
- 5.7 The City of Newberg shall form an Affordable Housing Commission (AHC) that consists of three members appointed by the Mayor. Membership of the Commission should reflect representative broad interests regarding affordable housing in the community. The Commission shall review applications for Newberg Affordable Housing Trust Funds to determine project eligibility and evaluate the applications based on the selection criteria. The Commission shall provide recommendations to the City Council who shall make final award decisions. In addition, the Commission shall meet twice a year to prepare the NAHTF's annual NOFA and RFP for consideration of approval by the City Council. Otherwise, the Commission will meet as necessary during the year.
- 5.8 Newberg Affordable Housing Trust Funds will be allocated in a manner consistent with the threshold criteria provided Section 8, and consistent with State and Local Public Contracting law.

SECTION 6. Match Requirements

- 6.1 The Newberg Affordable Housing Trust Fund is intended to support the development of needed housing. In addition, the City of Newberg believes that projects can become stronger and more successful through the partnership of many organizations. Therefore, the following match requirements apply to projects utilizing grants from the NAHTF.
 - 6.1.a The Newberg Affordable Housing Trust Fund grant contribution shall not exceed more than 50% of the total project, or program cost. Required match can be met utilizing government funding, direct contribution from the applicant, private donations, and the contribution of land, materials or labor to the project.
 - 6.1.b In the case that land previously owned by the applicant is considered as required match, the value of the land shall be determined by a City approved certified appraisal completed by the applicant or Real Market Value from the Yamhill County Assessor Office provided by the applicant, unless otherwise directed in Oregon Revised Statute or City Municipal Code.

- 6.1.c The valuation of land, and available equity to be considered as matching funds, shall be verified by the City prior to the disbursement of an NAHTF grant when its value is considered as required matching funds.
- 6.1.d Donated materials and labor, which are proposed as required match through the development of a project shall have their value estimated at the time of application. The actual value of these contributions is subject to verification by the City at completion of the project.
- 6.1.e Award recipients shall provide verifiable accounting for donated labor and materials, when such was necessary to satisfy the NAHTF match requirements.
- 6.1.f A recipient of an NAHTF grant that fails to verify the match requirements have been satisfied at the conclusion of a project may be considered cause for the City to require full or partial repayment of any NAHTF grants awarded to a project.

6.2 Approved loans provided by the NAHTF may cover up to 100% of a project's costs

SECTION 7 Allocation of Funds

The Newberg Affordable Housing Trust Fund is structured to allow the flexibility for the City and housing providers. The establishment of three distinct and separate award processes is intended to provide for both consistency and flexibility of the NAHTF program. Annually, the City shall annually issue a Notice of Funding Availability (NOFA), announcing the availability of funds in the following year and the types of programs. The City shall issue the NOFA for the year through publication in the Newberg Graphic and on the City's website. The NOFA shall be issued on July 1st of the year.

First, there is the Competitive Awards Program. Annually, the City may issue a Request for Proposals for affordable housing projects of a non-time sensitive nature. Proposals awarded funding through the RFP process shall be done through a competitive basis. Loans and/or grants may be awarded through this program.

Second, there is the Time Sensitive Program. Through this program, applicants requesting funding from the NAHTF may submit request at any time in the year to accommodate affordable housing project opportunities that are time sensitive. Coordination with other private and government funding application timelines will help ensure that NAHTF funds are best applied to leverage additional resources in support of the housing projects. Loans and/or grants may be awarded through this program.

Third, there is the Rental Rehabilitation Program. This program is intended to assist private property owners with rental rehabilitation projects. Applications for this program may be submitted at any time and need not be considered under the Competitive Awards Program. Applicants seeking funding assistance must be willing enter into a contractual agreement with the City that will ensure the future affordability of the project units for a specific period of time. Only loans will be awarded through this program.

The distribution of any and all NAHTF funds through Competitive or Non-Competitive awards as described in Sections 7.1 through 7.3, will be in accordance with State and Local Public Contracting laws.

7.1 Competitive Awards Program

The City of Newberg has a limited amount of Newberg Affordable Housing Trust Funds to use each year in comparison to the scope of the housing needs within the community. As a result, it is essential that the funds are used to meet the city's priorities in an efficient and cost-effective manner. To this end, a competitive award process has been established and a set of award criteria shall be developed to

evaluate proposals received through a Request for Proposals (RFP) process in terms of how they address the specific priorities outlined in the annual RFP.

The steps for making the competitive grant awards or loans are outlined below.

- 7.1.a. The City of Newberg may issue an RFP Request for Proposals on an annual basis depending on availability of funds, providing applicants with a minimum of 45 days to respond to the request. The RFP shall be issued on July 1st of the year.
- 7.1.b. City Staff shall assess the project proposals to determine if the eligibility criteria are met and shall develop a recommendation to provide to the Newberg Housing Commission and the City Council.
- 7.1.c. The Newberg Housing Commission will provide applicants the opportunity to make a presentation on their project proposal and provide community members the opportunity to comment by holding a public meeting.
- 7.1.d. The Newberg Housing Commission will develop an award recommendation to the City Council using the NAHTF criteria to determine which projects best meet the City's spending priorities. Each application will be rated on a numeric scale as established in the annual RFP for each criterion of selection (Section 8).
- 7.1.e. The Newberg City Council shall make a final decision on the award of Newberg Affordable Housing Trust Funds.
- 7.1.f. The City of Newberg shall prepare an agreement between the City and the award recipient. The Agreement shall outline the conditions of award and shall be executed prior to the disbursement of any Newberg Affordable Housing Trust Funds.
- 7.1.g. A reserve award granted to an applicant may be rescinded by the city if the applicant does not initiate the activities identified in response to the RFP in advance of the City's issuance of another RFP.

7.2. Time Sensitive Loan Program

The City of Newberg recognizes that the nature of affordable housing development is often opportunity driven and time sensitive. Through this program, applications may be submitted during a given year. When applications are received, the City shall review them to determine if the applications meet the City's threshold criteria. If the criteria are met, then the funds may be awarded to, or reserved for, the applicant. Funds available through this process are awarded on a first come, first served basis.

- 7.2.a. **Project Eligibility.** Projects are eligible to utilize funds for activities listed in Section 3.
- 7.2.b. **Project Security.** Applicant must demonstrate and commit sufficient collateral to ensure the security of the loan.
- 7.2.c. **Loan Terms.** Loan terms will be customized to fit the particular needs of the project.
- 7.2.d. **Process.**
 - (1) The City Manager shall appoint a loan officer to process loan applications.
 - (2) The loan officer will prepare application specifications.
 - (3) The loan officer will review applications for eligibility, and qualify applicants as either standard or preferred applicants. The loan officer may establish a priority for awarding of qualified loans.

- (4) Prior to awarding any loan, the application will be forwarded to the Affordable Housing Commission for consideration of recommendation for approval by the Newberg City Council.
- (5) The loan officer shall prepare the necessary documents and agreements to execute and provide for repayment of the loan.

7.3 Rental Rehabilitation Loan Program

7.3.a Purpose

The purpose of the rental rehabilitation loan program is to loan housing trust funds to local landlords so they can rehabilitate dwellings and make them safe and decent for rental to low or very low income families.

7.3.b Eligibility

- (1) The dwelling must be within the Newberg City limits.
- (2) The dwelling must be rented to low or very low income families or individuals, according to income guidelines established by the Affordable Housing Commission. Preference will be given to units to be rented to very low income families or individuals.
- (3) Repairs shall improve the overall livability of the dwelling by addressing health and safety issues and by making the home more energy efficient and affordable. Priority is placed on the repairs needed to make the home safe and to prevent further deterioration and escalated costs if left unattended. Typical examples of these projects include new roofs, new windows, new electrical wiring, heating system repair/replacement, and utility repairs.
- (4) The applicant shall demonstrate sufficient equity in the home and sufficient ability to repay the loan.
- (5) The applicant shall demonstrate that the rehabilitation could not be accomplished using conventional loan programs.
- (6) Preference shall be given to landlords who live in Newberg or the Newberg area, and who own 10 or fewer rental units, and who own the property outright or have substantial equity in the property.

7.3.c Loan Terms

- (1) The standard loan amount is \$15,000. This amount may be increased up to \$25,000 if the need for repairs is justified and adequate equity is established.
- (2) The standard interest rate is two percent (2%) below the prime rate.
- (3) The standard term of the loan is seven years.
- (5) The applicant shall pay a loan processing fee equal to 1 percent (1%) of the loan or \$100, whichever is greater.
- (6) Standard loan terms may be modified by approval of the Affordable Housing Commission.
- (7) The applicant shall enter into an agreement guaranteeing the dwelling will only be occupied by families or individuals meeting the income guidelines.

7.3.d Process

- (1) The City Manager shall appoint a loan officer to process loan applications.
- (2) The loan officer will prepare application specifications. The loan officer will receive applications by a date specified in the notice of funding availability. The

loan officer will accept applications after that date if funding remains available, and may establish a waiting list for applications in future funding cycles.

- (3) The loan officer will review applications for eligibility, and qualify applicants as either standard or preferred applicants. The loan officer may establish a priority for awarding of qualified loans.
- (4) Prior to awarding any loan, the application will be forwarded to the Affordable Housing Commission for consideration of recommendation for approval by the Newberg City Council.
- (5) The loan officer shall prepare the necessary documents and agreements to execute and provide for repayment of the loan.
- (6) The applicant shall complete all repairs within one year of loan award

SECTION 8 NAHTF Grant or Loan Award Threshold and Selection Criteria

- 8.01** The project is considered an eligible use or activity under Section 3, and benefits households earning less than 100% the Area Median Income (threshold verification).
- 8.02** If the project is related to the provision of technical assistance to affordable housing providers, the use of Newberg Housing Trust Funds functions to increase the capacity of the organization to specifically address the mission of the NAHTF (threshold verification).
- 8.03** Newberg Affordable Housing Trust Funds shall be limited to the minimum amount necessary to complete the project. The lower the percentage of NAHTF funds requested, relative to the full project costs, the higher ranking the project shall be given.
- 8.04** The project addresses the unmet housing needs as identified in the Housing Element of the Newberg Comprehensive Plan.
- 8.05** The lower the income level that is targeted for the benefitting households, the higher the ranking the project shall be given.
- 8.06** The project provides new affordable housing, or new affordability, through retention or rehabilitation of existing housing, within the City. The greater the number of units provided, the higher the ranking the project shall be given.
- 8.07** The project retains the affordable housing units as affordable. The longer period of time the units remain affordable, the higher ranking the project shall be given.
- 8.08** The project addresses energy conservation through the integration of green building technologies in new construction, or achieves greater energy efficiency through rehabilitation of existing housing.
- 8.09** The project maximizes partnerships in the community (volunteers, in-kind contributions, cash contributions, multiple organization involved, etc).
- 8.10** The project utilizes already existing resources in effective and innovative ways. The project shall not duplicate service provided by another organization.
- 8.11** The agency submitting the proposal has the capacity to carry out the project and has had demonstrated successes completing projects of similar scope.
- 8.12** The budget and timeline are thorough and realistic.
- 8.13** The project is ready for implementation.
- 8.14** If the project includes the acquisition of property, the identified property is currently available for acquisition and the applicant has secured either a purchase option or letter of interest from the seller. If the applicant is also applying for federal funding (i.e.

Community Development Block Grants or HOME) they should carefully review procurement requirements and limitations before obtaining a purchase option.

- 8.15 That relocation of existing residents will be minimized, and when necessary, the applicant has included accurate relocation assistance costs as part of the project pro forma.
- 8.16 The proposal demonstrates that Newberg Housing Trust Funds are the most appropriate funding source, and necessary, for the project.
- 8.17 Additional selection criteria may be developed and included in the annual RFP to best direct Newberg Affordable Housing Trust Funds toward an identified priority need. Numeric Rankings for each of the selection criteria shall be incorporated into the annual RFP.

➤ EFFECTIVE DATE of this resolution is the day after the adoption date, which is: _____, 2011.

ADOPTED by the City Council of the City of Newberg, Oregon, this ____ day of _____, 2011.

Norma I. Alley, City Recorder

ATTEST by the Mayor this _____ day of _____, 2011.

Bob Andrews, Mayor

LEGISLATIVE HISTORY

By and through _____ Committee at ____ / ____ /2011 meeting. Or, ___ None.
(committee name) (date) (check if applicable)