

DRAFT Transportation Regional Investment Approach

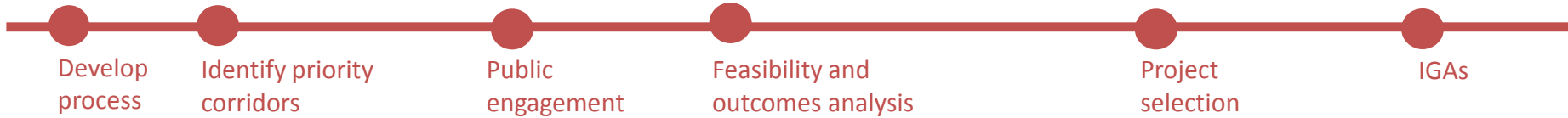
Draft 1/7/18

2018

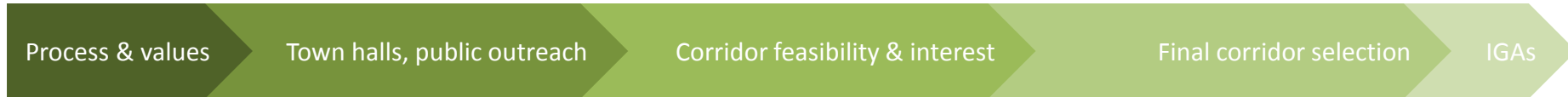
2019

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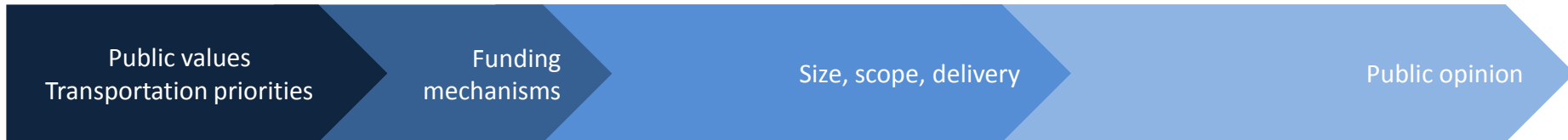
Program work



Partner and public engagement



Research



Messaging and communications



Related milestones





offers four primary strategies to respond to the crisis. Each strategy must be part of the solution and requires multiple public and private partners playing a role: increase and diversify market-rate housing, leverage growth for affordability, generate and optimize resources, and mitigate displacement.

2016-2018 highlights

Metro's Equitable Housing Initiative has continued to lead research, pursue policy approaches, convene partners and direct funding to implement the framework locally.

Aid to local cities

In 2016, Metro began funding local jurisdictions working to identify and implement strategies to preserve and increase the supply of affordable housing in their communities. Seven funded projects throughout the region work on a number of fronts, including identifying barriers to developing different types of housing choices such as duplexes, courtyard apartments and townhouses; finding sources of money to pay for affordable housing projects; and creating policies to expand and strengthen tenant protections to stop displacing families and individuals. Metro's grants (through the 2040 Grant Program) also support exploring sites for potential affordable and mixed-income housing projects along transit lines and business districts.



In the Southwest Corridor

Multiple regional and local partners are coming together to leverage a \$900,000 federal grant to create an equitable development strategy as part of planning the region's next light rail line. Metro is partnering with local housing advocates and the cities of Tigard and Portland to ensure that housing choices and jobs are available to current and future residents and workers after the light rail is built. Housing advocates are deepening the engagement with residents who may be vulnerable to displacement, collaborating with local jurisdictions who are working to implement strategies to preserve existing housing and identify land for new affordable housing in the corridor.

Think big to build small

Metro convenes the Build Small Coalition, whose mission supports research, policy innovation, education/outreach and new partnerships to promote creation of and access to smaller housing – including accessory dwelling units, cottage clusters, and other options – in greater Portland and across Oregon. Partners are assessing local zoning codes to identify opportunities and barriers to a scaled-up buildout of smaller homes.

The coalition also convenes the Build Small Live Large Summit every two years.

Data-driven approaches

Research staff compiles new data on affordable housing needs and resources on an ongoing basis, including local data on existing funding and incentive tools for subsidized or regulated affordable housing. A regional inventory of regulated affordable housing is used by public and nonprofit partners to track ongoing investments over time and target locations for future affordable housing investments.

Future investment solutions

Tackling the region's shortage of affordable housing will require new dedicated revenue tools, coordinated investment strategies and a mix of short- and long-term approaches. Metro is supporting technical analysis to identify the region's most significant areas of housing need and identify promising funding tools and program strategies. Through strong collaboration, Metro and regional partners will develop an investment program that integrates affordable housing into communities across the region and can have substantial impact on our residents' pressing housing needs.



Equitable Housing Initiative

Metro and its partners are finding collaborative solutions so people can find a home that meets their needs and income levels.

Residents from Portland to Wilsonville and Oregon City to Forest Grove are struggling to find affordable places to live. Both nationally and in our region, rents and house prices are rising faster than incomes, increasingly limiting mid- and lower-income households to neighborhoods farther from jobs, transit, social services and other services and amenities. Even households with moderate incomes are finding themselves priced out of neighborhoods where they work or want to attend school.

We all must work together to create real affordable choices for where to live as our region continues to grow and welcome more residents. That means we need to share knowledge and a commitment to solutions across jurisdictional boundaries. Private lenders, foundations, developers, nonprofits and governments all need to come to the table. Metro is stepping up and working

with many partners to address these challenges in a number of ways. In 2015, Metro created the Equitable Housing Initiative to better coordinate efforts already underway and find shared understanding of needs, opportunities and best practices. The initiative supports local jurisdictions, housing developers and advocates to put those best practices to work and build their own capacity to conduct research and develop policies and resources.

For this work Metro defines equitable housing as diverse, quality, physically accessible, affordable housing choices with access to opportunities, services and amenities. This broad definition includes choices for homes to buy or rent that are accessible across all ages, abilities and incomes and convenient to everyday needs, such as transit, schools, childcare, food and parks.

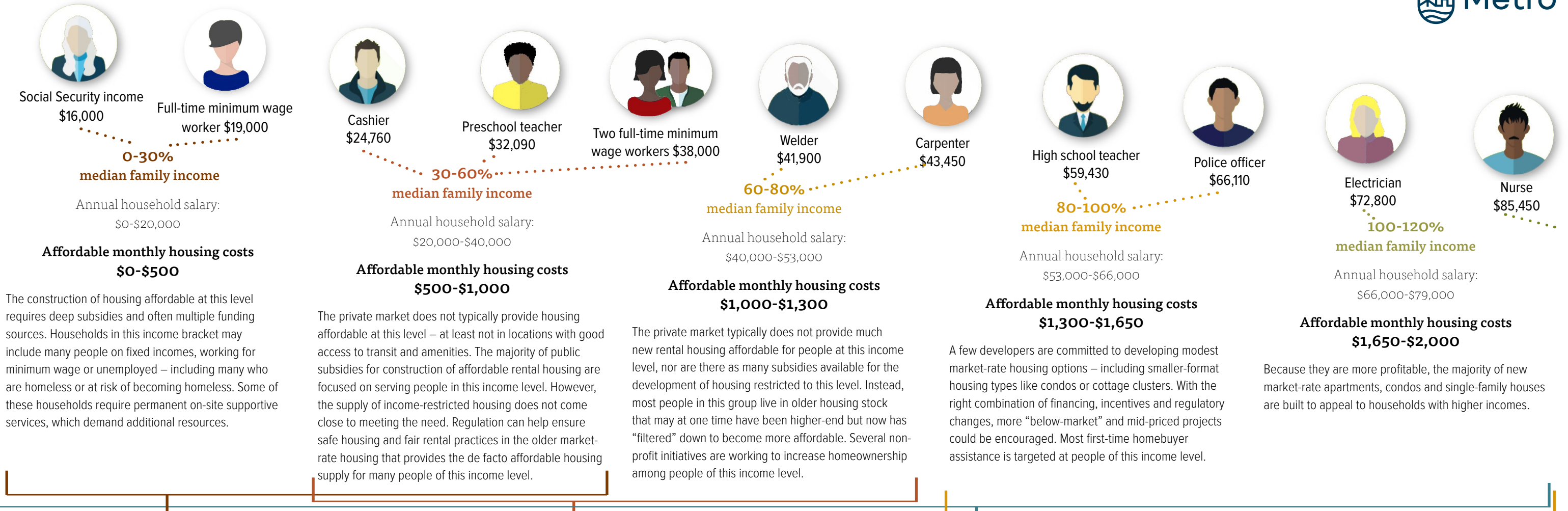
Building a regional framework

In 2015, Metro researched strategies from around the country, engaging experts and stakeholders to uncover the most pressing barriers and identify promising solutions. Metro conducted this work in partnership with Oregon Opportunity Network, with guidance from a technical work group with diverse expertise on housing issues. In 2016, Metro and partners convened a regional housing summit to dig deeper into a challenge that has been called a state of emergency by advocates and local and state officials. The summit revolved around a regional affordable housing framework (next page) that

To stay connected to the Equitable Housing Initiative

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Connecting equitable housing strategies to the needs of residents



The construction of housing affordable at this level requires deep subsidies and often multiple funding sources. Households in this income bracket may include many people on fixed incomes, working for minimum wage or unemployed – including many who are homeless or at risk of becoming homeless. Some of these households require permanent on-site supportive services, which demand additional resources.

The private market does not typically provide housing affordable at this level – at least not in locations with good access to transit and amenities. The majority of public subsidies for construction of affordable rental housing are focused on serving people in this income level. However, the supply of income-restricted housing does not come close to meeting the need. Regulation can help ensure safe housing and fair rental practices in the older market-rate housing that provides the de facto affordable housing supply for many people of this income level.

The private market typically does not provide much new rental housing affordable for people at this income level, nor are there as many subsidies available for the development of housing restricted to this level. Instead, most people in this group live in older housing stock that may at one time have been higher-end but now has “filtered” down to become more affordable. Several non-profit initiatives are working to increase homeownership among people of this income level.

A few developers are committed to developing modest market-rate housing options – including smaller-format housing types like condos or cottage clusters. With the right combination of financing, incentives and regulatory changes, more “below-market” and mid-priced projects could be encouraged. Most first-time homebuyer assistance is targeted at people of this income level.

Because they are more profitable, the majority of new market-rate apartments, condos and single-family houses are built to appeal to households with higher incomes.

Maximize and optimize resources
 Increase adaptable funding and pursue coordinated investment strategies to expand the region’s supply of regulated affordable housing with tools such as:

- tax increment financing
- revolving loan funds
- acquisition/rehabilitation
- donation of public surplus land
- housing trust funds
- dedicated local revenue tools, such construction excise tax, general obligation bonds and property tax levies
- real estate investment trusts.

Leverage growth for affordability
 Encourage for-profit developers to include some income-restricted units in market-rate projects or to pay into a fund for affordable housing with tools such as:

- tax exemptions
- density bonuses
- fast-tracked permitting
- linkage fees
- inclusionary zoning.

Mitigate displacement and stabilize communities
 Pursue community-informed strategies to mitigate displacement, ensure safe and healthy rental housing, and bridge the homeownership gap for lower-income groups with tools such as:

- anti-displacement and safety for renters:
 - landlord licensing and code enforcement
 - rental rehabilitation grants
 - tenant protections (e.g., notifications for no-cause evictions or rent increases)
 - short-term rent or utility assistance
- anti-displacement for owners:
 - foreclosure prevention
 - weatherization assistance
- tools for increasing homeownership:
 - limited equity cooperatives
 - community land trusts
 - shared appreciation mortgages.

Increase and diversify market-rate housing
 Eliminate regulatory barriers and create incentives for diverse market-rate housing with tools such as:

- zoning/building code changes
- fast-tracked permitting
- innovative financing
- system development charges waivers for accessory units
- reduced parking requirements
- vertical housing tax credits
- transit-oriented development grants.

Target housing types include: transit-oriented development (condos and apartments in mixed-use buildings), “missing middle” (townhomes, duplexes, fourplexes), accessory dwelling units, cottage clusters.



Learn more about Metro’s Equitable Housing Initiative at oregonmetro.gov/equitablehousing.
 Income data source: HUD 2015, Worksystems Inc.





Homes for greater Portland

Regional housing measure: Where we stand, where we could go

WHAT WE KNOW

- Housing affordability is a top-tier concern for residents throughout the region – across city and county lines and demographic groups.
- 75 people move to the greater Portland region every day, straining our supply of affordable homes.
- Only 1 in 3 low-income families in the region can find an affordable rental home. Middle-income families struggle too.
- Regional voters believe this is a crisis that can be solved – and they want to be a part of the solution.



GOALS

- Create more permanently affordable homes throughout the region through new construction and acquisition
- Increase housing stability and opportunity for working families, seniors, communities of color, veterans and people experiencing homelessness
- Collaborate with community stakeholders and local government partners to structure programs based in best practices, innovation and equitable outcomes

POSSIBLE FRAMEWORK

- **Land for homes:** Acquiring land for building affordable homes with good access to transit and amenities
- **Affordable homes:** Funding for local governments, housing authorities and private/non-profit builders*:
 - Fill financing gaps and build new affordable homes
 - Acquisition and rehabilitation of at-risk affordable homes

**A potential amendment to the Oregon Constitution would allow bond funds to be granted to private and non-profit entities and leverage other funding sources, such as low-income housing tax credits.*

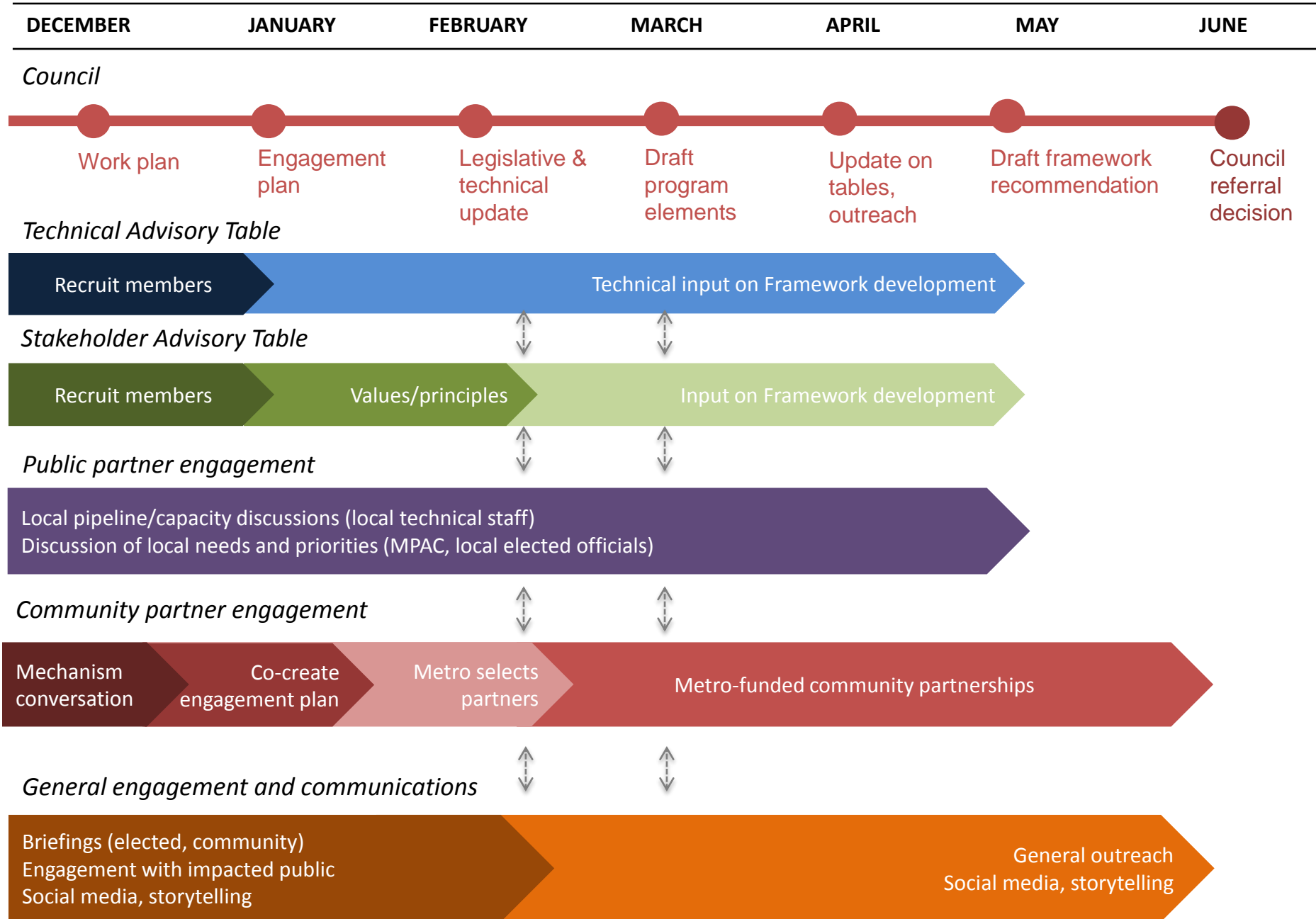
NEXT STEPS

- Convene stakeholder and technical advisory committees to assist with measure development and make a recommendation to Metro COO
- Engage with partners to maximize equitable outcomes in the measure
- Collaborate with partners exploring an Oregon constitutional amendment to help funding create more homes*
- Continue research, engagement and analysis to shape measure
- Metro Council consideration of referral in late spring for the November ballot



DRAFT Regional Housing Measure Engagement Timeline

Draft 1/23/18





Preserving Housing Choice and Opportunity

A STUDY OF APARTMENT BUILDING SALES AND RENTS IN THE SW CORRIDOR

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Prepared for:
**Southwest Corridor Equity and Housing
Advisory Group**

An important component of the housing stock affordable to lower-income households is unsubsidized, market-provided rental housing that rents at lower cost. In fact, the great majority of households who are income-eligible for housing subsidies do not receive any government assistance with housing and live in market-rate housing. This sector of the market — commonly called NOAH or Naturally Occurring Affordable Housing — has increasingly been the focus of policy and programmatic action to protect and expand housing affordability.

In a hot housing market like the Portland region, NOAH-type units can be converted and upgraded to higher rent levels. A complex can be purchased to be upgraded and rebranded, especially if it is in a desirable location. This upscaling can displace large numbers of households/families at once; a single real estate transaction could result in the eviction of hundreds of people.

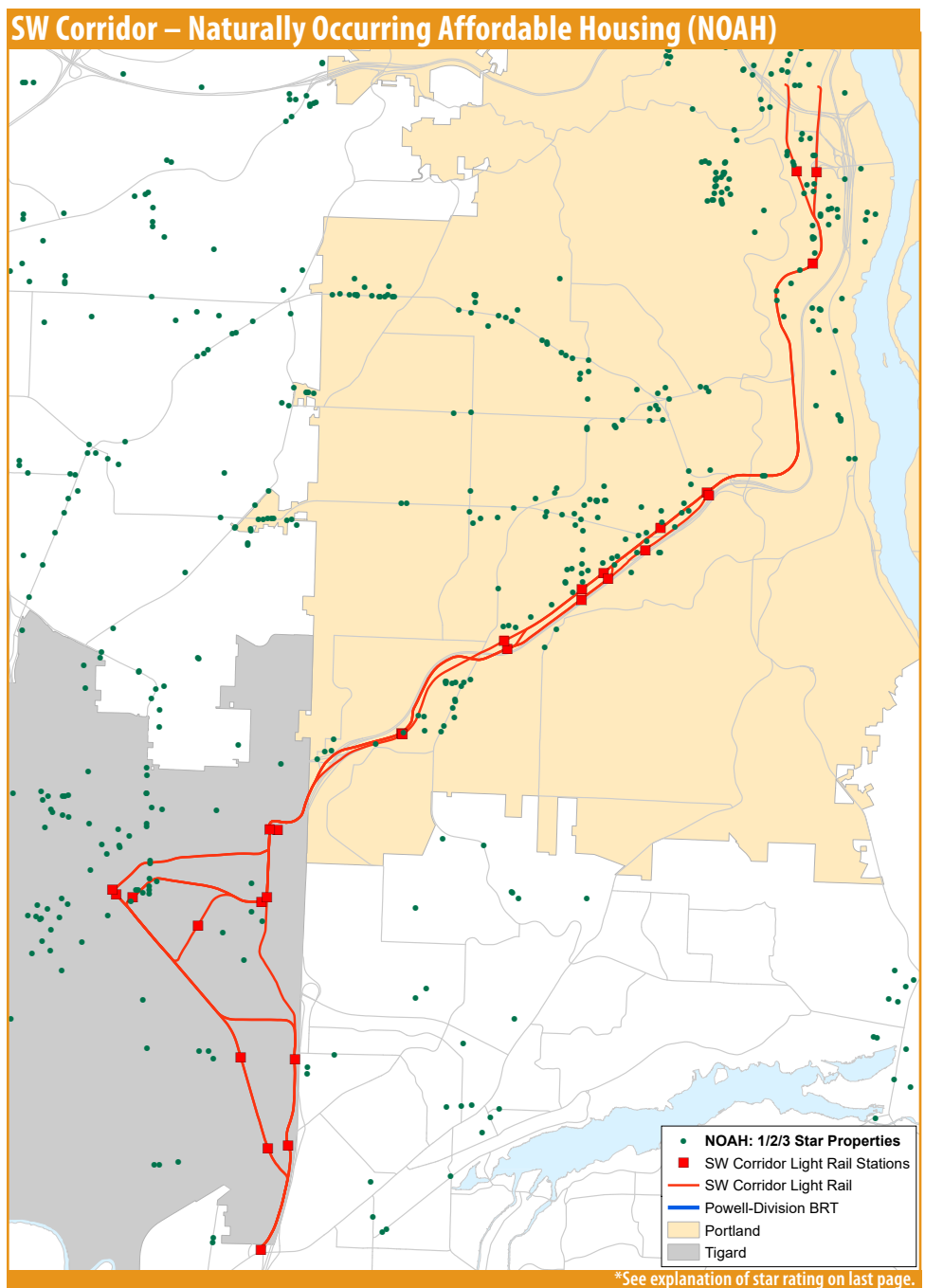
This report assesses the current inventory of lower cost, lower quality rental buildings in the region, focusing on the Southwest Corridor where new light rail is being planned to serve the many households in these buildings. The report focuses on market activity, tracking sales of multifamily rental properties over the past decade. Naturally occurring affordable housing is at risk for loss to upscaling; even buildings that are not renovated have increasing rents that may soon become out of reach for low- to moderate-income renters. Given the distribution of NOAH and where communities of color live, loss of this precarious housing will disproportionately affect people of color who rent.



This summary is from a report entitled
*Preserving Housing Choice and Opportunity:
A study of apartment building sales and
rents in the SW Corridor*

Loss of NOAH occurs especially in neighborhoods that are accessible and amenity-rich, and in contexts of gentrification. New transit service changes the accessibility of an area, making it more attractive for investment; supporting new development and often increasing property values¹. The existing literature suggests that new transit investments can create affordable housing problems for the very residents who depend most on transit: lower income households and people of color². Public investments — sometimes even just the announcement of a planned investment — increase the investment potential of a neighborhood³.

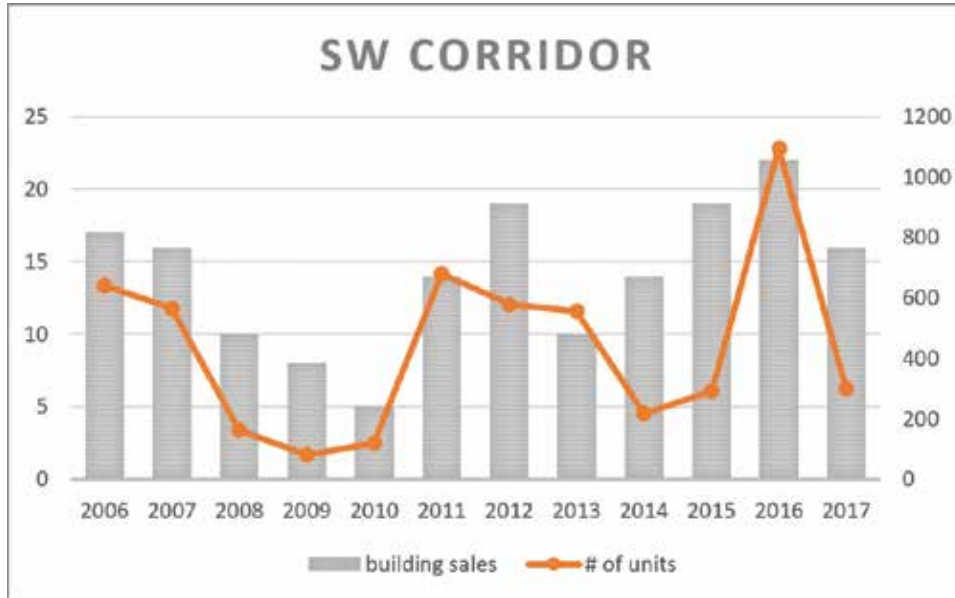
Best practice is to consider preserving units that are *market affordable* and unregulated as a challenge to be addressed in concert with public transit investments. Transit-oriented development that is equitable and inclusive provides opportunities for low- and moderate income households, renters, immigrants, and people of color who more often depend on transit service to access jobs, school, and services⁴. Preserving affordable housing can be more cost effective than new construction; it can prevent displacement of tenants already in place, and sustainably makes use of existing buildings. A number of effective funding tools are reviewed in this report including a local fund with a successful track record of preserving the long-term affordability of NOAH.



NOAH sales show precariousness of this rental housing at a regional scale

- **Active transactions of multifamily rental properties have been disproportionately NOAH.** There have been over 2,000 transactions of NOAH buildings in the Portland metro area from 2006 to 2017 — more than 68,000 units of housing. These sales are accelerating, with over 20 percent occurring in just the last 18 months.
- **Sales prices for multifamily rental properties have increased substantially, making preservation of affordable rents more challenging.** Regionally, the average sale price increased by 78 percent between 2010 and 2017; during this period there was a 43-percent increase in the average asking rent.
- **Multifamily housing properties in racially diverse and low-income neighborhoods have been a target for sales activities.** Nearly half of the rental units sold were in low-income tracts; and nearly 60 percent were in racially diverse tracts. Almost all of these sales were to two and three star NOAH type properties.

Number of rental housing properties and units sold per year in the SW Corridor from 2006 to 2017 as of August 2017



NOAH in the SW Corridor

- Approximately 11,400 units of naturally occurring affordable housing (NOAH) exist along the Southwest Corridor in 327 properties, home to renters with affordable rent. NOAH accounts for 93 percent of existing apartment buildings along the corridor. At the regionwide scale, these buildings represent over 9 percent of the market affordable rental units in the metro region.
- During the last five years, the corridor shows a split of very low- and very high-income renter households. After 2010, 81 percent of newly built multifamily housing units in the corridor were luxury apartments. Although 70 percent of units existing in the corridor are currently affordable to families with low to moderate income, the recent influx of high income renters and housing market investment made in the corridor suggests that upscaling of NOAH will become more attractive with the coming public investment in high speed transit.
- Recent apartment sales of NOAH type housing in SW corridor are increasing and rising in price per unit. The average sale price along the corridor skyrocketed significantly, with a 274-percent increase.
- When upscaling of NOAH happens along the corridor, the most vulnerable households will be low-income renters of color having large size family. Two-thirds of corridor NOAH sales are in low-income census tracts; nearly 40 percent are in racially diverse areas.
- If we consider NOAH as most susceptible to upscaling, there is the potential for over 11,000 rental units to be upgraded in the corridor. Over 4,000 of these units are located in large buildings of more than 100 units, with the potential to displace large numbers of renters with one building sale.



Sold 2006-17 Units Buildings		Star Rating and Description*	
0	0	★ Possibly functionally obsolete. May require significant renovation.	 
2,335	129	★★ Purely functional with little or no landscaping or exterior spaces.	 
1,792	31	★★★ Average aesthetics and finishes, with a few shared facilities and spaces; modest landscaping.	 
801	6	★★★★ Higher end finishes, representing recent trends and standards in design.	 
353	4	★★★★★ Luxury end of multi-family construction.	 
5,281	170	Total number of units and buildings sold in SW Corridor, 2006-17	

Source: CoStar Multi-Family Property Database

*The star rating system used by CoStar is a five-star scale that is based on the design and construction of buildings, dwelling units, site and property amenities.

Footnotes:

¹ Hook, Walter, Stephanie Lotshaw, and Annie Weinstock. 2013. "More Development for your Transit Dollar: An Analysis of 21 North American Transit Corridors." Report for the Institute for Transportation and Development Policy. Retrieved (4/14/15) from: https://www.itdp.org/wp-content/uploads/2013/11/More-Development-For-Your-Transit-Dollar_ITDP.pdf

² Dawkins, C., & Moeckel, R. (2016). "Transit-Induced Gentrification: Who Will Stay, and Who Will Go?" Housing Policy Debate, 1-18.

³ Golub, A., Guhathakurta, S., & Sollapuram, B. (2012). "Spatial and temporal capitalization effects of light rail in phoenix from conception, planning, and construction to operation." Journal of Planning Education and Research, 32(4), 415-429.

⁴ Pollack, Stephanie, Barry Bluestone, and Chase Billingham. 2010. Maintaining Diversity in America's Transit-Rich Neighborhoods: Tools for Equitable Neighborhood Change. Report of the Dukakis Center for Urban and Regional Policy, Northeastern University.





SW Corridor Equitable Housing Strategy

BRINGING MORE HOUSING CHOICES AND OPPORTUNITY TO SOUTHWEST PORTLAND AND TIGARD

“To ensure the SW Corridor is a place of opportunity for all, we need to bring public and private partners together to achieve our common goals around housing affordability and choice.”

—Mayor Ted Wheeler

Planning is underway for a light rail line in the SW corridor. This multibillion-dollar infrastructure investment will attract additional private and public investments, bringing more jobs and businesses, improved community services and housing options to the area.

The benefits of these once-in-a-lifetime improvements should be available to everybody.

With a grant from Metro, the cities of Portland and Tigard are developing a housing strategy that aligns public investments in transit with our values: inclusion, equal access to opportunity and diversity in our communities. A unified, strategic approach to housing for the entire corridor will leverage more housing investment dollars, ensuring that people — regardless of race, ethnicity, family status or disability — have a range of choices for where to live.

More housing choices and opportunity

As the SW Corridor continues to grow, thoughtful planning will support market rate residential development that meets the housing needs for some people — but not all. Without strategies to create and preserve housing that is affordable for people at all income levels, housing in the corridor will only be accessible to those who can afford to live there.

The SW Corridor Equitable Housing Strategy will help ensure that housing along the light rail line meets the needs of and is accessible to households of different sizes and incomes. This Equitable Housing Strategy will support the cities', and regional efforts to leverage a major public transit project with housing policies and investments.



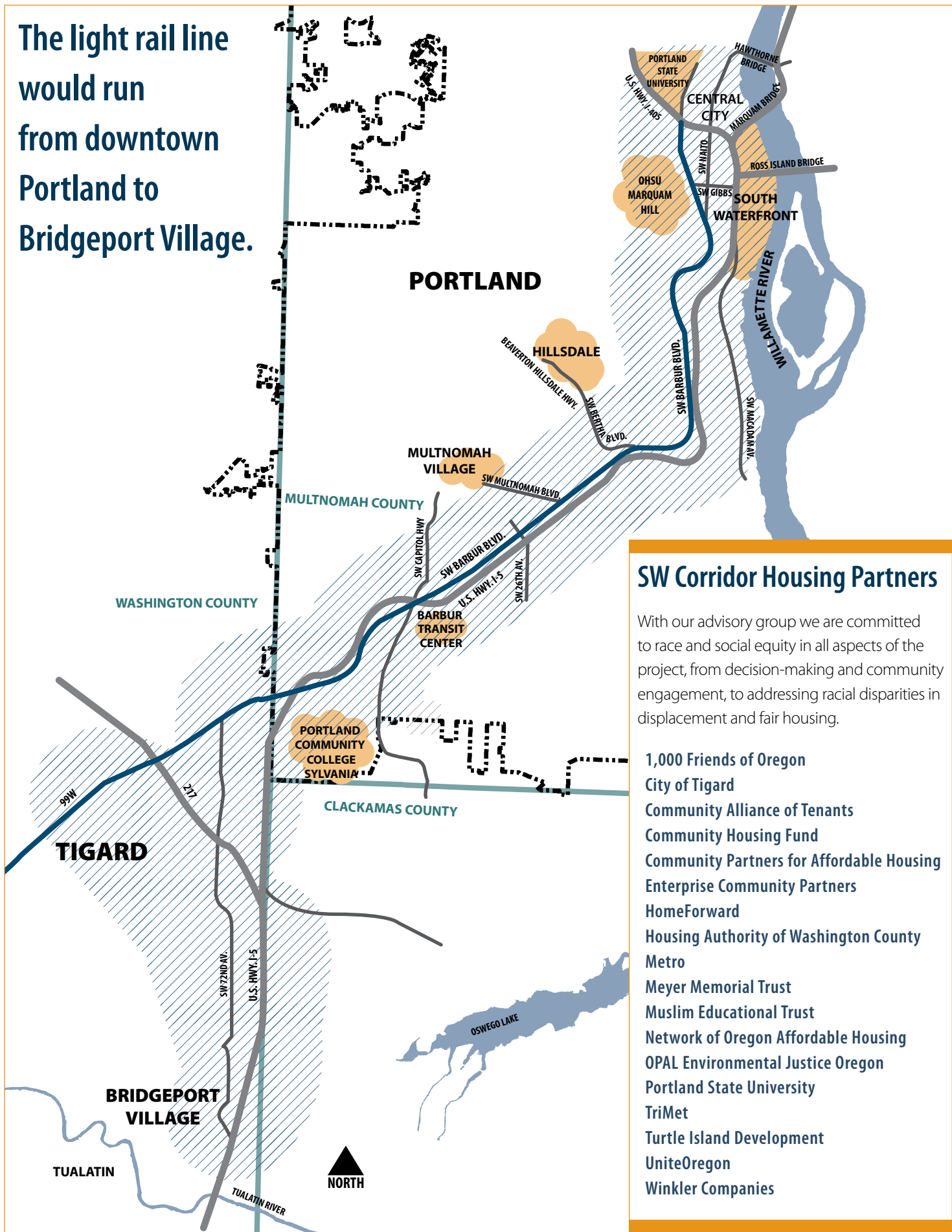
From vision to action

There will continue to be plenty of visioning about the future of the SW Corridor. Now we need to think about ways to ensure housing options are available to everyone. We have lessons from housing strategies along Interstate Avenue, in the N/NE Quadrant of the Central City, and examples from other cities to help us develop a meaningful and actionable strategy.

But how can we do that?

- **Anticipate the needs of vulnerable communities.** We want to better understand where households vulnerable to displacement live and how to meet their needs, especially low-income households and communities of color. Housing-focused nonprofit partners will ensure the project is informed by the lived experiences of low-income households and communities of color in the corridor.
- **Act strategically.** We want to expand the funding sources needed to both preserve existing affordable housing and build more. Planning to secure land early on allows us to get ahead of the anticipated rise in property values once light rail plans are finalized. Planning for market rate housing and commercial development near the future stations will also help provide the full range of housing options as well as goods and services to the area.
- **Engage partners and community.** The Equitable Housing Strategy is a joint effort between the cities of Portland and Tigard, in close coordination with Metro's SW Equitable Development Strategy. We've pulled together an advisory group from government, community, nonprofit, finance, philanthropy and development sectors (see next page). These valuable partners will provide leadership as recommendations are developed and vetted through an inclusive planning process that reflects the diverse voices in the corridor and region. Public open houses will also raise awareness about the project.

The light rail line would run from downtown Portland to Bridgeport Village.

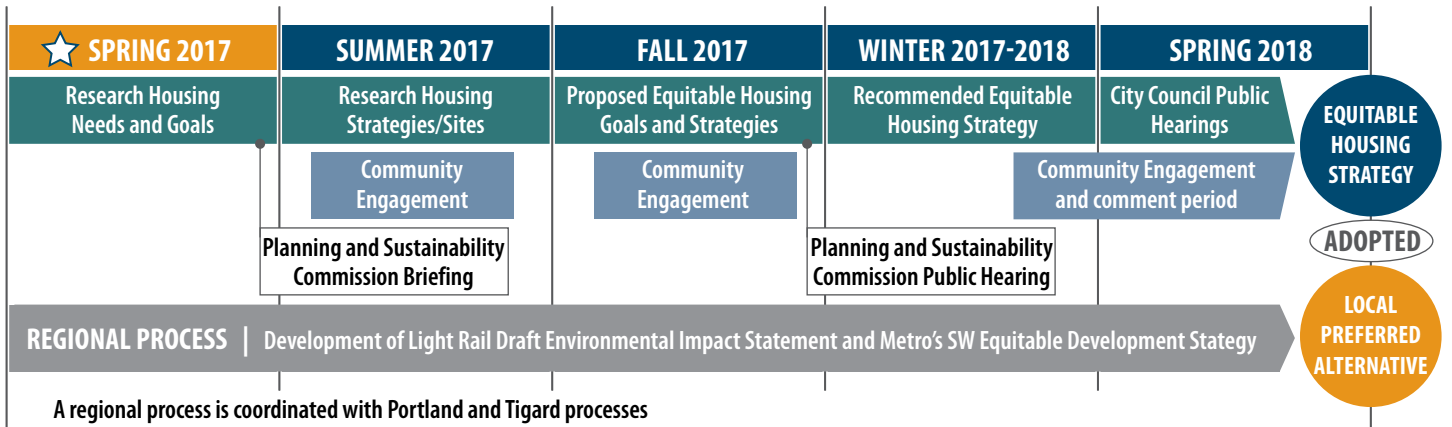


SW Corridor Housing Partners

With our advisory group we are committed to race and social equity in all aspects of the project, from decision-making and community engagement, to addressing racial disparities in displacement and fair housing.

- 1,000 Friends of Oregon
- City of Tigard
- Community Alliance of Tenants
- Community Housing Fund
- Community Partners for Affordable Housing
- Enterprise Community Partners
- HomeForward
- Housing Authority of Washington County
- Metro
- Meyer Memorial Trust
- Muslim Educational Trust
- Network of Oregon Affordable Housing
- OPAL Environmental Justice Oregon
- Portland State University
- TriMet
- Turtle Island Development
- UniteOregon
- Winkler Companies

The Equitable Housing Strategy will be adopted by cities when they vote on a locally preferred alternative (LPA) for the transit route through the corridor.



Project outcomes

At the end of this year-long process, the project team will deliver a set of actionable recommendations to the cities of Portland and Tigard:

- **Housing targets to guide action and track progress:** Long-term targets for the preservation and new construction of housing along the corridor.
- **Proposals for housing strategies:** Housing development and preservation tools, funding sources and supportive land use policies to meet the corridor’s housing targets.
- **Recommendations for the organizational structure(s):** Strategies to support community and housing organizations working together to champion and implement the Equitable Housing Strategy.
- **Prioritize early opportunity sites:** A number of sites identified for the cities and their partners to acquire and develop or preserve.



For more information

Visit the project website: www.portlandoregon.gov/bps/equitablehousing

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