

FINAL DRAFT

**IMPLEMENTATION STRATEGIES
RELATIVE TO THE
CENTRAL CITY NO NET LOSS POLICY**

September 25, 2001

At the request of Commissioner Sten, staff from the Bureau of Housing and Community Development, Planning Bureau, Portland Development Commission and Housing Authority of Portland have been meeting over the past two months to discuss implementation of the Central City No Net Loss Policy. Participants have included:

Trell Anderson	Margaret Bax
Ross Cornelius	Graham Clark
Bob Durston	Leah Halstead
Beth Kaye	Martha McLennan
Tonya Parker	Rich Rodgers
Mike Saba	Barbara Sack
Victor Smeltz	Margaret Van Vliet
John Warner	

I. Background

On August 29, 2001 City Council adopted Resolution No. 36021 calling for a No Net Loss policy for affordable housing in the Central City. This Resolution stated the Council's intention to seek financial resources and/or regulatory tools adequate for the creation, preservation and rehabilitation of affordable housing in the Central City. In light of this policy direction, City Council asked that staff report back on the current resources and tools, and the potential for development of additional resources and tools to support the Central City No Net Loss policy.

During the past 30 years we have seen a trend of the loss of affordable housing in the Central City.¹ Through a series of studies and reports on sub-districts of the Central City, we have documented a significant net loss of housing affordable to households with income of 60% of the area median income and below.² These

¹ The Central City includes the following sub-districts: River District, Downtown, Lloyd District, Central Eastside, Goose Hollow, N. Macadam, and Lower Albina.

² There is no single report that captures the dimension of the loss for the entire Central City. Furthermore, the available reports on Central City sub-districts use a variety of affordability standards, ranging from 40% of Area Median Income and below to 80% of Area Median Income and below. Current City policy is that housing affordable to low-income households is that which

losses are occurring through a variety of scenarios including gradual rent increases paced at changes in the market place, demolition, condominium conversions, opting out of project-based Section 8 contracts, building closures and conversion to commercial uses. While new construction has offset some of these losses, the net loss remains. For example, NW Pilot Project has documented that, since 1978, the inventory of housing units in Downtown affordable to households with incomes of 40% AMI and below has declined by 26% despite the additions made to the affordable housing inventory.

This trend toward the loss of affordable housing in the Central City is expected to continue as sustained market pressures put a premium value on Central City real estate. As the development market improves and rehabilitation/new construction proceed, gentrification creates new pressures on existing affordable housing.

There are a variety of public *policy* actions and public *program* actions that promote the preservation of affordable housing in the Central City. These include planning and zoning actions such as:

- Portland's *Comprehensive Plan*, which includes the City's housing policy and incorporates by reference the more geographically-specific Downtown, Central City, and Downtown Community Association housing policies adopted within the plans.
- The *Downtown Housing Policy and Program* adopted in 1979 set a specific unit preservation goal (" . . . assure that the 5,183 low-income units which existed in April 1978, be maintained in the Downtown.").
- The Planning Commission's *West End Recommendation* of May 2001. The West End merits separate mention because it contains a significant portion of the Central City's affordable housing supply and about one-third of its residentially zoned land. This recommendation includes a policy that the supply of 2,700 housing units affordable to low and moderate income households in the West End be preserved.

The preservation of old, and construction of new, housing has been a central topic within the West End planning process. The district provides a significant portion of Central City affordable housing, and several proposed regulatory and capital investment actions are likely to improve the development market. As the market improves, and rehabilitation and new construction proceed, gentrification creates new pressures on existing affordable housing.

Council has previously addressed the issue of expiring project-based Section 8 properties by adopting the Housing Preservation ordinance, now being implemented by PDC and BHCD. Council has also linked receipt of public funding for development or rehabilitation of affordable housing to securing a 60-year commitment to retain affordability. Under this 60-year affordability policy, the affordability of the units must be preserved for at least 60 years or, if the life span of the building is not expected to last 60 years, the City will acquire the building/site to be used for future affordable housing

is affordable to households at 60% of area median income and below. "Affordable" means that the household will spend not more than 33% of its gross income on rent and utilities.

PDC's programmatic actions within the urban renewal districts located in the Central City also affect affordable housing. There is a direct impact from expenditures of TIF resources, and funds leveraged by those resources, on affordable housing development. There is also an indirect impact, from the investment of TIF and private resources to alter the character of a district and enhance its ability to generate increment. This can increase the pressure on existing affordable housing. The Downtown Target Area Housing Implementation Strategy, due to be considered by Council in the coming weeks, highlights this dynamic tension.

To carry out the Central City No Net Loss policy, these policies and program efforts must be coordinated into a strategy that can achieve the minimum goal of preserving or replacing currently affordable units. A well-thought-out strategy will go beyond preservation to help us progress towards the goal of *increasing* the stock of affordable housing in the Central City to meet the need for these units.

This report attempts to summarize these policy and program efforts; assess the progress we are making toward the No Net Loss goal; describe how we are using existing tools and resources; and discuss new efforts and tools that can be brought to bear to accomplish the No Net Loss policy.

Defining Success

A successful preservation strategy will result in no [further] net loss of affordable housing units in the Central City area. The goal will be to cost effectively gain control of affordable housing assets, and stabilize market value of residential real estate (avoiding commercial reuse value speculation) to facilitate the acquisition/development of additional affordable housing assets. While Northwest Pilot Project has been tracking the loss of affordable housing units in the Downtown area, the City will now need to expand tracking efforts to include the entire Central City area.

A successful preservation intervention at an individual project level will be a clearly defined track toward stabilizing rents and achieving housing quality standards in a specific building in accordance with the City's 60-year affordability policy.

Success of a strategy and success at the project level will be the result of a combination of real estate market conditions, financial resources and regulatory tools working in concert that are designed to support each other.

II. Quantifying the Issue

The Central City No Net Loss is an intentional effort to capture a specific housing market.

- PDC staff estimates that over 8,000 units³ are currently affordable to households at or below 60% MFI in the entire Central City area.
- Over half of these units (4,750 units) are located in the Downtown south of Burnside.
- The West End area alone has 2,650 units affordable to households 0-60% MFI.
- The River District has over 1,500 units (predominately located in the Old Town/Chinatown area) affordable to households 0-60% MFI. Most of these units are in public or non-profit ownership.

As assigned in the Central City No Net Loss resolution recently passed by City Council, City/PDC staff will work over the next two to three months to specifically inventory all housing in the Central City and assess the affordability of existing units. This inventory will establish a detailed baseline by which preservation activity can be measured.

Units “at risk” are defined as:

- 1) Privately-owned units that are not subject to requirements that ensure rents will remain affordable to low-income households; and
- 2) Expiring Section 8 units that are not owned by a public or non-profit housing provider; and
- 3) Older non-profit/publicly-owned units that will have rehabilitation needs in the next 10 years (individual properties have not been assessed for rehab needs or costs).

A break down of at-risk units by geographic area follows:

Geographic Area	Privately-Owned Unrestricted <60% MFI	Privately-Owned Expiring Sec 8	Total Units between 0-60% MFI
West End	700 units	456	2,650
Downtown S. of Burnside	Over 900 units	654	4,750*
River District	n/a	n/a	Over 1,500
Central City (estimates)	2,500 units	705	8000-8,200

*West End is a sub-set of Downtown, which is a subset of the Central City

Available Resources & Tools

No single resource or tool will be adequate to address the preservation and replacement of low-income housing in the Central City area. A variety of resources currently contribute to meeting affordable housing goals in the Central City. They include:

³ This is based on recent inventories of River District, Downtown, Lloyd and North Macadam and 1996 inventories of housing in the Central Eastside and Goose Hollow and Lower Albina.

Urban renewal resources: Tax increment resources available for housing in the Central City include funds from the Downtown Waterfront URA, River District URA, Oregon Convention Center URA, Central Eastside URA, and North Macadam URA. A Housing Implementation Strategy (including production targets by affordability levels) exists or are being developed for each of these districts, except the Central Eastside URA.

The Downtown Target Area Housing Implementation Strategy (DTAHIS) has been adopted by PDC and is currently being reviewed by City Council in the coming weeks. Resources identified in the Downtown Housing Implementation Strategy are the remaining funds from the South Park Blocks and Downtown Waterfront URA that have not already been planned or encumbered for existing housing projects. South Park Blocks URA, which encompasses the West End, has approximately \$10.5 million dollars remaining for all housing expenditures. Downtown Waterfront URA south of Burnside has approximately \$13.2 million available for housing. During the life of these districts, over 90% of housing resources have been invested in housing below 60% MFI (an estimated \$26 million of direct financial assistance expended between 1985 and 2000).

In the current PDC Five-Year Business Plan (2001-2006) a total of \$30 million of tax increments funds are planned for housing development in the remaining Central City Urban renewal areas:

Lloyd District (OCC)	\$5 million
River District	\$24 million
Central Eastside	\$500,000
North Macadam	\$300,000

Preservation Line of Credit: The City of Portland Preservation Line of Credit provides temporary financing for the purchase of affordable housing. The Line of Credit must eventually be taken out by another source, but provides the interim funding that enables the city to respond to opportunities as they arise. See discussion below under Resource Development regarding the need to expand this Line of Credit.

Federal Funds: The City's annual allocation of federal CDBG and HOME funds is typically made available through a city-wide RFP process. Most CDBG and HOME funds are dedicated to projects outside of urban renewal areas to address affordable housing needs throughout the city's neighborhoods.

Condemnation: The City has the option of using the condemnation authority under State statute to acquire properties for affordable housing. This authority is explicitly referenced in the Affordable Housing Preservation section of the City Code 30.01 with respect to expiring

Section 8 properties. The City has not typically used condemnation powers to preserve affordable housing.

Property Tax Abatements: A variety of property tax abatement programs contribute to affordable housing goals. These include the Rental Rehab (City Code 3.102), Transit Oriented Development (City Code 3.103), New Multi-Family (City Code 3.104), and Non-Profit (City Code 3.101) tax abatement programs. These tools have been used frequently in the development of affordable housing in the Central City.

A new Preservation Tax Abatement program is now authorized by State law. See discussion below under Resource Development.

Cost of No Net Loss

The amount of subsidy required far exceeds the immediately available resources. Assuming full leverage of other public and private dollars, PDC's gross estimation is that it takes an average of \$20,000 of city subsidy required to preserve a low-income housing unit and \$30,000 to replace a low-income housing unit. (Leverage is defined as fully utilizing all available state, federal, HAP and private resources, including bonds and tax credits.)

Access to the leveraged resources and creating a project that is a "fit" with compliance requirements under these programs is often challenging. In instances when tax credits are not available to a project, unit subsidy amounts can be as high as \$90,000 per unit for extremely low-income housing such as the replacement of the Danmoore Hotel.

PDC has roughly estimated the size of the "gap" necessary to address housing issues in the Central City and area sub-markets. This rough estimate includes city subsidy required to 1) preserve and replace all of the unrestricted low-income housing, 2) preserve all expiring Section 8 housing through acquisition, 3) provide necessary rehab to older subsidized buildings in order to keep them functionally habitable, and 4) promote a modest mix-income production agenda.

The following funding subsidy would be needed in each of the various sub-markets areas:

West End	\$25-30 million
Downtown Area	\$40-50 million
Central City	\$90-100 million*

*The Central City number is cumulative and includes the amounts for the smaller sub-areas.

These subsidy amounts are in present day dollars and assume the highest degree of leverage of other public and private financing (tax credits, bonds, and other public and private financing available for low-income housing).

When looking at current PDC tax increment resources dedicated to housing, there is a vast gap between the funds available and the overall need. PDC's resources also come with geographic limitations that require that funds must be spent in the district in which they were collected.

III. Resource Development

Regional Affordable Housing Fund

For several years a Regional Affordable Housing Fund has been seen as a key ingredient to meet the housing needs in Portland and the region. As proposed, it would provide up to \$50 million per year throughout the region. Proponents were unable to overcome the first hurdle, a statewide ban on real estate transfer taxes, in the last legislative session. A concerted organizing and advocacy effort is forming to take the issue back to the 2003 Legislature. Earliest funding would probably be in 2004.

New TIF District

Existing increment districts, which include much of the older housing stock in downtown, have limited resources. Downtown Waterfront will no longer be able to issue bonds after 2004, and South Park Blocks, although not expiring until 2008, has reached its capacity to issue additional debt.

Consideration of a new urban renewal area downtown to address revitalization issues, including affordable housing preservation and replacement, would depend on many issues, including but not limited to:

- The determination of blight within the contemplated geography as required by urban renewal statute; and
- The obligation to service existing urban renewal bond debt for any geography currently covered by an existing district (some portion may continue for 20+ years); and
- The potential for generating new increment to service new debt; and
- Public and City Council support for the establishment of a new downtown URA.

Estimating revenue potential of a new district is highly speculative, and depends on the boundaries of the district and the mix of projects. In any event, it is clear that substantial resources would not be generated in the early years.

Project-Based Section 8

The Housing Authority of Portland is actively exploring the conversion of some of its tenant-based Section 8 vouchers to *project-based*. In project-basing, vouchers are assigned to a particular building or portion of a building. The owner receives fair market rent for the units, while the tenants pay just 30% of their income. Property owners can realize a “market” income stream while housing extremely low-income tenants. Project-based subsidies allow buildings that serve very poor residents to attract capital.

HAP is developing a pilot program to test project-basing and hopes to have the pilot operational early in 2002. Plans call eventually for HAP to convert between 10% and 20% of its total voucher pool, making a total of 650 -1300 vouchers available for project-basing.

Preservation Line of Credit

In June 2000 Council approved a Preservation Line of Credit in the amount of \$10.5 million. This tool provides a short-term resource to quickly acquire at-risk properties. It has been used successfully with three expiring Sec 8 properties and one affordable open market property. The tool provides temporary funds that need to be repaid when the permanent financing package, including gap financing, is assembled. Approximately \$1 million remains in the fund. An expanded line would be a valuable tool to further the preservation agenda.

Preservation Property Tax Abatement

The 1999 Legislature approved a new tax abatement program to support affordable housing preservation (HB 3211). The program allows a local jurisdiction to abate property taxes for up to 10 years when an owner is willing to commit to retaining affordability. Because of administrative challenges, the City has not yet adopted this program. A functioning preservation tax abatement programs would contribute to the No Net Loss goals.

New Ideas for Leverage

The City has used contingent loans, loan guarantees and other credit enhancements to improve the access to, and cost of, leveraged resources. These tools have been applied to individual transactions and relationships. Additional work could be done to structure these tools in support of the preservation objectives.

IV. Regulatory Tool Development

If funding subsidy were the only track taken to achieve a no net loss of affordable housing in the Central City area, the goal would be beyond our present capacity to attain. Regulatory tools must be used in conjunction with subsidy to reach the Central City No Net Loss goal. Regulatory tools can influence the marketplace and the decisions of individual property owners. They can affect project feasibility and design. They can provide protections for individual low-income households, and, in modest ways, generate resources for more affordable housing preservation.

City Council West End zoning decisions will have significant impact on the City's ability to achieve the No Net Loss goal. As illustrated in the July 17, 2001 memorandum to Council from Planning Bureau staff Barbara Sack and Graham Clark, affordable housing has been lost at twice the rate under a CX zoning designation than under the RX designation, and new affordable housing has been developed at twice the rate in residential zones.

Furthermore, zoning can be expected to have a significant impact on the market. This will influence the cost of preservation by direct acquisition and the cost of parcels on which the City could develop replacement housing.

There are a number of regulatory tools that could provide a backstop to a preservation agenda. A summary of existing tools and potential new tools is provided below:

Existing Zoning Requirements

- The existing residential (RX, RH, R1) zoning designations call for various amounts and configurations of housing. (Note: The conversion of existing housing to commercial uses such as commercial hotels or office is generally not allowed in RX or other residential zones.)
- A required housing overlay is mapped on Central City plan district maps where housing is required in non-residential zones.

Existing Zoning Incentives

- Existing residential floor area (FAR) bonus for including housing in a project in a non-residential zone.
- Transfer of development rights (TDR) option for unused floor area for SROs.

New Zoning Incentives in the Planning Commission's West End Recommendation

- Floor Area (FAR) Bonuses for contributing to an affordable housing fund and for providing at least 30% of the units in a project affordable to those making under 150% of median family income (MFI).

- New Transfer of Development Rights (TDRs) options (including sale) for owners of existing residential buildings to sell their unused FAR rights and their unused commercial development rights.
- Increased FAR Cap allows developers to earn additional FAR up to 12:1 through FAR bonuses and TDRs.

The zoning code and map are important tools in addressing gentrification pressures, especially when employed in concert with other strategies. The current Central Residential zone requires housing, and the Planning Commission proposed additional flexibility for new development within this zone.⁴ Conversion of existing housing to non-residential uses is prohibited under this regulatory structure. Regulations that control the use type on properties, especially the one that requires housing as a component of new development, work to limit (but not eliminate) pressure on affordable housing. Conversely, increases in the development envelope, such as FAR increases or bonuses, create more development potential, and are likely to increase gentrification pressure.

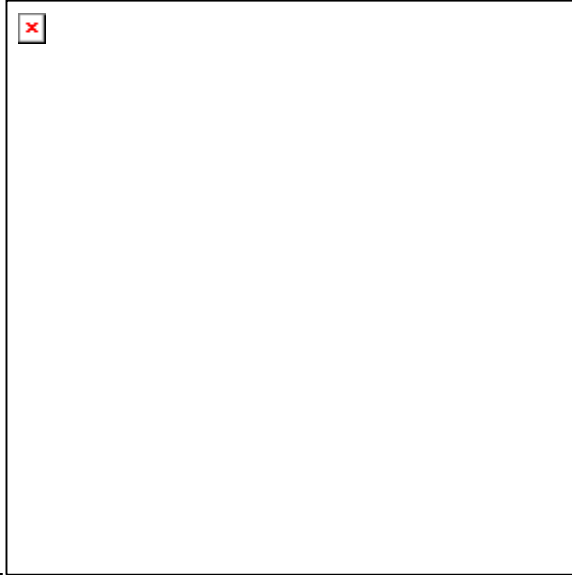
Linkage Fees

Linkage fees require new commercial developments to contribute fees to the development of affordable housing. Collected fees are then dedicated to the replacement of lost affordable housing. The Association for Portland Progress West End Recommendation includes a modest linkage fee. Housing advocates have endorsed the concept of a linkage fee, and have indicated that the amount would need to be increased to provide a material resource contribution.

Inclusionary Zoning

Land use regulation mandating a percentage (usually 15-20%) of the housing units in any project above a given size be affordable to people of low and moderate incomes. The developer can build the housing or contribute to a fund to develop it elsewhere. This tool has particular relevance in gentrifying communities, where high-income and luxury apartment developments can quickly overrun the existing low- and moderate-income housing

⁴ The City Attorney's office has informed staff that a strategy where a relatively restrictive zone is augmented with new flexibility, presents far less legal risk than a change to a more flexible base zone overlaid with new restrictions.



stock. Inclusionary zoning is currently prohibited by State law.

Enhanced Condo Conversion Ordinance

Adopted in 1978, the City's current version of a condo conversion ordinance provides tenant notice and right of first refusal for existing tenants. The ordinance was never codified, leaving the city to rely on State statute and enforcement by the State. An enhanced condo conversion ordinance could serve to deter conversions, limiting the pace of conversions in a hot market place, and dampening their influence on increasing rental and housing costs.

Replacement Housing Unit Requirements

Replacement requirements can call for the replacement of affordable rental housing lost to demolition or conversion, particularly in redevelopment efforts. Replacement requirements are often tied to linkage fees and are imposed on development that results directly in the loss of existing low-income housing.

Commercial Conversion Controls

Limits the conversion of residential units to commercial purposes to avert increased pressures on limited housing stock. This tool is particularly important in regions where live-work provisions have allowed conversion of housing and light industrial to office space, and greatly reduced the number of people that can live in a gentrifying neighborhood.

Just Cause Eviction Controls

These laws give special protections to the elderly, disabled and catastrophically ill, and ensure that landlords can only evict with proper cause, such as failure to pay rent or property destruction. They protect renters against being evicted by landlords who want to capitalize on the escalating rental market.

Rent Controls/Rent Stabilization Measures

A range of legal and programmatic protections for renters to slow the pace of rent increases in markets with rapidly escalating rental prices. The effectiveness and implications of rent control/rent stabilization has been heavily debated for as long as such ordinances have existed. Rent control is currently prohibited in Oregon.

V. Program Development & Implementation

PDC is already engaged in implementing affordable housing preservation goals which have typically been included in the housing implementation strategies of the various urban renewal districts and espoused by a variety of existing City policy. The adoption of the No Net Loss policy will focus and re-double existing efforts.

PDC's current practices include actively pursuing opportunities to purchase buildings when they become available, actively engaging with existing owners to ascertain their intent and plans for their property, negotiating where possible to maintain the existing affordability levels, and working with owners to sell to the City in the future if they are not prepared to do so now.

There are 22 residential buildings in the West End and over 25 in the Downtown target area containing units with rents currently serving tenants with incomes below 60% with no rent restrictions. Once the inventory of the Central City is complete, additional buildings requiring preservation attention will be identified.

Given the pace of past effort and currently available resources and tools, negotiating successful preservation outcomes on 2-4 buildings per year is ambitious but reasonable.

Other on-going activities include exploring and pursuing site opportunities for new housing development, including replacement housing; acquiring older mixed income buildings in concert with new production redevelopment efforts; and establishing and building continuing relationships with property owners.

Qualitative Goals for Preservation

Affordable housing in the Central City meets the needs of a wide range of people. Some housing provides for independent living, while other units come with a range of supports and services; housing that is close to churches and grocery stores may meet needs of some households. As housing is preserved or replaced, the particular characteristics should mirror or enhance the choices of the existing portfolio. The following is a list of some, but not all, of the issues that should be considered.

Preservation or replacement units should:

- match the affordability level of the existing housing.
- be located in, or near, the sub-market where units were lost. Both land and resource availability may limit the ability to accomplish this goal, but it should be considered nevertheless.
- have close proximity to mass transit and services.
- be tailored to the needs of the population currently being served by the housing and provide appropriate open market or service-enriched housing.
- match the bedroom size of the units lost (with the exception of SRO units, which should generally be replaced with studio units).

There are a number of units in the Central City that provide weekly rentals. These units are particularly important for low-income newcomers, and may provide an adjunct to the shelter system. The City has not previously been involved in this kind of project, but should explore how weekly rentals fit in the continuum of affordable housing.

The Central City's inventory of affordable housing includes some privately owned housing that does not meet local quality standards. This sub-par housing currently serves tenants screened out of other housing because of criminal records, credit or eviction problems, or other characteristics. The City should explore an increased investment in programs, such as Fresh Start, to remove barriers and improve access to quality housing by these tenants.

Program Tools for Preservation

Mixed Income Developments

Development of new mixed income rental housing that adds new mid-market units while replacing lost affordable rental units is one viable model. Housing developments with views and amenities can use revenues from high-rent units to "cross-subsidize" lower income units. Such mixed-income project will still require some city subsidized loans and assistance. Given existing housing development economics, rental projects of this nature will tend to produce larger scale, more economically efficient projects if large enough sites can be assembled.

City Lights

The City Lights housing bond program can bring lower cost bond debt to a housing development project. This tool can probably be used independently to acquire or develop housing in the 60%-80%+ affordability range. Additional City subsidy will be required to achieve deeper affordability or do projects in higher cost development areas like downtown and West End.

Tax Credits

The use of State allocated 9% tax credits was a major source of funding during the Downtown Housing Preservation Program work of the early 1990's. This source has been over-subscribed and Portland projects must typically wait in line for a year or more. While there is expanded capacity through increased state allocations, the use of this scarce resource in the Central City should be explored with an eye to city-wide affordable housing financing needs.

PPT/HAP Acquisitions

HAP has been engaged in a new initiative with private sector real estate professionals to acquire properties for preservation using private market acquisitions methods, along with HAP's tax exempt financing and property tax exemption tools. This effort, known as the Portland Affordable Housing Preservation Trust ("PPT") has not yet successfully preserved properties. The PPT participants are exploring options to change the original model and remain committed to leveraging private sector interests and business methods to achieve the mission of preservation.

Independent of this effort, HAP is seeking opportunities to acquire buildings, as it has in the past, using its tax-exempt bond issuing capacity as the only "subsidy." Generally buildings that can be financed with this tool along (without other gap financing) are those that serve households earning approximately 60% of area median income. Such acquisitions do not provide an immediate refuge for the extremely low income populations whose rents may be jeopardized in the marketplace. Rather, this strategy provides long-term stability and certainty for working poor populations. With additional capital subsidy, or project-basing some of the Section 8 vouchers, some of the units in these buildings could be "brought down" to reach greater levels of affordability.

Community Land Trust Model

As demonstrated at the Rosemont site in North Portland, the City can dispose of property using a land trust ownership structure. This structure provides affordability in perpetuity.

Short-Term Preservation/Variable Period of Affordability

Current preservation efforts have been pursued in the context of achieving a long-term period of affordability consistent with the adopted City policy of tying subsidy to a commitment to retain affordability for a period of 60 years (City Code 30.01.090). Recently, Staff have been discussing the pros and cons of looking for shorter terms of affordability as a transition to long-term affordability. This type of strategy may respond to situations including:

- An owner who is unwilling to sell, but may be willing to agree to a 5-15 year period of affordability along with a right of first refusal.

- A building where the expected life cycle is less than 60 years, and the re-development of the particular site may not be suitable for affordable housing.
- An effort to modify the escalating market by influencing a large number of properties until additional preservation resources (necessary for full acquisition/rehabilitation with 60 year terms) can be generated.

Fundamental to this discussion is the question of whether it makes more sense to acquire a few properties with long term commitments, or a larger number of properties with shorter term commitments. In order to explore this further a number of issues should be addressed:

- How would we establish parameters for investment to insure that short term or transitional periods of affordability are cost effective?
- The development of transition strategies and an evaluation of projections for additional future resources necessary to convert “transition” properties to full periods of affordability in the future.
- The real estate marketplace in the Central City has been affected by the widespread belief that many currently residential areas will be opened for commercial development, with a concomitant increase in property values. Can the City influence these market expectations by working with property owners to ensure that a significant number of properties remain dedicated to residential uses in the near term?
- A discussion of what tools and techniques need to be developed (e.g. use of leases, pre-paid purchase options, right of first refusals, establishing standards of habitability for “end of life cycle” properties, etc.).
- The development of a strategy that carefully times future expirations to match anticipated future resources. (For example: We know that a number of Section 8 units are scheduled to expire during the period of 2007- 2013. We should be careful not overburden the future resources by adding too many transition property expirations at the same time.)

An amendment to the City Code will probably be necessary to develop a short-term preservation strategy. Housing advocates who were involved with the adoption of the existing 60-year policy will want to be involved a discussion of modifying the policy.

VI. Conclusions & Recommendations

Achieving the goal of preserving or replacing all existing affordable housing in the Central City will be a big challenge. The resource gap will not be completely closed unless and until there is a funded regional affordable housing trust fund. While the City has a variety of regulatory and programmatic tools in place, more are needed. Several of these may be controversial, and the City will probably want to receive public input prior to their adoption. Regulatory changes must be

adopted in a manner consistent with Measure 7 and other legal requirements. Furthermore, the regulatory and programmatic approaches must be coordinated into a strategy that can address the many factors that contribute to the loss of affordable housing. The more tools, both regulatory and programmatic, the more effective the preservation effort will be. There will be a need for continued cooperation between the City's agencies, and among all the players in the Central City real estate marketplace.

Recommendations

Resources

- Support the effort to establish a Regional Affordable Housing Fund. The one thing that will, by itself, fundamentally advance the successful implementation of the Central City No Net Loss policy is the availability of substantial resources. [Lead role: Commissioner Sten. Time frame: ongoing.]
- Explore the possibility of a new TIF district as the South Parks and Downtown Waterfront districts come to a close. While this will not generate substantial resources, it may—especially over the long term—contribute to preservation efforts. Work should begin to explore possible configurations and resource estimates. [Lead role: PDC. Time frame: 180 days.]
- Expand the Preservation Line of Credit to provide a quick resource to secure properties at risk in the market. [Lead roles: OMF, BHCD, PDC. Time frame: 60 days.]
- Explore the development of a Preservation Tax Abatement as allowed by State statute. [Lead roles: BOP, BHCD, PDC. Time frame: 60 days.]
- Advocate for the Housing Authority to implement a Project-Based Section 8 Pilot Program which supports the Central City preservation goals. [Lead role: HAP. Time frame: 90 days.]

Regulatory Tools

- In adopting the West End Plan, carefully consider the impact of zoning and regulatory structures on the Central City No Net Loss Policy. [Council.]
- Consider the adoption of additional regulatory tools, either in conjunction with the West End Plan, or separately. Regulatory tools may include new zoning incentives, linkage fees, inclusionary zoning, an enhanced condo conversion ordinance,

replacement housing unit requirements, commercial conversion controls, just cause eviction controls, and rent controls/rent stabilization provisions. [Lead roles: BHCD, BOP, HCDC. Time frame: 120 days.]

Program Implementation

- Continue concerted efforts to acquire and preserve existing affordable housing, and to obtain sites for replacement housing; report periodically to Council on accomplishments. [Lead roles: PDC, BHCD, HCDC. Time frame: ongoing.]
- Explore the concept of variable periods of affordability as a transition strategy to long term affordability; engage interested parties and advocates in a consensus-building discussion before making final recommendations. [Lead roles: PDC, BHCD, HCDC. Time frame: 120 days.]