

City Council Issue Summary

Subject: 2023 Middle-Income Housing Pilot Program Fund Recommendations

Staff Member, Department: Kerry Bell, Housing

Meeting Date: 10/4/2023


Action(s) Required:

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| <input type="checkbox"/> Consent Agenda | <input type="checkbox"/> Ordinance First Reading | <input type="checkbox"/> Public Hearing |
| <input type="checkbox"/> Information/Direction | <input type="checkbox"/> Ordinance Second Reading | <input type="checkbox"/> Resolution |
| <input checked="" type="checkbox"/> Motion | | |

Recommended Motion:

I move to approve the 2023 Middle-Income Pilot Program funding award recommendations and authorize staff to take all actions necessary to implement these awards without further approval from Council.

Issue / Council Decision & Discussion Points:

- The City of Bend explored the option to fund production and/or preservation of middle-income housing units and on May 17, 2023, the Bend City Council adopted Resolution No. 3325 to approve a Middle-Income Housing Pilot Program (Pilot Program). The Pilot Program included a process to award \$500,000.00 in grants towards the development and/or preservation of housing for households with income ranges from above 60% Area Median Income (AMI) to 120% AMI.
 - Pursuant to the adopted process, the Council-appointed Affordable Housing Advisory Committee (AHAC) carefully reviewed four proposals and heard them presented. One of the five applicants withdrew their proposal before the AHAC presentations.
 - AHAC made award recommendations after scoring and deliberating the applications per the evaluation criteria outlined in the Pilot Program. In total, the four applications requested \$1,068,312 in funding and the committee determined to recommend three applications
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with the funding available. AHAC committee members motioned and voted 6 to 3 to fund the projects as listed below.

- City Council is asked to approve the following three projects, as recommended by AHAC for funding:
 - Habitat-Hiatus Partnership on Wilson (\$75,000): provides a plan set designed for accessibility to persons with disabilities, pays for system development charges (SDCs) and provides downpayment assistance for a single unit on the lot at the corner of Wilson and 15th.
 - Hayden Homes Woodside Court (\$225,000): develop sewer infrastructure for Hayden Homes Woodside Court development providing 20 shovel-ready lots deed restricted for initial home purchase at 80% AMI.
 - NeighborImpact Down Payment Assistance (DPA) \$200,000: used as capital funds to provide up to five DPA loans in the amount up to \$40,000 per loan to first-time homebuyers with qualifying income 80% - 120% AMI.

- These fund allocations support the City Council’s 2023-2025 Goal of Affordable Housing and Sustainable Development.

Background:

On August 18, 2021, the Bend City Council adopted a supplemental budget allocating \$500,000 to support middle-income housing. Bend community members experience intense and increasing pressure to find affordable housing within the community where they work because of the exponentially rising home prices and rental rates. The market fails to meet the need for middle-income housing solutions and assistance.

With there being no other federal or state funding sources or incentives for housing affordable to the middle-income household of 80%-120% AMI, many community members and households within that income range are still unable to afford housing in Bend. Due to high cost of the market rate housing within the City of Bend, traditional affordable housing no longer bridges the gap between that market rate and what households earning at or just above the area median income can afford.

The City of Bend is exploring all options to assist the efforts in the production or preservation of middle-income housing units and on May 17, 2023, the Bend City Council continued support for this work on middle-income housing by adopting Resolution No. 3325, to establish the Middle-Income Housing Pilot Program. The Pilot Program included a process for the City to award the allocated \$500,000 to incentivize development or preservation of housing for households with income ranges from above 60% AMI to 120% AMI.

These funds alone are not meant to be the single solution, nor could one entity provide enough resources, rather the intent is for the City to partner with others in this effort. A Middle-Income



Technical Advisory Committee (TAC) had been assembled in February 2023, to advise staff on viable solutions and potential use of the available funds. City staff determined that more information from potential partners would be needed to move forward with any Application for Funds. The City held a workshop with about 25 stakeholders from the housing and development community who came together to discuss the barriers they face in making market rate projects pencil for the middle-income affordability. As barriers were discussed, viable solutions were brought forward which have been considered throughout the final stages of releasing the application for funds and these solutions are inherent in the applications themselves.

The Affordable Housing Advisory Committee recommends the following three projects be funded at the amount listed:

Habitat/Hiatus Partnership on Wilson: \$75,000

Project Description: This is a pilot partnership for replicable, accessible to persons with disabilities, middle-income homeownership with one high-performance Hiatus Home and a qualified family from Habitat's Homeownership Program. This single unit will be constructed on the corner of Wilson and 15th, a former homesite prior to demolition and construction of the Wilson/15th St roundabout. A deed restriction for sale price at 80% - 120% AMI for 30 years will be recorded on the lot. Funding will be used for the architectural plans which includes the accessibility consultation and design work as well as cover system development charges and provide downpayment assistance for the future homebuyer. The plans will also then be established in Habitat's design options for future potential sites and homeowners with disabilities or their visitors with disabilities. This development leverages \$342,200.

Hayden Homes Woodside Court: \$225,000

Project Description: Funding will connect sewer to deliver much needed infrastructure at the proposed Woodside Court community of 50 homes and assist 41 existing homes in the surrounding community to switch from septic to sewer. With the savings that this funding provides on this needed infrastructure, 20 lots in the subdivision will be deed restricted at 80% AMI for initial home purchase. Hayden Homes will provide these shovel-ready home sites to other developers/builders who wish to participate in the production of affordable housing and Hayden Homes will provide the assistance and support in navigating the deed restriction and income qualification process for the potential builder. This development leverages \$1,975,000.

NeighborImpact Down Payment Assistance (DPA): \$200,000

Project Description: This DPA loan program ensures that funds go directly to the middle-income households for their first-time home purchase. Upon funding disbursement, borrowers will receive immediate funding for an immediate home purchase. The program will fund initially five DPA loans up to \$40,000.00 for homebuyers with incomes between 80% and 120% AMI purchasing homes located in Bend. As loans are repaid, there is potential for serving additional future first-time middle-income homebuyers beyond this initial five. This development leverages \$20,500.

Budget and Financial Impacts:

The \$500,000.00 allocated by Council from the General Fund is available for award. The expenditure and funding will be carried forward into the 2023-2025 biennial budget in a future budget adjustment.

Community Outreach Process and Potential Impacts:

This four-month process began in May with immediate outreach to the development and housing community after Council adopted the Middle-Income Housing Pilot Program. This outreach included a stakeholder workshop held on June 20th with about 25 stakeholders from the housing and development community brought together to discuss the barriers in creating units for middle-income affordability. Workshop participants shared viable solutions which City staff presented before Council on July 19, 2023, and considered in the Application for Funds released soon after.

City staff released the Middle-Income Housing Pilot Program - Application for Funds on July 28, 2023, with a due date of September 4, 2023. Presentations to AHAC in their monthly public meeting occurred September 13, 2023. At this same public meeting, the committee deliberated and made their award recommendations for funding.

Department Director Review: Lynne McConnell

Financial Review: Samantha Nelson

Legal Review: Elizabeth Oshel

Attachments:

- Middle-Income Housing Pilot Program Applications for Funds