

Deschutes County Housing Trust Fund Policy Proposal

Deschutes County Board of County Commissioners

May 15, 2023

CURRENT HOUSING NEED:

Deschutes Co needs **55,887 total homes by 2040***

Deschutes Co needs **11,412 homes for 80 - 120% AMI in the next twenty years¹**

- 2022 Deschutes Co: **80 - 120% AMI for a family of 4 = \$71,900 - \$107,880**
 - Food service and accommodation employee (average salary \$35,914)
 - Bend-LaPine SD employees (average salary: \$42,734)
 - St. Charles employee (average salary: \$50,500)
 - Bright Wood Corporation employee (average salary: \$45,557)
 - Minimum wage employee (approximately \$28,080)
- **Purchase price affordable to this income range = \$300,000 - \$450,000**
 - Home price based upon HUD affordability standard of no more than 30% of income to housing costs

REQUEST:

The establishment of a Housing Trust Fund to be funded by Deschutes County's Oregon State Lottery dollars allocation - \$500,000 per year for two years.

- Provides a \$30K Developer Credit per "workforce home" (within the price range affordable for buyers within 80 -120% of AMI) upon closing of home.
 - o These homes are deed restricted for 30 years to ensure affordability for 80% - 120% AMI.
- This credit can be utilized by the builder at their discretion to offset high cost of market prohibitive conditions – land cost, infrastructure cost/system development charges, permit fees, etc.
- Can be utilized by any builder on a first come, first served basis, to incentivize free market development.
- At \$500,000/year, the Housing Trust Fund can fund 16 workforce homes per year. This investment of taxpayer dollars equates to 1 thousand dollars a year for 30 years of dedicated workforce housing.

* ¹ [RHNA Technical Report Final Revised \(oregon.gov\)](#) (page 59)

HOMEOWNER APPLICATION ADMINISTRATION OUTLINE

- Applicant is required to currently be employed in Deschutes County (a copy of employers pay stub is required with application) in Deschutes County. Neither tenure of employment nor employer is a determining factor in order to limit the regulatory burden, and to keep from unintentionally preferencing certain sectors or specific employers.
- Qualifying Family Income is between 80 - 120%, adjusted annually for area median income as defined by HUD. Home sales price must be in alignment with income requirements. No additional income qualification is required, until the home is resold.
- Residents must complete application (see Attachment A "Model Application"), which are reviewed and approved annually by a committee established for the purpose.
- Affordability guaranteed by a 30-year deed restriction (see Attachment B "Model Deed Restriction"), which would be recorded by the builder closing.
- Qualifying home price cannot exceed more than 30% of a qualifying monthly income (Principle, Interest, Tax, and Insurance)
- Must be a primary residence (applicant must live in the home for the majority of the year)
- Applicant must be a U.S. citizen or have permanent resident alien status (required for applicant(s) only).
- When homeowners sell their home they can only sell the home for a maximum increase of 1% per year, capping out at 7% while continuing to meet the 80 -120% AMI deed restriction. This allows the home to remain affordable to the workforce for 30 years, and the homeowner to generate income for their next home purchase.
- NeighborImpact's HomeSource Department will perform income verification and issue trust fund checks for \$400/application. Assuming that some applicants will fail to meet qualifications, the homeowner will pay the application fee, but successful applicants may receive a refund.
 - NeighborImpact's fee covers not only the processing of applications, but one-on-one program overview meetings with interested applicants.
 - This fee amount is good for five years, and would need to be renegotiated after that point.
- NeighborImpact proposes two options for cash flow: either NeighborImpact can signal county to put the funds in escrow whenever a closing is ready OR NeighborImpact can hold the trust fund and issue checks as closings are certified.
- If required, NeighborImpact will send a 1099 to the developer receiving the developer credit.

DEVELOPER CREDIT ADMINISTRATION OUTLINE

- Any developer is eligible for this credit on an annual first come, first served basis, as the credits come available annually. This is to enhance free market opportunities, rather than establishing overly stringent requirements that give unintended preferences to some builders over others.
- Any home (Single Family or Middle Housing) that will meet standards for a Certificate of Occupancy in Deschutes County is eligible for the credit.
- At closing of each deed-restricted home that meets all eligible requirements, the developer will provide a copy of recorded deed to NeighborImpact and a \$30,000 credit will be issued to the builder/developer.

SUMMARY

The intention of the program is to support Deschutes County's workforce by providing affordable homeownership opportunities, while also limiting the application and process burden on developers. If implemented at \$500,000/year, the Housing Trust Fund can provide a \$30,000 credit for at least 16 workforce homes across the county per year. This investment of taxpayer dollars equates to \$1,000 a year for 30 years of dedicated workforce housing.

A partnership with NeighborImpact will make the Housing Trust Fund successful. As the trusted fiscal agent for both public and non-profit entities, they have the experience and know-how to manage the income verification requirements and developer credit disbursement of a program of this scope.

When this program demonstrates success, the recommended next step is to approach the state legislature for a dedicated funding commitment. This is a first-in-the-state program in the fastest growing region in the state. We are confident that our development community has the ability to make the Housing Trust Fund work for our Deschutes County workforce, and that the state legislature will recognize this program as one well worth continued investment.