CITY OF BEND

HOME Committee Review

The purpose of this document is to provide an overview of policy tools that can increase housing production by utilizing a dedicated revenue stream. The "rubric" at the beginning of each section provides program highlights and measurements that can help both HOME Committee members and City staff measure and compare the potential of each policy proposal. City staff has completed some of the rubric and requests committee input via HOME Committee meetings. The completed rubrics will serve as a foundation for informing the final recommendations of the HOME Committee to City Council.

Program – Revolving Loan Fund

PROJECT SPECIFIC INFORMATION

Type of Housing	Ownership & Rental; All types of housing
AMI/population targets	All
Unit Creation Potential	Low/Medium

PARTNERSHIP OPPORTUNITIES

Private partnerships	Possible (ex. Mid Oregon Credit Union)
Community partnerships	Possible (ex. The Bend Chamber)

CONSIDERATIONS FOR IMPLEMENTATION

Implementation timeline	6-12 months
Human capital required	Low, possible to outsource program to private and community partners to administer
Magnitude of initial investment	($ amount)
Additional investment required	($ amount)
Self-sustaining	Yes – if revolving
Risks	Risk of nonpayment, default
Proven track record in Oregon	Yes

Notes

REVOLVING LOAN FUND

A revolving loan fund issues loans to developers for the development of housing. Revolving loan funds provide flexible, renewable capital and as funds are repaid the principal and generated interest replenish the fund, cover administrative and management costs, and allow the fund to be lent out again, potentially increasing the amount of funding available.

BENEFITS TO THE COMMUNITY:

- Revolving loan funds offer a sustainable and renewable capital source, which allows for the continuous reinvestment in new projects without the need of identifying constant new funding.
- The program can be tailored to assist various stages and types of housing development; structured to target underserved populations; designed to support specific geographic areas; or set up to encourage innovation, such as green building standards or modular housing construction.
- Revolving loan funds can offer below market interest rates, deferred payments, or subordinate loans, making them attractive as a “gap financing” tool to help with housing developments where margins are tight.
- Municipalities can partner with other housing and financial institutions to administer the program, leveraging the program alongside other private or public financing tools and increasing the total capital available for a project.

RISKS:

- Loan defaults – borrowers may fail to repay due to project delays, cost overruns, or market shifts. By taking a subordinate position, additional risk of non-repayment is also incurred, as private lenders will receive payment first should a default occur.
- Insufficient Capital Replenishment – if repayment terms are too long or interest is too low, fund may not regenerate quickly enough to support new loans, stalling the program’s effectiveness.
- Over Prescriptive – program criteria needs to be applicable and be able to yield engagement in order for the fund to be utilized successfully.
- Administration and Operation – effective management requires skilled staff, partners, and ongoing oversight. Adequate resources are required in order to ensure compliance, loan servicing, and reporting.

KEY TAKEAWAYS:

- Revolving loan funds provide a flexible and sustainable source of capital funding for housing development, that can be tailored to support various stages and types of housing development, and provide a long-term, self-sustaining solution for community investment.

- Revolving loan funds can serve as a critical gap financing tool by providing flexible, subordinate loans that complement other, primary financing options. This can help reduce risk for private lenders and enable housing developments to secure full funding.
- When utilizing revolving loan funds, financial and operational risks shift to the municipality. Failure or slow repayment, and ineffective administration and management, can lead to financial loss and inhibit the programs' long term viability.

UTILIZATION OF THE TOOL IN OREGON (BEND CHAMBER):

The Bend Chamber Workforce Housing Initiative, beginning in 2021, spurred the creation of the Bend Chamber Workforce Housing Revolving Loan Fund. The fund was initially seeded with $520,000 from private investment and is administered in partnership with Mid Oregon Credit Union, which makes the funding available for the development of housing between 80 and 120 percent AMI. Loans are issued for 24 months at a 3 percent interest rate. Funds generated through interest cover all costs of managing the fund. The Bend Chamber's first awardee was Bend-Redmond Habitat for Humanity for the construction of one deed-restricted unit in SE Bend.

CASE STUDY – CITY OF TIGARD

The City of Tigard created the Tigard Middle Housing Revolving Loan Fund in response to a lack of financing available to developers looking to build middle housing types. The City initially invested $1.5 million dollars from their American Rescue Plan Act (ARPA) award in 2021, to kickstart the program. In partnership with three community development financial institutions (CDFIs) and three non-profit organizations, the City of Tigard offers loans of up to $4.5 million dollars for the development of cottage clusters, courtyard units, and quadplexes. Non-profit organizations Proud Ground, Portland Housing Center, and Habitat for Humanity are given the right of first refusal to units funded by the MHRLF for clients at 100% AMI and below participating in their down payment assistance programs. Loans are issued for a term of 36 months at a 6 percent interest rate. Since applications opened in the City of Tigard in 2022, no developers have applied for the funds. Developers have indicated that aspects of the City's code and the loan terms may be too prescriptive to merit engagement with the fund.

CASE STUDY – BEND URBAN RENEWAL AGENCY (BURA)

On August 6, 2025, the Bend Urban Renewal Agency (BURA) adopted the Affordable Housing Assistance Loan Program to support housing development in all urban renewal areas using Tax Increment Financing (TIF) revenues. The revised program replaces the previous Murphy Crossing policy and allows for interest-bearing loans with flexible terms, including scalable interest rates and a typical 10-year repayment period. Loan funds can be used for acquisition, construction, infrastructure, and other development-related costs. Repayments will be reinvested into a revolving loan fund to support future urban renewal projects. Loan availability depends on revenue generated within each TIF district.

KEY CONTACTS:

- Sara Odendahl, Interim Executive Director | Bend Chamber of Commerce
  sara@bendchamber.org

- Dan Stake, Commercial Markets Director | Mid-Oregon Credit Union
  dstake@midoregon.com

ADDITIONAL RESOURCES

- Middle Housing Revolving Loan Fund | City of Tigard
- Middle Housing Revolving Loan Fund | Middle Housing Revolving Loan Fund | Financing | Network for Oregon Affordable Housing
- Workforce Housing Initiative » Bend Chamber of Commerce
- BURA - Affordable Housing Loan Policy
- BURA - Affordable Housing Loan Issue Summary

Program – Infrastructure Revolving Loan Fund

PROJECT SPECIFIC INFORMATION

Type of Housing	Ownership & Rental; All types of housing
AMI/population targets	All
Unit Creation Potential	Low/Medium

PARTNERSHIP OPPORTUNITIES

Private partnerships	Possible
Community partnerships	Possible (ex. The Bend Chamber)

CONSIDERATIONS FOR IMPLEMENTATION

Implementation timeline	6-12 months
Human capital required	Low
Magnitude of initial investment	($ amount)
Additional investment required	($ amount)
Self-sustaining	Yes – if revolving
Risks	Nonpayment, default; incompletion
Proven track record in Oregon	Yes
Notes	

INFRASTRUCTURE LOAN FUND

An infrastructure loan fund issues loans for infrastructure improvements necessary to complete a housing development that are required by the Bend Development Code and supported by a land use decision. Rather than funding the construction of housing directly, an infrastructure loan allows developers to lower costs by receiving additional funding support for improvements, such as roads, sidewalk installations, and utility improvements, that are required by the Bend Development Code to be completed prior to Certificate of Occupancy. Infrastructure loan funds often are short term and can be redistributed or revolve as projects are completed, allowing funding to be awarded to new projects on a regular basis.

BENEFITS:

- Reduces upfront capital shortfalls, making a project more financially viable, leading to faster project delivery.
- If revolving, can offer a sustainable and renewable capital source, which allows for the continuous reinvestment in new projects without the need of identifying constant new funding each year.
- Can target specific geographic areas where infrastructure is needed, such as infill sites, underutilized land, or transit corridors by funding necessary offsite improvements that help expand system capacity.
- Loan funds can be short-term, offer below market interest rates or deferred payments, and be subordinate, making them attractive as a “gap financing” tool to help with housing developments where margins are tight.

RISKS:

- Loan Defaults – borrowers may fail to repay due to project delays, cost overruns, or market shifts. If taking a subordinate position, additional risk of non-repayment is also incurred, as private lenders will receive payment first should a default occur.
- Failure to Complete – If infrastructure is left incomplete due to default, municipality may be forced to absorb additional costs to complete (requirements for Bonding should be identified).
- Insufficient Capital Replenishment – if repayment terms are too long or interest is too low, fund may not regenerate quickly enough to support new loans, stalling the program’s effectiveness.
- Over Prescriptive – program and geographic criteria needs to be applicable and be able to yield engagement in order for the fund to be utilized successfully.
- Administration and Operation – effective management requires skilled staff, partners, and ongoing oversight. Adequate resources are required in order to ensure compliance, loan servicing, and reporting.

KEY TAKEAWAYS:

1. Based on comparison of the State of Indiana’s program ($81 million total) and the State of Oregon’s program ($2.8 million total), an initial seed funding of no less than $3 million would be required for program to work and support at least 1 project.

2. Can provide a flexible and sustainable source of capital funding to support housing development and infrastructure capacity, that can be tailored to support various types of housing development and geographic areas; providing a long-term, self-sustaining solution for community investment.
3. Can serve as a critical gap financing tool by providing short-term, flexible, subordinate loans that complement other, primary financing options. This can help reduce risk for private lenders, and enable housing developments to secure full funding.
4. Financial and operational risks shift to the municipality. Failure or slow repayment, incompletion of improvements, and ineffective administration and management, can lead to financial loss, cost overrun, and inhibit the programs long term viability.

UTILIZATION OF THE TOOL IN OREGON:

The State of Oregon, through Business Oregon, manages a newly implemented Housing Infrastructure Support Fund Program. Municipalities can apply for up to $100,000 in funding to finance planning for water, sewer, stormwater, and transportation projects that enable medium density (greater than 10 dwelling units per net residential acre) residential housing development. Under the program requirements, the municipality is expected to perform and complete the infrastructure project work.

CASE STUDY – INDIANA

The Indiana Finance Authority manages a Residential Housing Infrastructure Assistance Program that issues low interest loans to Indiana communities for infrastructure projects that support the development of housing. The program stipulates that 70 percent of funds must be awarded to communities with populations of less than 50,000 people, while the remaining 30 percent of funds are loaned to more urban communities. Launching in 2024, a total of $81 million has been awarded, supporting the development of over 3,350 units. The average urban request is approximately $2.5-3 million dollars per project. The program is managed by two full-time employees of the Indiana Finance Authority and expects to receive awards of $25 million from the State of Indiana each year for the next 20 years. Most communities who receive loans from the fund use tax increment financing (TIF) as a method of repayment over a 20-year period.

CASE STUDY – CITY OF BEND, SEPTIC TO SEWER

The City of Bend’s Septic to Sewer Conversion Program helps residents transition from private septic systems to the public sewer system. Each year, the city allocates $3.5 million to fund Neighborhood Extension Projects (NEPs), which install sewer infrastructure in selected areas. Completed NEPs include Desert Woods, Admiral Way & King Jehu Way, and Pettigrew Road & Bayou Drive. Homeowners are responsible for connecting their properties to the new system, including paying connection fees, system development charges, and hiring the necessary contractors; and financial assistance is available for income-qualified households through programs like Craft3 and NeighborImpact. Projects are selected based on factors like septic system age, failure risk, and alignment with city infrastructure plans. The program aims to improve public health, protect water quality, and support sustainable urban development.

KEY CONTACTS:

- Becky Baxter, Housing Infrastructure Program & Policy Coordinator (Oregon) - housing.infrastructure@biz.oregon.gov
- Sherry Seiwert, Program Director – Indiana Finance Authority - SSeiwert1@ifa.IN.gov

ADDITIONAL RESOURCES:

- IFA: Residential Housing Infrastructure Assistance Program (RIF)
- Business Oregon : Welcome Page : Housing Infrastructure Support Fund Program : State of Oregon
- City of Bend – Septic to Sewer Conversion Program

Program – Credit Enhancement

PROJECT SPECIFIC INFORMATION

Type of Housing	Rental Multifamily
AMI/population targets	Often < 120 AMI, sometimes market rate
Unit Creation Potential	Low/Medium

PARTNERSHIP OPPORTUNITIES

Private partnerships	No
Community partnerships	No

CONSIDERATIONS FOR IMPLEMENTATION

Implementation timeline	6-12 months
Human capital required	Medium
Magnitude of initial investment	($ amount)
Additional investment required	($ amount)
Self-sustaining	Yes, requires adequate debt coverage by municipality
Risks	Financial Exposure and Public Credit impacts for Municipality; Requires unrestricted funds (not property tax) to serve as debt coverage;
Proven track record in Oregon	No
Notes	

CREDIT ENHANCEMENT

Credit enhancement is a financial tool that helps affordable housing developers secure loans or bonds at lower interest rates. To enhance a developer's access to credit, local governments or municipalities give their financial backing (typically in the form of debt service coverage) to a loan or bond, making the investment more attractive to a bank or bond investor. As a result, the developer can qualify for a lower interest rate, lowering the cost of developing housing, while the municipality would be required to step in to cover debt payments in the event the private developer defaulted on the debt.

BENEFITS:

- Ability for developers to secure loans or bonds at lower interest rates
- Flexible funding source

RISKS:

Credit enhancement would require the City of Bend to take on substantial risk if a developer did not fulfill the terms of the loan. Under a credit enhancement, the City's identified revenue source would be used to pay the debt on the project in the event of a developer default. A credit enhancement program would also require a significant, stable fund that could not be used for other programs. This means potentially that funds would have to remain put while they could be used more efficiently in other ways to fund housing. More evaluation is needed to determine if this is the most efficient use of funds.

- The City of Bend would assume a financial risk if a developer defaults on a loan backed by credit enhancement.
- Program requires a dedicated, stable funding source (other than property tax revenue) that can be used to support the debt service, and cannot be repurposed for other housing initiatives.
- Reputational or financial consequences to municipality if developer or applicant fails to complete the project or maintain financial stability.
- Limitations with Oregon Constitution

KEY TAKEAWAYS:

1. In Oregon, Property taxes cannot be used for credit enhancement, meaning that an unrestricted funding source would likely need to be created.
2. If unrestricted funding can be identified, credit enhancement can be a flexible, adaptable, and multipurpose tool to support new housing development.
3. The only known instance of credit enhancement in the Pacific Northwest is in King County, WA, and has not been utilized in almost a decade.
4. Both King County and the State of Indiana have explored and planned for credit enhancement at a larger scale ($400-525 million) than would likely be feasible for Bend. It is unknown if the program would be comparably effective on a smaller scale.

UTILIZATION OF TOOL IN OREGON:

There are no known credit enhancement programs for housing taking place in Oregon. Under the Oregon Constitution, property tax revenues cannot be used for credit enhancement, meaning that local governments must identify another source of funding, such as sales taxes or other revenues.[1] It is important to recognize that credit enhancement may be more difficult in Oregon than in Washington because of the restrictions of the Oregon constitution, and because there may be less unrestricted funds available to leverage.

A 2018 ballot measure amended the state constitution to allow local governments to issue bonds to support affordable housing. Such a bond must be voter-approved, and would raise property taxes to pay the debt service on the bond. The local government is able to define what constitutes "affordable housing" that could be supported by the revenues. The bond proceeds are then able to be used as a credit enhancement for projects that support the defined housing. Without issuing such a bond, property tax revenues are not legally available to used as the revenue source for a "credit enhancement" for a private project of any kind.

King County's net general fund revenues are composed significantly of sales tax, fines and fees, charges for services, interest, and property taxes, where property tax makes up only 56 percent of net general fund revenues, and sales tax makes up another 26 percent. In contrast, 98 percent of the City of Bend's general fund revenue is composed of property taxes. When looking at King County's case study, it is important to remember King County is not subject to Oregon's Constitutional requirements, and the difference in unrestricted funding compared to Bend that King County has access to support private housing projects.

CASE STUDY – KING COUNTY

King County, WA, operated a credit enhancement program beginning in 1997 that continued for over 20 years, allowing the King County Housing Authority to obtain debt utilizing the County's AAA credit rating and entering into a contingent loan agreement for the construction of affordable housing at or below 80% AMI. Overtime, the program has been phased out of use due to the housing authority no longer requiring assistance with obtaining favorable terms. The program yielded 19 developments (16 owned by the King County Housing Authority), which produced approximately 2,100 units, from 1997 to 2017. In this time, two ordinances were passed to raise the limit of outstanding project debt. The first, in 2008, raised the ceiling to $200 million, followed by an additional $200 million increase in 2017.

CASE STUDY – INDIANA

Indiana's Residential Housing Infrastructure Assistance Program, which provides low interest infrastructure loans to municipalities seeking to build housing, has outlined credit enhancement as an alternative method of securing infrastructure loans for municipalities. However, due to current rural/urban quotas attached to the Residential Infrastructure Fund, the Indiana Finance Authority will not pursue this until outstanding loans are repaid and become unrestricted. The first cycle of loans, totaling $51 million, will be fully repaid in 2044. If the program continues to receive annual awards through the first 20 years, it will eventually have access to over $500 million in reserves for credit enhancement.

KEY CONTACTS:

- Puget Sound Regional Council Housing Team - housing@psrc.org

ADDITIONAL RESOURCES:

- King County Ordinance 18591
- King County General Fund and Financing Activities
- Credit Enhancement | Puget Sound Regional Council