

REGIONAL HOUSING FUNDING: CHIEF OPERATING OFFICE RECOMMENDATION DISCUSSION AND OPTIONS

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Department: Office of the COO,
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Presenter: Marissa Madrigal
(she/her/ella), Chief Operating Officer
Length: 60 minutes

ISSUE STATEMENT

On July 9, 2024, Metro Chief Operating Officer Marissa Madrigal presented her recommendations for future housing and homeless services funding (“COO Recommendation”) to the Metro Council. The recommendations cap a six-month effort of engagement, stakeholder input and research and provide a potential path forward to sustainable funding for deeply affordable housing creation while improving the region’s implementation of services to address homelessness.

ACTION REQUESTED

Identify areas of Council agreement and direction on potential short- and longer-term actions in the COO Recommendation, as well where more information is needed.

IDENTIFIED POLICY OUTCOMES

At a work session on January 11, 2024, the Metro Council directed COO Madrigal and staff to advance five primary outcomes in the consideration of options. These include:

- **Urgency:** Identifying and addressing real, persistent housing instability and its effects on communities in the region
- **Stability:** Supporting the stability of existing housing and homelessness funding and programs in the region, including the 2018 Metro Affordable Housing Bond and the 2020 Supportive Housing Services measure
- **Pragmatism:** Recognizing and being responsive to public attitudes, priorities and experiences with these issues and the region’s work to address them
- **Equity:** Advancing Metro’s racial equity goals through engagement, decision-making and assessment of potential investments and structures
- **Accountability and transparency:** Learning from past measures and community/stakeholder feedback to improve implementation and tracking impacts

POLICY QUESTION(S)

- Which areas of the COO Recommendation does Council wish to see advanced in the short-term (over the next several months) and longer-term (by early 2025)?
- What additional information and/or engagement would support Council decision-making?

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

This effort has brought together the lessons and potential of two key funding measures approved by Metro region voters: the 2018 Affordable Housing Bond and the 2020 Supportive Housing Services (SHS) measure. SHS and bond funding work closely together to serve deeply-impacted households – providing funding for both physical housing, and the services and rent assistance to create stability and opportunity for people in great need.

After several years of successful implementation, the Metro housing bond is nearing the expected exhaustion of its funding. There continues to be a great need for creating and preserving affordable housing. However, a new bond measure – which would be a tax increase – is not viable at this time, while SHS funds cannot currently be used to create permanent affordable housing. Together, these factors create the risk of a serious gap in regional affordable housing funding that impacts a wide variety of populations as well as the success of SHS spending.

Channels of input

Several key channels of input informed the development of a COO recommendation and will be discussed by COO Madrigal at this work session. These have included the following.

Stakeholder Advisory Table

Appointed by COO Madrigal, the Stakeholder Advisory Table was intended to bring together a broad diversity of interests, experiences and perspectives on issues of housing and homeless services needs. The Advisory Table began meeting in March and held its fifth and final meeting on May 10. It included county and city elected officials, providers and advocates, community-based organizations, and business leaders from across the region, as well as members of the SHS and affordable housing bond oversight committees and Metro’s Committee on Racial Equity. While not technically meeting the requirements of a public body, meeting dates were posted online and open to public observation.

Community partner-led engagement

Metro contracted with the Coalition of Communities of Color to conduct discussion groups with impacted communities in Clackamas, Multnomah, and Washington counties in April and May 2024. This engagement has built on partnership and engagement that shaped the 2018 bond framework and implementation, as well as the 2020 SHS measure.

Engagement with regional committees, implementation partners and stakeholders

Metro staff at all levels have repeatedly engaged with and heard feedback from implementation partners and oversight committees for both the Metro Housing and SHS, Metro's Committee on Racial Equity, MPAC, and a variety of other stakeholders.

Technical analysis

Metro's Housing Department have worked with a consultant team to scan best practices, apply lessons from past measures, conduct interviews with practitioners, and develop modeling to evaluate the potential of various investment strategies to meet current need and priorities. Metro's Finance and Regulatory Services staff are also assessing revenue volatility, forecasts and considerations for carry-forward and reserves.

Public opinion research

Metro conducted several public opinion surveys with a representative sample of regional voters. These surveys help explore voter priorities and concerns and the potential feasibility of a potential funding measure to enact the COO recommendations, should the Metro Council refer it to voters.

Major findings

This process was intentionally designed not to drive toward full regional consensus or a predefined outcome. Indeed, through the above channels, COO Madrigal and staff have explicitly sought to catalog and apply common ground as well as areas of divergence in various stakeholders' views on these complex topics.

A majority of stakeholders, community members and voters in the region:

- Support continued investment in homeless services and affordable housing.
- Believe local government is off track and should do better with its existing resources.
- Prefer expanding Supportive Housing Services investments, instead of a new property tax, to allow the acquisition, construction and preservation of deeply affordable housing – that is, housing for those experiencing or at greatest risk of homelessness.
- Believe the focus of all SHS investments should be for people experiencing or at risk of chronic homelessness, regardless of whether those funds are spent for services or housing.
- Believe the current SHS oversight and accountability structure is not sufficient to provide transparency and ensure the desired outcomes of the measure are met, which undermines support for SHS as a whole.
- Believe the SHS tax sunset in 2030 should be significantly extended or eliminated to create greater long-term certainty for communities and providers.

Some voters and stakeholders also support:

- A modest rate cut to the SHS personal income tax to address the reality that revenues are far higher than anticipated, so long as program outcomes can still be achieved.
- Adjusting the SHS personal income tax thresholds for inflation, so that the tax continues to be applied to high-income earners.

Some stakeholders and voters do not support any changes to the SHS tax, believing that Metro and the counties have more work to do to prove the efficacy of the existing program. These stakeholders have also expressed fear that changes now would undermine the hard work that has gone into building the program.

Details and supporting documentation for these findings are provided in the full report.

BACKGROUND AND NEXT STEPS

The COO Recommendation includes a range of broad and specific actions to secure sustainable funding for affordable housing and services, and to improve accountability and impact of these investments to continue addressing the homelessness and housing crisis in the greater Portland region.

The recommendations are supported by a broad coalition of subject matter experts, community members and business leaders who have worked closely with Metro to develop these recommendations.

The heart of the COO Recommendation is three-fold:

- Renegotiate portions of the Intergovernmental Agreements between Metro and the three counties to immediately address transparency and accountability challenges, with the goal of finalizing amendments by December 2024.
- Consider referring a measure to the May 2025 ballot to further strengthen accountability of the SHS program; expand its uses to include creation, acquisition and preservation of deeply affordable housing for those experiencing or at greatest risk of homelessness; and extend the sunset long enough to create efficiencies and leverage rent assistance to finance affordable housing projects.
- Reduce the SHS personal income tax rate as part of the above measure.

Additional specifics on these recommendations are in the COO Recommendation document attached to this staff report.

The COO Recommendation document also contains in-depth discussions of the context and process that shaped COO Madrigal's recommendations.

Next steps

At this work session, Metro Council President Peterson will lead the Council in a discussion of the COO Recommendation to identify priorities and potential direction to staff.

The Metro Council has several options for the aspects of the COO Recommendation that it wishes to advance. The Metro Council may wish to direct Councilors and/or staff to proceed with engagement or negotiations with county, city and other partners to advance Council's desired policy outcomes or specific actions. The Council could do this formally via a resolution in the near-term, or informally.

Any change to the SHS tax sunset or allowable uses would require voter approval through a measure referred by the Metro Council. Some recommendations, however, can be enacted by the Metro Council via legislation, although the Council may choose to ask voters to consider such actions through a ballot measure. These include adjustments to the personal income tax threshold, a reduction in the income tax rate, and/or changes to oversight and governance.

Pending Council direction at this work session, staff will prepare potential timelines for engagement, analysis, planning and research to advance Council priorities between now and early 2025. These would be discussed by Council at a work session on August 1.

ATTACHMENTS

Chief Operating Officer Recommendation: Future of regional housing funding (July 9, 2024)
[Also available at <http://oregonmetro.gov/housingfunding>]

- Is legislation required for Council action? **Yes** **No**
- If yes, is draft legislation attached? **Yes** **No**