



Memo

Date: Monday, May 5, 2025
 To: Metro Council
 From: Emily Lieb, *Housing Policy Director*; Alison Wicks, *Affordable Housing Bond Program Supervisor*
 Subject: Affordable Housing Bond interest earnings allocations

Memo purpose

This memo is intended to inform Metro Council on draft recommendations to COO Marissa Madrigal on how to allocate Affordable Housing Bond (Bond) interest earnings and gather feedback to inform the final recommendation to COO Madrigal in mid-May 2025.

Recommendation summary

The preliminary staff recommendation to Metro COO Madrigal is to:

1. Allocate additional Bond interest earnings as “Eligible Share” with a priority of addressing funding gaps for pipeline projects experiencing difficulties or at risk due to cost escalation and other factors.
2. Allocate all interest earnings accrued as of March 2025, to all seven implementation partners using the proportional formula established in the Council-adopted Bond work plan.
3. To consider an alternative approach for allocating remaining interest earnings projected to accrue through the end of the bond implementation and to plan on a discussion of allocation of final remaining interest earnings beginning in the fall of 2026, for recommendation to Metro COO Madrigal and Metro Council.

Background

As of March 2025, Metro’s AHB program has accrued a total of \$29,985,384 in unallocated interest earnings, including \$26,350,275 available for Eligible Share allocation after setting aside 5% for program administration. Based on projections, Metro finance staff forecast an additional \$8.7 million in interest earnings funding to accrue through the end of bond implementation anticipated at the end of FY27, ending in June 2028.

Funding (as of March 2025)	Unallocated interest earnings accrued as of March 2025	Total unallocated interest earnings forecasted through FY27
Total interest earnings	\$29,982,384	\$35,068,855
5% for administration	\$3,635,109	\$4,093,982
Interest earnings available for Eligible Share (non-admin) allocation	\$26,350,275	\$35,068,855

Methodology

The Council-adopted Bond work plan established a methodology for allocating bond funds according to a proportional formula based on property tax revenue generation. In addition, in Spring 2023 the work plan was updated to include a methodology for allocating admin share. Utilizing this formula, the Metro COO may approve additional interest earnings for eligible bond uses. Below is the Work Plan formula as it would apply to Eligible Share interest earnings accrued as of March 2025.

Allocation formula

Jurisdiction	Work plan Allocation %	Eligible share interest earnings as of March 2025
Beaverton	5.58%	\$ 1.47M
Clackamas County	20.82%	\$ 5.48M
Gresham	4.79%	\$ 1.26M
Hillsboro	7.28%	\$ 1.91M
Home Forward	2.84%	\$ 749k
Portland	37.81%	\$ 9.96M
Washington County	20.87%	\$ 5.49M
TOTAL	100%	\$ 26.3M

Past use of interest earnings

Historically, COO-directed interest earning allocations were utilized to address emerging challenges and opportunities related to bond implementation, including:

- **\$14 million proportionately allocated to seven partners in 2022 to support additional investments in in-unit cooling.** This was an action directed by the COO in response to the heat dome event in June 2021, and in conjunction with Metro policy guidance strongly encouraging jurisdictions to require in-unit cooling systems for all bond funded housing developments.
- **\$20 million proportionately allocated to the three counties in 2023 and 2024 to support investments in additional Permanent Supportive Housing (PSH) units,** with a priority for units that could be created through acquisition-based strategies or other approaches that could quickly produce additional PSH units targeted for serving individuals and families exiting chronic homelessness. These funds were allocated to Clackamas, Multnomah and Washington counties only to provide funding allocations large enough to support a project in each county and in reflection of the fact that counties administer SHS funding, a substantial source of

funding to support ongoing funding needs associated with PSH. This allocation was directed by the COO based on strong feedback from the AHB Oversight Committee.

Under the work plan formula, funds may be allocated proportionately only to the three counties, such as in the case of the PSH pilot funds, or to all seven jurisdictions, such as in the case of additional funding for in-unit cooling upgrades.

Steps to formulate COO recommendation

- **January and February 2025:** The Bond team met with each jurisdiction as a part of the annual report process. The team asked about projects with current gaps or anticipated need for additional resources. All jurisdictions confirmed plans to commit all remaining bond funds and several expressed immediate needs for resources to fill gaps in current pipeline projects. Many jurisdictions reiterated these needs during their presentations to Affordable Housing Bond Oversight Committee in March.
- **Early April 2025:** Staff briefed COO Madrigal on a preliminary staff recommendation and considerations. COO Madrigal expressed support and requested feedback from the Bond Oversight Committee and co-chairs, and briefings with the Metro Councilors.
- **April 16, 2025:** Staff gathered feedback on the COO recommendation from the AHB Oversight Committee which will be incorporated into guidance provided to the jurisdictions. The Committee and co-chairs emphasized that Metro should:
 - **Committee members observed that the Work Plan allocation formula is not based on urgency, need, risk or impact, which ideally would be considerations in allocating funding.** That said, they acknowledged that if interest earnings are not deployed quickly, projects could stall or fail to deliver promised units for priority community members. Committee members noted that not using a proportional allocation could prove problematic from a political perspective as well as the challenge of coming up with objective criteria for a needs-based process in a timely manner.
 - **Require or strongly encourage jurisdictions to prioritize additional funding for Bond pipeline projects based of level of risk.** The committee identified four project stages with corresponding levels of risk, from highest to lowest: currently leasing, under construction, pre-development, and feasibility.
 - **Require jurisdictions to evaluate risks and prioritize additional funding needs for pipeline projects before funding new projects,** given challenges some properties are facing in reaching stabilized occupancy, as well as escalating operating costs after stabilization. Special attention should be paid to properties with culturally specific and community-based owner/operators, to ensure that projects are set up for long-term success.

- **Consider an alternative to approach to allocating remaining interest earnings accrued after March 2025**, particularly given staff's observation that remaining funding may not be sufficiently sized to warrant allocating to seven jurisdictions.

Next steps

- **Now/Early May 2025:** Metro Councilors briefed
- **Mid-May 2025:** Final recommendation is expected from COO Madrigal
- **June 2025:** AHB OC Co-Chairs will present the final interest earning recommendations with the annual report to Metro Council

About the Affordable Housing Bond

The 2018 Bond Metro Affordable Housing Bond is on track to exceed all program unit production goals. As of the end of March 2025, the Affordable Housing Bond program has supported **62 projects** including:

- 16 projects in pre-construction
- 18 projects under construction
- 28 projects that have completed construction and are accepting residents

The portfolio collectively represents **5,228 new affordable homes, or 134% of the total production target** for the housing bond. Of these homes, **2,661 are family-sized** (2 or more bedrooms), representing 136% of the program's production goal, and **1,885 will be affordable to households with income at or below 30% of area median income**, representing 118% of the program's production goal. To date the program has allocated 87% of project funding with all remaining funds earmarked for projects by the jurisdictions with plans to commit funds in 2025. The program is projected to achieve 144% of its original production target once all funds are expended, **supporting the creation of an estimated 5,600 affordable homes that will provide housing for 10,600 to 18,000 people across the region.**

