

REGIONAL HOUSING FUNDING: CONTINUED DISCUSSION OF CHIEF OPERATING OFFICER RECOMMENDATION

Date: July 26, 2024
Department: Office of the COO, Housing,
Finance and Regulatory Services
Work Session Date: August 1, 2024

Presenters: Marissa Madrigal
(she/her/ella), Chief Operating Officer;
Patricia Rojas (she/her), Regional
Housing Director; Brian Kennedy
(he/him), Chief Financial Officer

Prepared by: Craig Beebe,
craig.beebe@oregonmetro.gov

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. Following a discussion at work session on July 25, the Metro Council has requested staff provide further information on key performance indicators/metrics and potential scenarios for changes to the Supportive Housing Services personal income tax, as described in the COO Recommendation.

ACTION REQUESTED

No action requested at this work session. Council discussion and direction will inform staff work related to the COO Recommendation.

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 (SHS)
- **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)

- What further information about policy responses to housing and homelessness challenges nationally and locally would be useful to Council to help inform their response to the COO Recommendation? ~~position on the Aff~~ ~~purpose and potential of~~

~~developing key performance indicators (KPIs) as part of the evolution of advancing oversight and accountability in regional housing and homeless services programs?~~

- What information would be useful to Council in understanding the potential policy implications of changes to the SHS personal income tax?

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 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.

At work session on July 25, Metro Council President Peterson led the Council in a discussion of the COO Recommendation to identify priorities and direction to staff. In particular, the Council discussed the importance of partnership and continued conversation with county implementation partners, as well the need to further explore governance changes that could improve outcomes. Council also discussed potential options for increasing or indexing the SHS personal income tax threshold so that it remains focused on higher-income households over time, including raising questions about the potential impact of such a change on available program revenue.

At this work session, Council will receive two informational presentations on aspects of the COO Recommendation. First, the Metro Council has requested a presentation on key performance indicators (KPIs) as described in the COO recommendation, to inform future conversations with county partners. Housing Department leadership will provide an overview of KPIs as described in the COO Recommendation's discussion of oversight and accountability. The COO Recommendation proposes that the development of KPIs be part of the establishment of a new regional oversight and accountability structure, including collaboration with implementation partners and stakeholders. The presentation will discuss KPIs' definition, purpose and potential for building on current outcomes and metrics already in use in SHS and Affordable Housing Bond implementation. The presentation will also include examples of how KPIs are used in other areas. Council will have the opportunity to ask questions and request further information to inform their thinking on how to advance the COO Recommendation.

Additionally, Finance and Regulatory Services staff will provide an overview of a May 2024 analysis prepared by the department, outlining potential revenue implications of various tax policy options that were discussed by the Stakeholder Advisory Table this spring, as well as Councilors at the July 25 work session. A May 2 analysis memo is attached to this Staff 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.

Details and supporting documentation for these findings are provided in the full recommendation document, which is attached to this staff report and available online at <http://oregonmetro.gov/housingfunding>. As of July 30, 2024, appendices will be added to the report online providing further detail on the Stakeholder Advisory Table process, community engagement and public opinion research. A detailed technical investments report is expected to be complete in late August.

Next steps

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.

Following Council work sessions on July 25 and August 1, conversations with county partners and other stakeholders will continue in the coming weeks. Per Council discussion on July 25, staff will also work to prepare potential legislative options to advance Council's desired outcomes for oversight and accountability and adjustments to the income tax threshold, for further discussion and consideration in September.

ATTACHMENTS

- Chief Operating Officer Recommendation: Future of regional housing funding (July 9, 2024) [Also available at <http://oregonmetro.gov/housingfunding>]
- Finance and Regulatory Services Memo to the COO (May 2, 2024): SHS Taxes – Tax Policy Considerations
- Is legislation required for Council action? **Yes** **No**
- If yes, is draft legislation attached? **Yes** **No**