

IN CONSIDERATION OF RESOLUTION NO. 23-5314 FOR THE PURPOSE OF
AMENDING THE AFFORDABLE HOUSING BOND WORK PLAN TO ALLOCATE BOND
FUNDS FOR ADMINISTRATIVE COSTS

Date: March 21, 2023

Department: Housing, Finance

Meeting date: March 30, 2023

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ISSUE STATEMENT

Implementation of the 2018 Affordable Housing Bond is in full swing, with over 3,200 new affordable homes complete or in the production pipeline and at least 1,500 more anticipated to be developed with remaining funds. The program is expected to exceed production goals, and partners are on track to commit all funds to projects by 2024, with final projects breaking ground in 2026.

While the program is on track to deliver on its production goals, funding program administration has been a challenge. The measure required bond-funded administrative costs of Metro and seven other implementing jurisdictions combined to not exceed 5% of bond funds for the full period of implementation (approximately 10 years including planning and construction timelines). In accordance with Metro's Work Plan, which was approved by the Council in 2019, a one-time allocation of administrative funding was distributed across eight implementing jurisdictions (see Attachment 1).

Implementing jurisdictions' one-time admin funding allocations ranged from \$334,297 to \$4,443,296, which is approximately \$33,000 to \$444,000 per year spread out over the 10-year period when administrative activities (including planning, construction monitoring, and outcomes reporting) are anticipated. Metro's administrative funding for oversight and accountability and bond transaction costs was \$13,056,000, or approximately \$1.3 million per year for the 10-year period from 2019-2018.

The initial allocation reserved \$6,528,000 "for future allocation as determined necessary to achieve the targets." Additional administrative funding is available due to interest earnings and a change in the Portland Housing Bureau's administrative funding plan. Interest earnings on bond funds, of which up to 5% can be used for administrative costs, have increased administrative funding by \$1.7 million. The Portland Housing Bureau is not using Metro bond funds to cover their administrative costs, freeing up \$4.4 million in administrative funding. Unallocated administrative funding is now \$12.7 million, as shown in the table below.

	2019 Work Plan	As of Dec2022
Total Bond Funding	\$652,656,000	\$687,506,832
Admin funding:		
Allocated to Metro	\$14,361,600	\$14,361,600
Allocated to local partners	\$11,750,400	\$7,307,104
Unallocated	\$6,528,000	\$12,706,638
Total admin funding	\$32,640,000	\$34,375,341
Admin as % of total funding	5.0%	5.0%

When the Metro Council decided to incorporate the 5% admin cap into the measure in 2018, it was with recognition of the impacts the cap would have on Metro and jurisdictional partners' general funds. Metro Council and leadership anticipated a need for General Fund support to supplement the admin funding allocated to Metro through the work plan. The program's budget for FY19-20 included a \$500,000 General Fund allocation; however, this funding was returned to the General Fund in spring of 2020 to mitigate agency-wide layoffs resulting from the early impacts of the COVID-19 pandemic. The program budget in subsequent years has not included a General Fund allocation. If additional resources are not allocated from bond funds to bring the total administrative funding to the 5% cap, the Department will need to seek approximately \$700,000 from the General Fund in order to maintain current services levels in FY23-24.

Furthermore, initial administrative funding allocations did not anticipate the significant role Metro would play in supporting regional coordination to respond to emerging challenges and opportunities, such as development of policy guidance to ensure sufficient air conditioning in response to heatwaves, strategies to respond to cost escalation and constrained availability of private activity bonds, and opportunities to support integration and alignment of SHS and bond funds to rapidly scale up the production of permanent supportive housing.

March 30, 2023, meeting update:

On March 8 and March 15, the Housing Bond Oversight Committee received presentations from staff of all eight implementing jurisdictional partners for the bond. The impacts of constrained administrative funding were a consistent theme of local presentations. Jurisdictional staff noted capacity demands and gaps in their ability to work with projects in the planning phases to adapt in response to a rapidly shifting financial landscape. They also noted capacity challenges in collecting and reporting on established racial equity metrics for construction contracting/workforce and initial resident demographics and occupancy.

Both Metro and partner jurisdictions have an immediate need for administrative funding to ensure program success and support the level of transparency and accountability called for in the work plan. In consideration of that need, Metro staff have adjusted our proposal to recommend allocating the entire \$12.7 million of unallocated administrative funding now, using the same methodology as the 2019 Work Plan approved by Council.

The 2019 Work Plan allocated administration funding as follows:

- 2% for oversight and bond transaction costs, \$13,056,000
- 2% for partner implementation (including Metro SAP), \$13,056,000
- 1% unallocated, \$6,528,000

Administrative funding was allocated equally between oversight/bond transaction costs and implementation costs. The funding for implementation was then allocated to partners: 10% to Metro for the Site Acquisition Program (SAP), 90% to partners by assessed property value as shown in the 2019 Work Plan. By applying that methodology to the unallocated administrative funding of \$12.7 million, Metro and its partners would receive:

	Additional Admin Funding	Oversight	Implementation
Beaverton	\$ 319,024		2.5%
Clackamas Co	\$ 1,190,306		9.4%
Gresham	\$ 274,116		2.2%
Hillsboro	\$ 416,518		3.3%
Home Forward	\$ 162,676		1.3%
Portland	\$ 2,162,200		17%
Washington Co	\$ 1,193,148		9.4%
Metro SAP	\$ 635,332		5.0%
Metro Oversight	\$ 6,353,319	50%	
Total	\$ 12,706,638	50%	50%

This would increase the administrative funding available to each jurisdiction by almost 50% and stay within the 5% cap of bond proceeds. Note that Portland did not use administrative funding allocated in the 2019 Work Plan for administrative costs; therefore, the revised total administrative funding for Portland is only the additional administrative funding allocated.

	2019 Work Plan Admin Funding	Additional Admin Funding	Revised Total Admin Funding
Beaverton	\$ 655,591	\$ 319,024	\$ 974,615
Clackamas Co	\$ 2,446,065	\$ 1,190,306	\$ 3,636,371
Gresham	\$ 563,305	\$ 274,116	\$ 837,421
Hillsboro	\$ 855,939	\$ 416,518	\$ 1,272,457
Home Forward	\$ 334,297	\$ 162,676	\$ 496,973
Portland	\$ 4,443,296	\$ 2,162,200	\$ 2,162,200
Washington Co	\$ 2,451,906	\$ 1,193,148	\$ 3,645,054
Metro SAP	\$ 1,305,600	\$ 635,332	\$ 1,940,932
Metro Oversight	\$ 13,056,000	\$ 6,353,319	\$ 19,409,319
Unallocated	\$ 6,528,000	\$ 0	\$ 0
Total	\$ 32,640,000	\$ 12,706,638	\$ 34,375,341

Additional administrative funding will support jurisdictional partners' ability to collect and report on project and program outcomes for advancing racial equity in the construction and leasing process. As part of the IGA amendments to allocate funding, Metro will evaluate opportunities to strengthen local commitments for reporting on established outcomes metrics for advancing racial equity, including workforce diversity tracking, which has been identified as a priority by the Metro Council and Housing Bond Oversight Committee. Only three jurisdictions committed to track and report on workforce diversity for all projects.

ACTION REQUESTED

Adopt Resolution No. 23-5314, amending the Affordable Housing Bond Work Plan to allocate \$12,706,638 in unallocated administrative bond funds equally between oversight/bond transaction costs and implementation costs, with implementation costs further allocated: 10% to Metro for the Site Acquisition Program (SAP) and 90% to partners by assessed property value as shown in the 2019 Work Plan, and to allow for future allocations of administrative funding using this methodology. The updated Work Plan Exhibit B also incorporates other changes to unit targets and funding within that original allocation based on assessed value, as agreed to with partners via IGAs, as well as formatting updates. Funding availability has also been updated to reflect affordable housing bond interest earnings, including funding allocated through approved IGA amendments as of February 2023.

IDENTIFIED POLICY OUTCOMES

This action allocates funding available for Affordable Housing Bond oversight and administrative work. This will allow Metro and its partners to continue their oversight and administrative duties given increasing costs and demands and to avoid potential reductions in administrative performance in future years.

POLICY OPTIONS FOR COUNCIL TO CONSIDER

- A. Adopt Resolution No. 23-5314 amending the Affordable Housing Bond Work Plan to allocate \$12,706,638 in unallocated administrative bond funds equally between oversight/bond transaction costs and implementation costs, with implementation costs further allocated: 10% to Metro for the Site Acquisition Program (SAP) and 90% to partners by assessed property value as shown in the 2019 Work Plan, and to allow for future allocations of administrative funding using this methodology.
- B. Council could direct staff to use a different methodology to allocate the unallocated administrative bond funds. Evaluation of alternative approaches would require additional time and would involve a high degree of political complexity given the number of jurisdictional partners.

- C. Council could choose to not allocate the unallocated administrative bond funds at this time. In order to maintain current service levels for oversight and administration in FY23-24, the Department would need to request approximately \$700,000 in General Fund support for Council consideration

STAFF RECOMMENDATIONS

Staff recommend adoption of Resolution No. 23-5314.

STRATEGIC CONTEXT & FRAMING COUNCIL DISCUSSION

The proposed Resolution amends the Work Plan previously approved and amended by the Metro Council through the following actions:

- Resolution 19-4956 approving the Metro Affordable Housing Bond Measure Program Work Plan
- Resolution 19-5015 amending the Metro Affordable Housing Bond Measure Program Work Plan

BACKGROUND

The Affordable Housing Bond is implemented by Metro in partnership with seven local implementing jurisdictions. Metro provides oversight and accountability, including staffing the oversight committee, providing quarterly and annual program reports, reviewing each project funding request, evaluating project outcomes for advancing racial equity, and convening partners and stakeholders to ensure consistency in funding evaluation and outcomes reporting and regional coordination to respond to emerging challenges and opportunities. Metro also administers the Site Acquisition Program, which acquires and supports the development of regionally significant sites, to contribute toward local program goals.

Local implementation partner jurisdictions are responsible for directly administering funding. Specifically, their administration responsibilities include developing and administering competitive funding solicitations to select projects that are aligned and contribute toward program production and racial equity goals, conducting due diligence and underwriting to determine appropriate funding amounts and support Metro funding approval review, monitoring construction collecting data from projects following completion, and providing annual progress reports.

ATTACHMENTS

- Attachment A: REVISION TO WORK PLAN ALLOCATION OF ADMINISTRATIVE FUNDING