

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 17-4782, FOR THE PURPOSE OF APPROVING POLICY AND INVESTMENT FRAMEWORK FOR THE 2040 PLANNING AND DEVELOPMENT GRANT PROGRAM FUNDED WITH CONSTRUCTION EXCISE TAX

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BACKGROUND

In 2006, Metro established a construction excise tax (CET) to generate revenue for providing grants to local governments for regional and local planning. The ordinance contained a sunset provision based on a maximum amount collected of \$6.3 million, and the maximum amount was reached in 2009. In 2009 the Metro Council extended the CET for an additional five year period.

In 2014, the Metro Council adopted Ordinance No. 14-1328, which extended the CET through December 2020 and directed the Chief Operating Officer (COO) to seek direction from the Metro Council prior to revising the Administrative Rules for implementation of the CET and the Community Planning and Development Grants (CPDG). In 2015, the Metro Council adopted a resolution approving the Metro COO's amendments to the Administrative Rules.

As part of the resolution approving the Cycle 4 grants in 2015, the Metro Council directed the COO and staff to return to the Council with a proposal regarding possible uses of unallocated CET revenue from Cycle 4. In response to the Metro Council's directive, the COO and Metro staff developed the Equitable Housing Planning and Development Grant Program as a subset of the CPDG program using unallocated Cycle 4 CET revenue to support local implementation of projects that eliminate barriers to construction of affordable housing across the region.

The Metro Council accepted the COO's recommendation to create the Equitable Housing Planning and Development Grant Program with an initial budget of \$500,000 for a first round of grants, consisting of the \$230,000 in unallocated Cycle 4 revenue, plus an additional \$270,000 of CET revenue. Part way through the grant application process, Multnomah County relinquished a \$75,000 grant awarded during Cycle 4, which was for the purpose of planning and developing a homeless shelter, thus increasing the potential pool of available funding. On December 1, 2016 the Metro Council adopted Resolution No. 16-4753, which awarded approximately \$575,000 in Equitable Housing Planning and Development grants.

Program and Process Improvements

At the outset of the next grant cycle slated for the fiscal year 2017-2018 ("Cycle 5"), the Metro COO and staff have considered how the CPDG and Equitable Housing Planning and Development Grant programs have evolved and what revisions and approaches could help the planning and development grant program to be more effective in the upcoming grant cycle and future cycles. The following program and process improvements are envisioned:

- Change the CPDG program name to 2040 Planning and Development Grants to emphasize the program's connection to implementing the region's 2040 Growth Concept, to incorporate both the CPDG and the Equitable Housing Planning and Development Grant programs under one umbrella, and to reduce confusion with the federal government's Community Development Block Grant (CDBG) program acronym.
- Move to annual grant cycles and one application process for all grant types
- Utilize ZoomGrants software to facilitate submission of applications and ongoing grant administration
- Provide sample project scope elements as part of application materials to assist with project development
- Provide optional pre-application conferences to discuss application and proposed project approach with Metro staff
- Issue a flexible services procurement to establish a qualified list of consultants from which local jurisdictions can select under Oregon's cooperative procurement statutes (jurisdictions may still initiate their own procurement process if desired)

Proposed Policy and Investment Emphasis for Cycle 5

In order to most effectively address barriers to development and to accomplish the 2040 Growth Concept, Metro Council has established a policy emphasis in previous grant cycles to help align grant program with current trends and issues affecting development in our region. Our region continues to have a crisis in housing supply as growth continues, especially for low income residents. Multiple tools, strategies, and approaches are needed across the region to provide more equitable housing. Complementary strategies for employment growth, redevelopment, and land readiness are also important to address other current regional growth and development issues. The proposed policy and investment emphasis for the current cycle is as follows:

- 25% of grant funds will be targeted for concept planning or comprehensive planning projects in Urban Reserves or areas brought into UGB since 2009
- 50% of funds will be targeted for projects to facilitate development within the Urban Growth Boundary that have a strong emphasis on serving historically marginalized communities and/or equitable housing
- 25% of funds will be targeted for projects to facilitate development in centers, corridors, station areas, and employment areas
- In the event that there are not sufficient strong applications in any target area, grant funds may be allocated to other types of applications.

The explicit equitable development emphasis for grant investments will encourage cities and counties to prioritize project applications that specifically address development inequities and affordable housing issues in their communities. It should be noted that every application for funding under the 2040 Planning and Development grant program must demonstrate how it will effectively meet all of the grant evaluation

criteria and significantly advance regional policies and goals in order to be successful. Evaluation of applications within the proposed funding target category for equitable development will simply give first consideration for that portion of funding to applications with a primary or particularly strong equity emphasis (projects serving historically marginalized communities or advancing development of equitable housing.) Likewise, applications not specifically seeking consideration under the equitable development category will still have to describe how they are meeting the region's equity goals, as every application is required to explain how they are in alignment with the region's six desired outcomes.

In evaluating the grant applications, the screening committee will first review applications that seek consideration under the equitable development category; those that do not have a sufficiently strong equitable development emphasis to merit funding in that category will be then be added to the general pool of applications for projects in centers, corridors, station areas and employment areas, and evaluated alongside those applications based on their relative overall merits. The screening committee, the COO, and the Council will ultimately need to bring their own professional judgment and common sense to applying the criteria, allocating resources from each funding target and determining what projects best meet all criteria, including regional policy priorities and equitable development objectives, and therefore warrant funding. The 2040 Planning and Development Grants application handbook will address the above nuances and provide adequate clarification for applicants.

It should be noted that given the timing of this grant cycle and the current Growth Management cycle, staff believe that very few, if any, applications for planning projects in urban reserves will be received this year, so it is likely that a significant portion of funds will not be awarded and would thus be available to fund planning projects within the Urban Growth Boundary.

Prior to initiating the application process for future grant Cycles 6, 7, and 8, staff will report back to the Council regarding the nature of applications received and grants awarded in Cycle 5. At that time, Council will have the opportunity to consider the appropriate policy and investment emphasis for the upcoming grant cycle and establish funding targets accordingly.

Proposed 2017 Administrative Rule Revisions

In order to enhance the clarity of program guidelines and eligible project types, and to align the administrative rules developed in 2015 with the current recommended process improvements, certain provisions of the administrative rules required further revision. The Metro COO has approved revised rules (Exhibit A to the resolution) to be used to guide this cycle and future grant cycles of the 2040 Planning and Development Grant program. A table describing the rule revisions section by section is provided in Attachment C to this staff report, but the significant changes can be summarized as follows:

- Added new section to clarify the range of acceptable planning project types that are eligible for grant funds
- Consolidated and refined Grant Evaluation Criteria into one page of clearly stated criteria that can be applied to all types of eligible projects (previously 4 pages).
- Removed some specificity regarding application paper flow and procedures to allow for continual improvement from cycle to cycle without requiring additional formal revisions of rules
- Grant awards will be conditional upon COO final approval of the project team, including all project consultants; project IGA's will not be finalized by the COO until consultant teams,

work scopes, contracts and project schedules are fully defined in cooperation with the jurisdiction grantee. (This should enhance Metro staff's ability to ensure that specific consultant teams and scopes are appropriate to achieve proposed project outcomes; it should also reduce number of IGA revisions necessary.)

Exhibit A to the resolution (also Attachment 1 to this staff report) includes revisions to sections IV.C.6. and IV.E.2. of the Administrative Rules, which were made in response to Councilor questions at the March 21 Work Session. These changes include providing more definition of the term "equitable housing" and further clarification of how applications need to address regional policy goals, and the relation of the program to achieving the goals in the Urban Growth Management Functional Plan, the Regional Framework Plan, and the six desired outcomes.

Additional Clarifications on Items Discussed at March 21 Council Work Session

To ensure that the proposed policy and investment framework (including both the Administrative Rule revisions and proposed funding targets) is clear, staff would like to provide the following further explanation with regard to specific items discussed at the March 21st work session:

How do the program changes and administrative rule revisions proposed by staff address program issues raised by the Metro Auditor?

Among the issues raised by the Metro Auditor in the February 2016 Audit of the Community Planning and Development Grants program were the program's perceived lack of alignment with regional planning goals and lack of clarity regarding what the program was designed to accomplish. The revisions to the grant evaluation criteria, as well as the new section of the Administrative Rules specifically outlining the types of projects that are considered eligible, provide further clarification and focus on these aspects of the program. The revised criteria are significantly more concise than they were previously, simplifying 4 pages of criteria into one page. Staff believes that the simplification and increased clarity of the criteria and variety of eligible project types will make it easier for applicants to understand how to shape their projects and grant proposals to best meet the criteria and support regional planning and development goals. Other recommended changes, such as the process to refine scopes prior to executing an IGA will also help to address some of the auditor's findings regarding multiple revisions to project timelines and administrative details of the IGAs.

What is the purpose of having the proposed funding target for equitable development projects? Won't this just place additional limits and create a risk that strong projects that are not focused on equitable development will not be funded? Wouldn't it be better to just let applications compete on their own merits?

Emphasizing equitable development (serving the needs of historically marginalized communities or advancing the development of equitable housing) through the proposed funding targets is a way to highlight the Metro Council's policy priority to reduce inequities in our region, and encourage cities and counties to consider projects that would advance equitable development in their communities. All applications will be held to a high standard for meeting all of the evaluation criteria. It is true that a strong project that has a particular focus on equitable development will have a better chance of receiving a grant award in this cycle than a strong project that does not have an equitable development emphasis but may meet other important policy objectives such as addressing the threat of climate change.

With the proposed policy emphasis that 50% of funds are targeted for proposals that specifically address historically marginalized communities or advance equitable housing development does that mean that the value of equity is not important or required or emphasized in all project applications?

No. As explained above on page 3, all applications are required to address all grant request evaluation criteria. One of the evaluation criteria that the application “Advances and complements regional goals and policies” including the six desired outcomes in the Regional Framework Plan. Given that one of the six desired outcomes is that “the burdens and benefits of growth and change are distributed equitably,” all applications will need to address the issue of equitable development in some way.

In recruiting and appointing members of this year’s 2040 Planning and Development Grant Screening Committee, the COO and staff will also be making a concerted effort to ensure that diverse perspectives are represented on the committee and will include members who not only bring an understanding of community planning and development issues, but also awareness and knowledge of how to most effectively incorporate and address equity considerations.

The proposed Administrative Rule changes Section provides the Metro COO with the authority make future additions or changes to the eligible project types. Why is this provision included? Shouldn’t there be a touchback with Council on such changes?

This provision was included in the revisions to the Administrative rules to clearly authorize the COO and staff to make continual improvements to the program in a streamlined manner, focusing limited staff time to most efficiently and successfully administer the program. Minor future adjustments to the administration and administrative rules of this program may not warrant the extensive staff time, as well as Metro Council time, that is required by the formal legislative process. Under Metro Code, the COO has the full authority to determine the administrative rules for the program, and formal approval of the Council is not required. The COO and the Council President will apply their judgment in determining whether future adjustments rise to the level of policy change that warrants a touchback with the Council or formal legislative action.

What is the relationship of these grants to the urban growth management functional plan? There is no longer an explicit connection in the administrative rules.

As indicated above at the top of page 4, the Grant Request Evaluation Criteria (Section IV.E.2). of the proposed administrative rules have been further revised to more clearly make the connection between the grant program and regional goals and policies, the Urban Growth Management Functional Plan and the Regional Framework plan which establishes the six desired outcomes.

ANALYSIS/INFORMATION

1. Known Opposition

There is no known opposition to the proposed legislation. Staff briefed key stakeholders and MPAC regarding the suggested program and process improvements and the proposed policy emphasis for Cycle 5 and no opposition was expressed.

2. Legal Antecedents

- Metro Ordinance 06-115 (“2006 CET Ordinance) established the construction excise tax
- Metro Ordinance 09-1220 extended the CET for an additional five year period (through September 2014).
- Metro Ordinance 14-1328 extended the CET for an additional five year period (through December 2020) and directed the Metro COO to propose amendments to the existing administrative rules.
- Metro resolution 15-4595 approved the Metro COO’s proposed amendments to the administrative rules
- Metro resolution 15-4640 directed the Metro COO’s to propose a possible use for unallocated funds in Cycle 4
- Metro resolution 16-4753 awarded approximately \$575,000 in Equitable Housing Planning and Development Grants

3. Anticipated Effects

Approval of the resolution will enhance the grant program by providing greater opportunity for applicants to apply for grants of any type in one annual grant cycle under the name “2040 Planning and Development Grants.” The resolution will clarify Metro Council’s desired policy and investment emphasis for grant funding in Cycle 5 to support equitable development by earmarking 50% of available funds and giving first consideration to qualified projects inside the UGB with a strong emphasis on serving historically marginalized communities and/or equitable housing. The resolution will also provide a clear policy and administrative framework for the program as set forth in the 2017 Revised Administrative Rules.

4. Budget Impacts

The shift to annual grant cycles will change the pace at which CET funds are disbursed, but the overall funding is not anticipated to change as a reduced quantity of funding will be disbursed with each cycle. Exact funding for any grant round is subject to the projected excise tax revenues collected. The proposed shift to annual grant cycles, combined with the proposed process improvements, is intended to help streamline administrative aspects and operational efficiency of the program, while increasing access to grant opportunities by potential applicants.

5. Attachments

Attachment 1: 2017 Revised Administrative Rules (clean version)
Attachment 2: 2017 Revised Administrative Rules (strikethrough version)
Attachment 3: 2015 Administrative Rules

RECOMMENDED ACTION

The Chief Operating Officer recommends adoption of the resolution to approve the policy and investment framework for “Cycle 5” of the 2040 Planning and Development Grant Program.