

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 18-4863, FOR THE PURPOSE OF APPROVING POLICY AND INVESTMENT FRAMEWORK FOR CYCLE 6 OF THE 2040 PLANNING AND DEVELOPMENT GRANT PROGRAM

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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 would eliminate barriers to construction of affordable housing across the region. On December 1, 2016 the Metro Council adopted Resolution No. 16- 4753, which awarded approximately \$575,000 in Equitable Housing Planning and Development grants.

In February, 2016 the Metro Auditor conducted a review the Community Planning and Development Grant program and made recommendations for improvements. At the outset of the next grant cycle ("Cycle 5") slated for 2017, the COO and staff gave additional consideration to how the CPDG and Equitable Housing Planning and Development Grant programs evolved, and what could make the programs more effective. On April 6, 2017 the Council approved Resolution 17-4782, authorizing additional administrative rule changes and program adjustments. The program switched to an annual grant award cycle and one application process for all grant types. The CPDG program name was also changed to 2040 Planning and Development Grants. The program began to utilize the ZoomGrants software, and revised other application procedures to be more user-friendly and better assist applicants with grant project development. Additionally, to help address the region's continuing housing crisis, especially for people of color and low-income residents, Resolution 17-4782 also established an investment emphasis for Cycle 5, targeting 50% of the grant funds in the cycle to fund equitable development projects.

On June 30, 2017, Metro received 18 complete applications requesting \$3.7 million in grant funding. Fourteen of the applications requested consideration in the equitable development funding category. In October, 2017 the Metro Council passed Resolution 17-4846 awarding \$1.99 million in grant funds to 9 projects; \$984,000 or 49.5% of available grant funds were awarded to projects that had a strong emphasis on equitable development.

Proposed Continuation of Equitable Development Investment Emphasis for Cycle 6

As part of the Strategy to Advance Racial Equity, Diversity and Inclusion adopted by Metro Council in Resolution No. 16-4708 on June 23, 2016, the Planning and Development Department has been reviewing programs and policies to identify improvements that could to help advance racial equity throughout the region. Our region continues to have an affordable housing crisis that disproportionately affects people of color, and multiple tools, strategies, and approaches are needed across the region to promote equitable development. Metro staff therefore recommend that the Council renew approval for the equitable development investment emphasis for Cycle 6 grants 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 allocated funds will be targeted for qualified projects that will facilitate implementation of equitable development projects inside the UGB, which may include but are not limited to:
 - Planning or pre-development work for equitable housing (diverse, physically accessible, affordable housing choices with access to opportunities, services, and amenities);
 - Planning or pre-development work for projects that will advance quality of life outcomes for communities of color, such as quality education, living wage employment, healthy environments, and transportation;
 - Facilitation of development-related efforts in partnership with a community organization whose primary mission is to serve communities of color;
 - Planning or pre-development for projects that will serve a specific neighborhood or geography with a high percentage of residents that are people of color;
 - Planning for public and private developments, investments, programs and policies that will be enacted to meet the needs of communities of color and reduce racial disparities, taking into account past history and current conditions.
- 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 continue to encourage cities and counties to prioritize project applications that specifically address racial inequities and affordable housing challenges in their communities. Metro staff will 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 within the UGB, 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.

Proposed 2018 Administrative Rule Revisions

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. The changes can be summarized as follows:

- Under Section IV.A, updated item 5 to reflect the results of Cycle 5, updated item 6, to reflect the investment targets proposed in this resolution, and updated items 7 and 8 to indicate that investment targets for those cycles will be determined prior to initiation.
- Under Section IV. C, Range of Eligible Grant Project types, added base requirement for eligibility such that all projects must help to advance established regional policies as expressed in the 2040 Growth Concept, the Urban Growth Management Functional Plan, and the six Desired Outcomes stated in the Regional Framework plan (this was previously a grant evaluation criterion under section E.)
- Under Section IV.E, Grant Evaluation Criteria, changed criterion number 2 “Advances and complements regional goals and policies” to focus on racial equity.
- Under section IV.G, revised and clarified the process steps for executing inter-governmental agreements for grant projects.

Additional administrative measures to advance racial equity

In addition to the equitable development investment target and the proposed revision of the grant evaluation criteria to specifically include a criterion addressing racial equity, staff will continue to integrate other equity-focused measures into the 2040 Grant program by:

- Ensuring that diverse perspectives are represented on the Grants Screening Committee;
- Providing training for all applicants and grantees on racial equity
- Ensuring that all grant recipients incorporate best practices for public involvement as they implement their grant projects
- Requiring that Requests for Proposals for grant project consultants incorporate racial equity into the evaluation criteria.

ANALYSIS/INFORMATION

1. Known Opposition

It is possible that there may be opposition to some of the proposed program adjustments, but all recommended changes are in alignment with Metro's stated policies and goals.

2. Legal Antecedents

- Metro Ordinance 06-1115 ("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
- Metro resolution 17-4782 revised administrative rules and set the investment targets to promote equitable development
- Metro resolution 17-4846 awarded \$1.99 million in 2040 Planning and Development Grants, of which \$984,000 (49.5%) was awarded to equitable development projects.

3. Anticipated Effects

Approval of the resolution will continue Metro Council's policy and investment emphasis for grant funding 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 2018 Revised Administrative Rules.

4. Budget Impacts

Exact funding levels for any grant cycle is subject to the projected excise tax revenues collected. Staff time for program implementation is included in the Planning and Development Department budget.

5. Attachments

Attachment 1: 2018 Revised Administrative Rules (clean version)

Attachment 2: 2018 Revised Administrative Rules (strikethrough version)

RECOMMENDED ACTION

The Chief Operating Officer recommends adoption of the resolution to approve the policy and investment framework for "Cycle 6" of the 2040 Planning and Development Grant Program.