

STAFF REPORT

IN CONSIDERATION OF RESOLUTION NO. 19-5002, FOR THE PURPOSE OF APPROVING FY 2019-20 FUNDING FOR 2040 PLANNING AND DEVELOPMENT GRANTS FUNDED WITH CONSTRUCTION EXCISE TAX

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BACKGROUND

Metro's 2040 Planning and Development Grants program supports a range of local planning projects and activities. The grants help remove barriers to private investment in development, promote planning activity that makes land ready for development, and help to implement the Portland region's long term plan for livability, outlined in the 2040 Growth Concept. The program, formerly known as the Community Planning and Development Grants (CPDG) Program, has been in place since 2006. Prior grant cycles have awarded nearly \$24 million in funding to more than 100 projects across the region, as shown in the table below.

Grant funds are generated from a regional excise tax on construction permits issued within the Metro service district. The tax is assessed at 0.12 percent of the total value of the improvements for which a permit is sought. Permits valued below \$100,000 and those issued to 501(c)(3) nonprofits for affordable housing projects are exempt from the tax. Permits for construction valued at more than \$10 million are assessed a flat fee of \$12,000.

Grant Cycles	Project Type	Start Date	Total Grant Awards	Number of Projects
Cycle 1	Focused on concept planning for areas recently brought into UGB	FY 2006-2007	\$6.2 million	25
Cycle 2	Focused on community and economic development inside the UGB	FY 2009-2010	\$3.7 million	17
Cycle 3	Fund was intended for community and economic development inside the UGB with 50% for new urban areas and urban reserves.	FY 2013-14	\$4.5 million	19
Cycle 4	Fund intended for community and economic development inside the UGB and 25%-30% for new urban areas and urban reserves.	FY 2015-2016	\$4.7 million	16
Cycle 4EQH	Funds intended for equitable housing planning and development inside the UGB	FY2016-17	\$575,000	7
Cycle 5	Funds intended for equitable development projects (\$1 million), infill development projects within the UGB (\$500,000) and new urban area planning (\$500,000)	FY 2017-18	\$1.99 million	9
Cycle 6	Funds intended for equitable development projects (\$1 million), infill development projects within the UGB (\$500,000) and new urban area planning (\$500,000)	FY 2018-19	\$1.99 million	10
Approximate Total of Grant Dollars and Projects Awarded in Cycles 1-6			\$23.9 million	103

Legislative History

In 2006, Metro established the 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.

Originally conceived as a source of funding primarily for concept planning of land that had recently been brought into the urban growth boundary (UGB) in order to make it ready for development, the grant program has evolved over time to respond to changing local and regional development priorities. In subsequent grant cycles in 2010, 2013, and 2015, projects that removed barriers to infill development in existing urban areas already served by infrastructure were prioritized over planning of lands at the region's edge, where the lack of infrastructure had stalled development. Throughout these permutations, the central mission of the program has remained essentially consistent: to support planning and pre-development activities that remove barriers to development, make land ready for development, and help existing developed sites to be ready for redevelopment, in order to implement the region's long term plan for livability, outlined in the 2040 Growth Concept.

In 2016, in response to the Metro Council's directive to utilize unallocated funds left from the 2015 cycle 4 grants, the COO and staff developed the Equitable Housing Planning and Development Grant Program as a subset of the CPDG program 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. Also in 2016, the Metro Auditor conducted a review of the Community Planning and Development Grant program and made recommendations for improvements.

Responding both to the Metro Auditor's recommendations as well as evolving local priorities, the COO and staff gave additional consideration to how the Metro grants funded by CET revenues could be more effective in addressing regional challenges. At the outset of grant Cycle 5 in 2017 the Council approved Resolution 17-4782, authorizing additional program adjustments. Prioritization of CET funds to promote equity across the region was further reinforced as a key aspect of the grant program. Resolution 17-4782 established an investment emphasis targeting 50% of the grant funds in the cycle to fund equitable development projects. The program also 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 investment framework established for Grant Cycle 6 was similar to the framework for Cycle 5 as far as funding targets, but provided further description of the types of projects that could be eligible for consideration in the Equitable Development funding category.

On December 6, 2018, the Metro Council passed Ordinance 18-1425 which made revisions to Metro Code chapter 7.04. The most significant revisions were the removal of the December 2020 sunset

provision of the CET and the addition of language to expand the range of eligible grant recipients to include other entities besides local governments, provided that the proposed project is endorsed by a local government and in the public interest. Edits to four other subsections of the code were also included in order to more clearly reflect current program policies and facilitate program administration.

2019 Policy and Investment Emphasis

On November 29, 2018, the Metro Council approved Resolution 18-4916 which set the policy and investment emphasis for the 2019 grant cycle (Cycle 7) as follows:

The Metro Council hereby authorizes and directs the Metro COO and staff to initiate Cycle 7 of Metro's 2040 Planning and Development grants, and to award up to \$2.00 million of CET revenue to fund projects using the following policy and investment emphasis:

- a. One million dollars (\$1,000,000.00) 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 facilities and community investments that will advance quality of life outcomes for marginalized communities, including 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 or historically marginalized communities;
- b. Two hundred fifty thousand dollars (\$250,000.00) of allocated funds will be targeted to qualified projects that will facilitate development in centers, corridors, station areas, employment areas, or other locations within the UGB.
- c. Seven hundred fifty thousand dollars (\$750,000.00) of allocated funds will be targeted to qualified concept planning and comprehensive planning projects for urban reserves and new urban areas.
- d. In the event that there are insufficient qualified applications within any one funding target category, grant funds may be awarded to qualified applications in any other category.

In response to recommendations from the Grant Screening Committee that additional clarity was needed, the definition of Equitable Development projects was further refined in this resolution, as shown in section "a." above. The allocation of funding for New Urban Area Planning projects was increased by \$250,000 for this cycle due to an anticipated high demand for comprehensive planning funds by the four cities where the Council had recently approved growth boundary expansions. This comprehensive planning of the newly added areas is necessary to meet the requirements of Urban Growth Management Functional Plan Title 11, and the Council's decision included stipulations for

additional planning work to be completed by the cities. At the time that Resolution 18-4916 was adopted, members of the Council specifically requested that staff later advise the Council if it should become necessary to further increase the allocation of funds for New Urban Area Planning, based on the grant requests ultimately received in 2019.

Grant Application Process (2019/Cycle 7)

On February 8, 2019 the Cycle 7 Grant process was initiated and Metro began to accept draft Letters of Intent. In February and March, Metro staff conducted pre-application conferences with each applicant to provide feedback on their Letters of Intent (LOIs), and advice on how their grant proposals and full grant applications might be strengthened.

Metro received 13 LOIs from seven local governments and two private organizations by the March 22 deadline. Of these, 10 were approved to submit full applications; one was declined by staff because it did not meet the program eligibility thresholds and guidelines, the other two government applicants elected not to move forward with their applications.

Metro ultimately received a total of 10 full applications from 5 local governments and one private entity by the April 19, 2019 deadline. Six proposals requesting a total of \$1,859,000 applied for consideration in the Equitable Development category, one proposal requesting a total of \$250,000 applied for consideration in the Development within the UGB category, and three proposals requesting a total of \$1,343,000 applied for consideration in the New Urban Area Planning category.

Grant Application Review and Recommendations

The nine members of the 2040 Planning and Development Grant Screening Committee appointed by the Metro Chief Operating Officer (COO) in accordance with the program's Administrative Rules met in May and again in June to consider the relative merits of the various applications. At the conclusion of their June deliberations, the members of the committee came to a decision, recommending to the Interim COO that 7 projects be awarded a combined total of \$2,428,000 in grant funding. The committee recommendation exceeds the funding level designated for this round by \$428,000. Metro staff had indicated to the committee that due to cancellation of two grants from prior rounds, an additional sum of \$415,000 could be available to award in this grant cycle if appropriate.

Committee Chair Damien Hall submitted a summary of the 2040 Grant Screening Committee's recommendations to Interim COO Andrew Scott on June 24, 2019 (Attachment 1 to Exhibit A to Resolution 19-5002). Andrew Scott has reviewed the Grant Screening Committee Recommendation, and has considered the committee's guidance along with the grant evaluation criteria set forth in the Administrative Rules, the policy and investment emphasis established by the Metro Council for the 2019 grants, and the grant applications submitted. The Interim COO has issued his recommendation to the Metro Council (Exhibit A to Resolution 19-5002) concurring that all seven of the projects recommended by the Grant Screening Committee be awarded funding at the levels proposed and with the contingencies noted by the Committee.

ANALYSIS/INFORMATION

1. Known Opposition

There is no known opposition to the proposed legislation, except potentially from any or all of the grant applicants whose proposals are not recommended for funding in this grant cycle.

2. Legal Antecedents

- Metro Ordinance 06-1115 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 changed the program name, approved revisions to administrative rules to allow annual grant cycles, refined grant evaluation criteria, incorporated new administrative procedures, and established the policy and investment emphasis for 2017 Grants
- Metro Resolution No. 18-4863 established policy and investment emphasis for 2018 Grants and approved adjustments to the grant evaluation criteria to require stronger alignment of grant proposals with Metro's commitment to promoting racial equity throughout the region
- Metro Resolution 18-4882 approved additional refinements to the Administrative Rules, providing for the creation of a technical assistance component of the program to facilitate successful implementation of 2040 Planning and Development Grants
- Metro Resolution 18-4916 established policy and investment emphasis for 2019 Grants
- Metro Ordinance 18-1425 removed the provision to sunset the CET in 2020, expanded eligibility to enable private entities to apply for grants and implemented additional refinements to four subsections of Metro Code Chapter 7.04

3. Anticipated Effects

This resolution designates 2040 Planning and Development Grant Awards to be funded with Construction Excise Tax, subject to receipt of construction excise tax funds. The projects have proposed timelines of approximately 12 to 39 months.

4. Budget Impacts

The FY 2019-20 budget includes resources for staff in the Planning and Development Department to begin work in administering the proposed funds. Exact funding for any grant round is subject to the projected excise tax revenues collected.

5. Attachments

Attachment 1: Summary Table of all 2040 Planning and Development Grant Applications Received for 2019

RECOMMENDED ACTION

The Interim Chief Operating Officer recommends adoption of the resolution to approve the 2040 Planning and Development Grant Program awards (2019/Cycle 7) as described in Exhibit A to the resolution.