

 **Metro** | *Agenda*

MEETING: METRO COUNCIL WORK SESSION
DATE: February 2, 2010
DAY: Tuesday
TIME: 1:00 PM
PLACE: Metro Council Chamber

CALL TO ORDER AND ROLL CALL

- | | | | |
|----------------|-----------|---|------------------|
| 1:00 PM | 1. | DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING,
[FEBRUARY 4, 2010]/ADMINISTRATIVE/CHIEF OPERATING
OFFICER COMMUNICATIONS | |
| 1:15 PM | 2. | NATURAL AREAS AUDIT FOLLOW-UP | Flynn |
| 1:30 PM | 3. | DEVELOPMENT OF FY 2010-11 BUDGET | Jordan/Rutkowski |
| 2:30PM | 4. | BREAK | |
| 2:35PM | 5. | AFFORDABLE HOUSING:
ISSUE AND ORDINANCE DISCUSSIONS | Liberty/Staff |
| 3:20PM | 6. | RESERVES DISCUSSION:
DIRECTION TO CORE 4 REPRESENTATIVE | Harrington/Staff |
| 3:50 PM | 7. | COUNCIL BRIEFINGS/COMMUNICATION | |

ADJOURN

Agenda Item Number 2.0

**NATURAL AREAS AUDIT
FOLLOW-UP**

SUZANNE FLYNN, METRO
AUDITOR

Metro Council Work Session
Tuesday, February 2, 2010
Metro Council Chamber



Office of the Metro Auditor News Release

600 NE Grand Avenue
Portland, Oregon 97232

January 27, 2010

Contact: Suzanne Flynn, Metro Auditor (503) 797-1891
suzanne.flynn@oregonmetro.gov

Metro Auditor Notes Good Progress on Natural Areas Recommendations

The Office of the Metro Auditor released an audit today that followed up on the 2007 audit, *Natural Areas Program: Improved Transparency Recommended*. The purpose of this audit was to determine if Metro had implemented the eight recommendations.

The objective of the previous audit was to determine if the Program had processes in place to ensure transparency and accountability. It addressed three underlying issues: 1) whether decision-making was transparent, 2) if the Program was monitoring results, and 3) whether the Natural Areas Program Performance Oversight Committee was structured to be effective.

The audit commends Program staff's efforts in addressing the audit recommendations. "Of the eight recommendations, seven have been implemented to the auditor's satisfaction and the Program is working on the eighth," Metro Auditor Suzanne Flynn said. The Audit noted that the Program had developed performance measures that were complete, balanced and useful. The Program improved communication to the public and developed a strategy to capture lessons learned. "As Metro acquires more and more acreage, costs for maintaining and restoring the property will increase." Regarding the remaining recommendation, Auditor Flynn said. "The Program has started to gather information to estimate these costs, but more work needs to be done."

The audit is available on the Metro website at www.oregonmetro.gov/auditor. Copies of the audit may also be obtained by calling the Office of the Metro Auditor at 503-797-1892. The Metro Auditor will present the results at the Metro Council Work Session on February 2 at 1:15 pm.

~



METRO

Office of the Auditor

NATURAL AREAS AUDIT FOLLOW-UP

Natural Areas Program: Good progress made

Kristin Lieber

Senior Management Auditor

January 27, 2010

SUMMARY

The Metro Auditor's Office assessed Metro's implementation of recommendations from the **2007 audit "Natural Areas Program: Improved transparency recommended."** We found Metro has done a good job in establishing systems to make operations transparent and accountable. Recommendations from the audit have been implemented or are in process.

We performed this follow-up audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SUZANNE FLYNN

Metro Auditor

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Portland, OR 97232

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fax: 503-797-1831

www.oregonmetro.gov/auditor

BACKGROUND

Three years have passed since voters approved the 2006 Natural Areas bond measure, providing \$227.4 million to acquire natural area land. In October 2007, the Auditor's Office assessed whether Metro was prepared to effectively manage land purchases. The Auditor issued a report "Natural Areas Program: Improved transparency recommended." The audit found that new performance measures would assist oversight and management of the Program, communication could be improved and lessons learned should be preserved to help improve operations.

SCOPE AND METHODOLOGY

We followed up on the audit's eight recommendations to gauge progress made since the report was issued. In addition, we looked at three underlying issues in the 2007 report that could be better assessed now that the Program had been operating for several years. These underlying issues were: 1) whether decision-making was transparent, 2) if the program was monitoring results, and 3) whether the Natural Areas Program Performance Oversight Committee was structured to be effective.

To accomplish this, we conducted interviews with management and surveyed oversight committee members. Program staff provided extensive documentation of their work to address the recommendations. We examined computerized data and conducted tests of data reliability. We reviewed management reports, closing memos, planning documents and the annual report of the Natural Areas Program Performance Oversight Committee published in 2008.

RESULTS

We found that the Natural Areas Program had implemented or was in the process of implementing the 2007 audit recommendations. We determined the Program was making appropriate progress toward establishing systems to ensure accountability and transparency. Steps taken by management to address recommendations are summarized below. We commend the efforts of the Natural Areas Program in responding to the audit.

PERFORMANCE MEASURES

The audit recommended creating a more complete system of performance measures. The Program made extensive improvements in this area. We found the performance measurement system was complete, balanced and useful. Specific improvements included:

- The Program added further credibility to its purchase decisions by evaluating new acquisitions against a set of pre-determined quantitative measures. This will help disarm potential criticism that measures or indicators were selectively chosen to justify decisions after the fact.
- The performance measurement system was complete and addressed the Program's major goals and objectives. It provided a balance of input, output, outcome and accountability measures. Data was collected consistently and could be summarized and analyzed.
- Data systems were expanded to capture additional performance information. The Program linked performance data to a geographic information system (GIS) to allow it to capture, store, analyze and present data linked to location.
- Progress was underway in estimating the projected future cost of ongoing operations to provide greater visibility of future expenditure needs.

In the 2007 report, we noted that the Program's goals can conflict with each other. For example, increasing public access to an area reduces its value for wildlife habitat. We found there was a sense that making acquisitions in some areas was more pressing than others, however, the relative importance between target areas was not documented. We recommended explicitly prioritizing between goals. Management elected not to implement this recommendation. External factors affected whether there was more or less activity in one area because purchases were made only from willing sellers. We accepted this reasoning. We believe the Program's new tools provided transparency regarding priorities and whether money was spent as intended.

COMMUNICATION

The audit recommended improved communication planning in order to provide more clarity and openness about activities. We found the Program was approaching communication more strategically and had implemented this recommendation by:

- creating communication plans with annual calendars, messages, and target audiences.
- allocating money in the budget for regular communication campaigns.
- evaluating the effectiveness of communication with the oversight committee.

We also recommended the Program evaluate public involvement with input from the Metro Committee of Citizen Involvement (MCCI). While the Program had not formally sought feedback from the MCCI since the 2007 audit, we found it had substantively met this recommendation. It presented the results of public involvement activities to the MCCI and sought feedback on communication and outreach strategies from the Natural Areas Program Performance Oversight Committee.

LESSONS LEARNED

The 2007 audit recommended developing a strategy to capture important information from employees and store lessons learned. The Program implemented this recommendation. Improvements included:

- Staff developed several documents summarizing lessons learned from the capital grant program, land acquisition process, communication, and administration.
- Negotiators maintained ongoing records of observations about the purchasing and negotiation process.
- Staff evaluated and documented what worked well and what did not work during the early stages of the Program.

OVERSIGHT COMMITTEE

While we made no recommendations in the 2007 audit regarding the oversight committee, we assessed the committee's structure during this follow-up audit because of its important role in accountability and transparency. We conducted a survey of committee members. According to the responses, committee members agreed or strongly agreed the committee had the following:

- a clear delineation of responsibilities,
- access to relevant information,
- sufficient resources,
- adequate size,
- and appropriate member expertise.

AREAS NEEDING FURTHER ATTENTION

With the acquisition of thousands of acres of additional land, the cost of maintaining and restoring this property will increase. The Program had begun to gather data necessary to estimate this cost. It should continue work to provide greater clarity of likely projected costs.

Isolating and estimating the long term impact of the Program remains a challenging endeavor. We encourage the Program to develop performance measures to determine if acquisition and restoration activities are having the anticipated results.

While the Program was being more strategic about communication, we found it continued to report primarily about single purchases

rather than provide a region-wide picture. Management stated it intends to communicate about the impact of the larger program in the coming year, and we encourage moving in this direction.

Staff entered performance data manually into several different computer-based systems. We conducted limited testing of data reliability and found improvements could be made to ensure the data is accurate and consistent. The Program was in the process of hiring a contractor to improve data storage, management and reporting. We encourage continuing to move forward on efforts to integrate data management to eliminate unnecessary duplication of data entry and improve data reliability.

STATUS OF METRO AUDITOR RECOMMENDATIONS

2007 Recommendations	Status
Develop performance measures in each Program goal area (conservation, water quality and public access) and accountability measures, and collect data on these measures on a regular basis.	IMPLEMENTED
Include as accountability measures the future cost of operations and maintenance, monitor easements and staffing subsidized by the general fund.	<p>IN PROCESS</p> <p>The Program was developing a system to estimate future operating costs, but this system was not complete. It tracked staffing. It had developed capacity to monitor easements and had recently purchased its first one.</p>
Expand the property acquisition database to include consistent measures of the quality of acquired properties.	IMPLEMENTED
Develop a process to capture consistent information in closing memos and the Acquisition Summary Form.	IMPLEMENTED
Prioritize Program goals and link reports to these goals.	<p>IMPLEMENTED</p> <p>Reports were linked to goals, but the Program elected not to prioritize between goals. We accept the reasoning behind the decision.</p>
Evaluate public involvement in the Program with input from the Metro Committee for Citizen Involvement.	<p>IMPLEMENTED</p> <p>The Program evaluated involvement with the oversight committee rather than MCCI. We find the Program has met the intent of the recommendation.</p>
<p>The Program should develop a communication strategy that considers:</p> <ul style="list-style-type: none"> • periodic, such as annual, accountability and progress reporting; • opportunities to use partner communication vehicles for efficiencies; • ways to improve the Program website to make it a better resource for partners; • alignment between key messages and Program goals; • standards and instructions for signing property; • communication to internal and external audiences about ethics; • estimated resources required to carry out the communication strategy; • periodic evaluation of whether the strategy is reaching its target audiences and meeting its communication goals. 	IMPLEMENTED
The Program should develop a more formal knowledge management strategy to capture and document information held by key staff members, including lessons learned from the 1995 Program.	IMPLEMENTED



Metro | *People places. Open spaces.*

January 7, 2010

Suzanne Flynn
Metro Auditor
600 NE Grand Avenue
Portland, OR 97232

Dear Auditor Flynn:

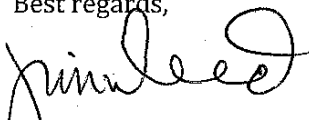
We have reviewed the Natural Areas Audit Follow-up report. Thank you for your acknowledgement of staff's efforts to implement the recommendations of the Auditor and of the Natural Area Citizens Oversight Committee. Both outside perspectives have challenged program staff to develop systems and procedures to ensure program transparency and accountability, and the recognition of those systems in this report is appreciated.

The one recommendation from your office's prior report that you are not showing as implemented is accounting for the future cost of operations and maintenance. This is a challenging task with many variables, but as mentioned in the report, we are making progress on a system to track the information we need to make cost projections. The availability of this information to provide decision-makers with background for budget and long term planning purposes is critical, and we are making every effort to improve our methods and ensure a consistent, documented approach for the future. This is critical to fulfilling the promises made to the voters when they voted to tax themselves for water quality and wildlife habitat improvements.

Program staff will continue to work diligently to maintain these systems, and to adjust and improve them when we see the opportunity to do so. Many of these recommendations are dynamic in the sense that as we learn more about our work, we identify better ways to manage this information.

We thank you and your staff for your thoughtful and professional look at our program and systems.

Best regards,


Jim Desmond
Director
Sustainability Center

cc: Michael Jordan, Chief Operating Officer
Scott Robinson, Deputy Chief Operating Officer
Dan Cooper, Metro Attorney
Kathleen Brennan-Hunter, Natural Areas Program Director

Agenda Item Number 3.0

DEVELOPMENT OF FY 2010-11 BUDGET

PRESENTED BY MICHAEL JORDAN, COO & STAFF

Metro Council Work Session
Tuesday, February 2, 2010
Metro Council Chamber

Agenda Item Number 5.0

**AFFORDABLE HOUSING:
ISSUE AND ORDINANCE DISCUSSIONS**

INTRODUCED BY COUNCILOR LIBERTY
PRESENTED BY STAFF

Metro Council Work Session
Tuesday, February 2, 2010
Metro Council Chamber

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF DETERMINING THAT) ORDINANCE NO. 10-1231
PROVIDING FINANCIAL RESOURCES TO)
INCREASE THE SUPPLY OF AFFORDABLE)
HOUSING IS A MATTER OF METROPOLITAN) Introduced by Councilor Robert Liberty
CONCERN)

WHEREAS, Section 4 of the Metro Charter, entitled “Jurisdiction of Metro,” provides that, “Metro has jurisdiction over matters of metropolitan concern. Matters of metropolitan concern include the powers granted to and duties imposed on Metro by current and future state law and those matters the Council by ordinance determines to be of metropolitan concern. The Council shall specify by ordinance the extent to which Metro exercises jurisdiction over matters of metropolitan concern”; and

WHEREAS, Section 7 (1) of the Metro Charter, entitled “Assumption Ordinance,” provides that “The Council shall approve by ordinance the undertaking by Metro of any function not authorized by Sections 5 and 6 of this charter. The ordinance shall contain a finding that the function is of metropolitan concern and the reasons it is appropriate for Metro to undertake it”; and

WHEREAS, Fundamental 7 of the Metro Council’s Regional Framework Plan charges Metro to “Enable communities to provide diverse housing options for all residents by providing a mix of housing types as well as affordable housing in every jurisdiction”; and

WHEREAS, Chapter 1.3.1 Housing Choice of Metro’s Regional Framework Plan states that it is the policy of the Metro Council to encourage affordable housing opportunities in the Metro Area by addressing current and future supply of affordable housing production goals; and

WHEREAS, Title 7 Housing Choice of Metro Code Chapter 3.07 Urban Growth Management Functional Plan, Metro Code Section 3.07.750 Technical Assistance, encourages cities and counties to take advantage of the programs of technical and financial assistance provided by Metro to help achieve the goal; and

WHEREAS, on January 25, 2007, the Metro Council amended and adopted the Regional Framework Plan and the Metro Code, via Ordinance No. 06-1129B, which took effect on April 25, 2007 (“For the Purpose of Amending the Regional Framework Plan to Revise Metro Policies on Housing Choice and Affordable Housing and Amending Metro Code Sections 3.07.710 through 3.07.760 to Implement the New Policies”); and

WHEREAS, the Metro Council has acknowledged that continued and accelerated population growth is likely to negatively affect the availability and affordability of housing in the Metro Area, and that the lack of sufficient funding for affordable housing remains a major barrier to the production of affordable housing; and

WHEREAS, it is the Metro Council’s goal that the Metro Area grow and reinvest in ways that assure a high quality of life for residents of all incomes, races and ethnicity, including the development and preservation of housing affordable to families and individuals of modest means in mixed-use, walkable neighborhoods close to services and public transit; and

WHEREAS, on June 26, 2008, the Metro Council adopted Metro Resolution No. 08-3940 (“For the Purpose of Affirming a Definition of a “Successful Region” and Committing Metro to Work with Regional Partners to Identify Performance Indicators and Targets and to Develop a Decision-Making Process to Create Successful Communities”), establishing six defining measures of a successful region, one of which seeks to minimize geographic concentrations of poverty, by providing affordable housing choices in centers and corridors, such that the benefits and the burdens of growth and change are distributed equally; and

WHEREAS, at regular meetings on November 28, 2007 and February 13, 2008, MPAC [Metro Policy Advisory Committee] discussed Metro’s Housing Need Study, the Metro Region’s Affordable Housing Inventory, and the proposed \$10 million Regional Housing Choice Revolving Fund, which was later established by Metro Council ordinance adopting a June, 2008 budget amendment, and committing \$1 million in seed money from Metro limited duration funds, contingent on a \$9-19 million match from public, private, and charitable partners, and

WHEREAS, the national economic crisis and associated collapse of the housing boom made it impossible to complete the matching program needed to establish the Regional Housing Choice Revolving Fund; and

WHEREAS, on June 25, 2009, the Metro Council adopted the Metro FY 2009-10 budget via Resolution No. 09-1215B (“Adopting the Annual Budget for Fiscal Year 2009-10, Making Appropriations, Levying Ad Valorem Taxes, Authorizing an Interfund Loan and Declaring an Emergency”), and determined to use the remaining limited duration fund to provide regional funding for affordable housing, to accomplish some key objectives of the regional housing choice implementation strategy; and

WHEREAS, the Metro Council has identified \$850,000 of limited duration funds that is available for loans for a term up to five years that aid in the construction of ownership or rental housing for persons and families of below average incomes in the centers, corridors and station areas designated for growth in Metro’s 2040 Regional Framework Plan, with such available for uses such as pre-development work, land acquisition and construction; and

WHEREAS, in determining that providing regional funding for affordable housing is a matter of metropolitan concern, Metro will not exercise any authority to direct or regulate local government efforts to provide such funding, in order to avoid providing or regulating any existing service provided by local governments; and

WHEREAS, pursuant to Section 7(3) of the Metro Charter, “Assumption of Other Service Functions, the [Metro] Council shall seek the advice of the [Metro Policy Advisory Committee] MPAC before adopting an ordinance authorizing provision or regulation by Metro of a service, which is not a local government service”; and

WHEREAS, in accord with the provisions of the Metro Charter, MPAC’s advice has been sought for this ordinance, and MPAC advises approval; now therefore,

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. In accord with Section 4 of the Metro Charter, Metro Council finds that providing Metro funding for increasing the Metro Area’s supply of affordable housing is a function of metropolitan concern.

2. In accord with Section 7(1) of the Metro Charter, this finding is supported and justified by the legislation cited in the preceding recitals and by Metro Council's findings contained in the Regional Housing Choices Implementation Strategy report accepted by the Metro Council in March 2006, which recommended that Metro should direct effort towards development of new resources for affordable housing and advocate for increased funding at the Federal, State, and regional levels.

3. The Metro Council directs that Metro should not exercise any authority to direct or regulate local government efforts to provide such funding and therefore finds that Metro is not providing or regulating any existing service provided by local governments. In accord with Section 7(2) of the Metro Charter, Metro Council finds that this ordinance is therefore not subject to approval by either the Metro Policy Advisory Committee or the voters of the Metro Area.

4. In accord with Sections 4 and 7 of the Metro Charter, Metro Council hereby undertakes jurisdiction over increasing the Metro Area's supply of affordable housing, by utilizing Metro funds to provide short-term loans to assist in the development of additional affordable housing in the Metro Area.

ADOPTED by the Metro Council this _____ day of _____ 2010.

David Bragdon, Council President

Attest:

Approved as to Form:

Tony Andersen, Recording Secretary

Daniel B. Cooper, Metro Attorney

STAFF REPORT

Date: January 26, 2009

Prepared by: Kayla Mullis and Ina Zucker

813-7554; 797-1543

BACKGROUND

This ordinance declares affordable housing an issue of metropolitan concern, and authorizes Metro to spend funds to provide short-term loans to assist in the development of additional affordable housing in the Metro area.

The funds in question were approved when the Metro Council adopted the FY2009-10 budget which included the use of remaining limited duration funds to provide regional funding for affordable housing. Specifically the use of these funds was approved to accomplish key objectives of the Regional Housing Choice Implementation Strategy report, accepted by the Metro Council in March 2006, which recommended that Metro develop new resources for affordable housing and advocate for increased funding at federal, state and regional levels. The funds were originally part of \$1 million in seed money that the Metro Council approved for the FY2008-09 budget, and were contingent on finding matching fund of \$9-19 million from public, private and charitable partners. This was known as the Regional Housing Choice Revolving Fund. When the expected matching contributions were not forthcoming, the Metro Council approved use of \$850,000 of the original \$1 million to establish a revolving loan fund for affordable housing that will provide short-term loans for pre-development work, land acquisition and construction. This is now known as the Regional Housing Choice Revolving Loan Fund.

The Metro Council's decision to allocate these funds was rooted in a series of actions that recognize affordable housing supply as an important issue in the region and include:

- Fundamental 7 of the Metro Council's Regional Framework Plan which charges Metro to "enable communities to provide diverse housing options for all residents by providing a mix of housing types as well as affordable housing."
- Chapter 1.3.1 of the Regional Framework Plan which states that it is the policy of the Metro Council to encourage affordable housing opportunities by addressing current and future supply of affordable housing production goals.
- Resolution No. 08-3940, adopted by the Metro Council in June 2008, which established six defining measures of a successful region, one of which seeks to minimize geographic concentrations of poverty by providing affordable housing choices in centers and corridors in order to equitably distribute the benefits and burdens of growth and change.
- Title 7 of the Urban Growth Management Functional Plan, codified to be part of the Metro code in 2007, entitled Housing Choice which establishes voluntary affordable housing production goals to be adopted by local governments, and encourages cities and counties to take advantage of Metro programs to help "achieve the goal of increased production and preservation of housing choices and affordable housing."

Ordinance No. 10-1231 will officially recognize affordable housing as a matter of metropolitan concern, and directs the Metro Council to undertake jurisdiction over increasing the Metro area's supply of affordable housing by utilizing Metro funds to provide short-term loans to assist in developing affordable housing.

ANALYSIS/INFORMATION

1. **Known Opposition:** None known.
2. **Legal Antecedents:** Sections 4 and 7 of the Metro Charter provide that Metro has jurisdiction over "matters of metropolitan concern," including those matters the Council determines to be of metropolitan concern by ordinance. Such an ordinance shall contain a finding that a function is of metropolitan concern and the reasons for which it is appropriate to be undertaken by Metro. As outlined above, the Metro Council has approved legislation supporting affordable housing in accepting the Regional Housing Choices Implementation Strategy report in March 2006, including Fundamental 7 and chapter 1.3 in the Metro Council's Regional Framework Plan, amending the Regional Framework Plan by adopting Title 7 on Housing Choice by ordinance in 2007, by adopting six defining measures of a successful region in 2008 and including a measure that focuses on affordable housing, and by approving the Regional Housing Choice Revolving Fund in the FY 2008-09 budget.
3. **Anticipated Effects:** The Metro Council will undertake jurisdiction over increasing the Metro area's supply of affordable housing by utilizing Metro funds to provide short-term loans to assist in the development of additional affordable housing in the Metro area.
4. **Budget Impacts:** Future revenues and expenditures associated with the implementation of a short-term loan program to assist in development of affordable housing will be determined as part of the budget process.

RECOMMENDED ACTION

The Office of the Metro Attorney and staff recommend the adoption of Ordinance No. 10-1231.

VENTURE CAPITAL PROGRAM STATUS REPORT

For discussion with the Metro Council on February 2, 2010

Project title: Affordable Housing Loan Fund – Housing Investment Program

Project description: The Metro 2009-10 Adopted Budget includes \$850,000 to provide one-time only, short term loan financing to support development of one or more affordable housing projects in the region. The loan financing may be for land acquisition, pre-construction, or construction of affordable housing development.

Milestones:

- August 2009 Council approval of program design, including project selection criteria, investment guidelines and decision-making process (see attached).
- September 2009 Initial RFP draft developed and circulated.
- November 2009 Real Estate Loan Services RFP finalized, issued, and advertised.
- January 2010 RFP responses due; none were submitted.

Lessons learned:

Issue	Actions	Implications & Next Steps
<p>1. <u>Potential conflict of interest .</u></p> <p><i>The willingness of a loan services firm to provide Metro with an honest evaluation of risk might be compromised if that financial institution is also a co-lender on project.</i></p>	<p>Development Center staff revised the RFP document, working closely with Margot Norton, Finance, and Joel Morton, OMA. Offerors may not be co-lenders in the development project(s); they must represent solely Metro.</p>	<ul style="list-style-type: none"> • Organizations such as the Network of Oregon Affordable Housing (NOAH), the Portland Development Commission (PDC), and others potentially interested in co-lending to eligible affordable projects did not apply to provide loan services. • The set of potential projects will not be restricted at the stage of loan services firm selection, as was previously anticipated.
<p>2. <u>Charter authority.</u></p> <p><i>Metro currently does not have the authority to undertake an affordable housing program because affordable housing is not an activity expressly authorized by the Metro charter.</i></p>	<p>Councilor Liberty’s office has worked with OMA to propose an ordinance to establish affordable housing as a “Matter of Metropolitan Concern.” MPAC comment was required prior to Council adoption of the ordinance; MPAC commented on January 27th.</p>	<ul style="list-style-type: none"> • Project implementation was delayed because the OMA advised that Metro should not enter into a contract for professional services until after the Charter authority was established. • Proposed Metro Council ordinance presented for first reading, second reading, and Council action in February.

Lessons learned (continued)

Issue	Actions	Implications & Next Steps
<p>3. <u>No RFP responses were submitted for Loan Services.</u></p> <p><i>Despite extending the RFP period by two weeks, actively recruiting eligible firms, and making it clear that Metro would consider hourly rate compensation as well as more traditional bank fees, no proposals were submitted.</i></p>	<p>Development Center staff contacted firms to find out why they chose to not respond. Explanations included:</p> <p>a) The Loan Officer is too busy due to the workload resulting from more difficult placement of tax credits, loan work-outs; and additional FDIC oversight.</p> <p>b)The Loan Officer has not done this type of work for a public agency before, and does not know what to expect;</p> <p>c) A lot of start-up work will be needed by the developer, the lender and Metro to make 1-2 project loans that will produce loan cost savings in the range of \$37,000-\$93,000, depending on when they are repaid in the 2-5 year period.</p> <p>d) The loan amount is too small to cover underwriting costs;</p> <p>e) It may be difficult to find projects that satisfy the Metro Council’s selection criteria, particularly that there be a high level of confidence funds will be repaid within 5 years, preferably 2-3 years.</p>	<p>For discussion.</p>
<p>4. <u>Risk aversion to investment in land acquisition and pre-construction costs.</u></p> <p><i>Land is currently a risky investment. Metro could be left with an illiquid asset, without the prospect of being repaid within the 2-5 year period.</i></p>	<p>Development Center staff is operating with the understanding that Metro is unlikely to seriously contemplate making loans secured by land.</p>	<p>For discussion.</p>

Lessons learned (continued)

Issue	Actions	Implications & Next Steps
5. <u>Project eligibility.</u>	<p>Council Liberty and Development Center staff separately asked affordable housing advocates and Portland Housing Bureau staff to identify potentially eligible projects. As of January 27th, seven projects have been suggested:</p> <ol style="list-style-type: none">1. Quad Housing; NE MLK, Portland; 60 units of supportive housing for the wheelchair-bound.2. Lifeworks Housing; N. Williams, Portland; 35 units of supportive housing.3. Human Solutions; Rockwood, Gresham; 47 units of supportive housing for the previously homeless.4. Proud Ground (Portland Comm. Land Trust); Svaboda Commons; SE Portland; 8-12 new ownership units.5. Union Labor Retirement Assoc.; Chaucer Court; SW 10th, Portland; 85 units to be renovated for seniors and disabled persons.6. Randy Rappaport; Workforce Tower; inner NE Portland; 117 units of workforce and affordable housing.7. Clackamas County Housing Authority; Fuller Rd. Station area; land assembly has not begun, and tax credit applications have not been prepared.	For discussion.

Regional Housing Choice - Affordable Housing Loan Fund

Investment guidelines

1. Metro funds must only be used to provide financing for land acquisition, pre-construction, construction, or as bridge to permanent financing, in combination or individually.
2. Metro will seek the second priority position in debt repayment, behind the primary bank lender, but ahead of other lenders and equity investors.
3. Loan repayment capacity must be demonstrated by the project proforma and underwritten by the Loan Administrator/Officer.
4. Zero or low interest will be charged by Metro.

Project Selection Criteria

1. THRESHOLD REQUIREMENTS
 - a. Repayment – Independent financial analysis provides Metro a high level of confidence that funds will be repaid within 5 years.
 - b. Affordability – Housing units are affordable to households earning less than or equal to 100% median family income.
 - c. Diversity – Housing choice is increased by locating projects in areas that do not have an existing concentration of poverty.
 - d. Location – Projects are located in 2040 regional centers, town centers, light rail stations or corridors.
 - e. Design – Projects have attractive building designs, durable materials, and pedestrian-oriented site plans.
2. DESIRABLE FEATURES
 - a. Faster repayment – Funds are likely to be returned to Metro within 2-3 years.
 - b. Exemplifies best practices – Projects are distinctive in their local area, providing new examples for the creation of compact, walkable communities as envisioned in the 2040 regional growth plan.
 - c. Proximity to employment – Housing choice is increased by locating projects in employment areas currently lacking a balance of housing affordability and jobs.
 - d. Sustainable design innovations – Project designs offer innovative approaches to sustainable development, such as compact form and green building methods, and could be replicated by others.
 - e. Multi-modal connectivity – Projects residents can conveniently access grocery stores and other urban living infrastructure by transit, bike and/or walking.
 - f. Income mix – Housing units will be rented/sold to households with a variety of income levels.

Decision-making process

1. The Loan Administrator/Officer will, in consultation with Metro's Development Center Manager and Chief Financial Officer, recommend project loans which conform to the Project Selection Criteria and Investment Strategies set forth herein.
2. The Development Center Manager will meet, informally, with the Chief Operating Officer, the Metro Councilor liaison for the Program, the Council President, and the Metro Councilor representing the area in which the project is located, to review the recommended loans. Loans may be rejected at this stage.
3. The Loan Administrator/Officer shall advise Metro Development Center staff in negotiating deal terms.
4. Metro legal counsel will prepare all loan and security instruments with input from the Loan Administrator/Officer.
5. The Loan Administrator/Officer shall produce and submit monthly and fiscal year end reports to the Project Manager.

Agenda Item Number 6.0

**RESERVES DISCUSSION:
DIRECTION TO CORE 4 REPRESENTATIVE**

METRO COUNCIL

Metro Council Work Session
Tuesday, February 2, 2010
Metro Council Chamber