

BEFORE THE METRO COUNCIL

FOR THE PURPOSE OF AMENDING THE)	RESOLUTION NO. 23-5314
AFFORDABLE HOUSING BOND WORK PLAN TO)	
ALLOCATE BOND FUNDS FOR ADMINISTRATIVE)	Introduced by Chief Operating Officer
COSTS AND ESTABLISHING A FORMULA FOR)	Marissa Madrigal with the Concurrence of
SUCH ALLOCATIONS IN THE FUTURE)	Metro Council President Lynn Peterson

WHEREAS, on June 7, 2018, the Metro Council adopted Resolution No. 18-4898, referring to the Metro area voters a ballot measure authorizing the issuance of general obligation bonds for the purpose of funding affordable housing (the "Housing Bond Measure"); and

WHEREAS, on November 6, 2018, the voters approved the Housing Bond Measure; and

WHEREAS, on January 31, 2019, the Metro Council adopted Resolution No. 19-4956, approving the Metro Affordable Housing Bond Measure Program Work Plan (the "Work Plan") that serves as a framework for the Metro Housing Bond Measure implementation activities; and

WHEREAS, on October 17, 2019, the Metro Council adopted Resolution No. 19-5015, amending the Work Plan to clarify certain aspects of Metro's Regional Site Acquisition Program; and

WHEREAS, Metro proposes to amend the Work Plan to allocate \$12,706,638 in Housing Bond Measure funds heretofore "reserved for future allocation" to now pay for programmatic and administrative costs, to establish a formula and methodology for distributing said allocation, and to allow for future such allocations consistent with the formula without further amending the Work Plan; now therefore,

BE IT RESOLVED, that the Metro Council hereby adopts the Amended and Restated Metro Affordable Housing Bond Measure Program Work Plan attached hereto as Exhibit A.

ADOPTED by the Metro Council this 30th day of March, 2023.



Lynn Peterson, Council President

Approved as to Form:



Nathan Sykes, Deputy Metro Attorney



Affordable Housing Bond Program Work Plan

Amended March 2023

Public service

*We are here to serve the public
with the highest level of
integrity.*

Excellence

*We aspire to achieve exceptional
results*

Teamwork

*We engage others in ways that foster
respect and trust.*

Respect

*We encourage and appreciate
diversity in people and ideas.*

Innovation

*We take pride in coming up with
innovative solutions.*

Sustainability

*We are leaders in demonstrating
resource use and protection.*

Metro's values and purpose

We inspire, engage, teach and invite people to preserve and enhance the quality of life and the environment for current and future generations.

If you picnic at Blue Lake or take your kids to the Oregon Zoo, enjoy symphonies at the Schnitz or auto shows at the convention center, put out your trash or drive your car – we've already crossed paths.

So, hello. We're Metro – nice to meet you.

In a metropolitan area as big as Portland, we can do a lot of things better together. Join us to help the region prepare for a happy, healthy future.

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2019 AFFORDABLE HOUSING BOND PROGRAM WORK PLAN

Adopted by Resolution No. 19-4956 on January 31, 2019 by the Metro Council.

Amended by Resolution No. 19-5015 on October 17, 2019 by the Metro Council.

Amended by Resolution No. 23-5314 on March 30, 2023 by the Metro Council.

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1. INTRODUCTION

On November 6, 2018, voters approved a \$652.8 million bond measure (“Bond Measure”), directing Metro to fund affordable housing throughout the Metro region. As defined in the Bond Measure, the term “affordable housing” means “land and improvements for residential units occupied by low-income families making 80% or less of area median income.” Such housing may be of any type, including but not limited to single-family, multi-family, houses, apartments, and/or the land on which such facilities are located or may be constructed.

In June of 2018, the Metro Council adopted the Metro Chief Operating Officer’s recommended program framework, as set forth in Regional Investment Strategy: Affordable Homes for Greater Portland (“Initial Housing Bond Framework”), which included recommendations for unit production goals, commitments to advancing racial equity, and implementation guidelines developed in collaboration with stakeholders, jurisdictions, housing providers and other partners.

This Affordable Housing Program Work Plan (“Work Plan”) provides a comprehensive plan for implementing Metro’s Bond Measure program (referred to herein as the “Housing Bond Program” or “Program”). This document incorporates and supplements the Initial Housing Bond Framework, and is the governing document for Program implementation, addressing how Bond Measure proceeds will be administered to ensure delivery of the outcomes described in the Bond Measure.

2. UNIT PRODUCTION TARGETS AND GUIDING PRINCIPLES

The primary goal of the Housing Bond Program is create at least **3,900 new affordable homes**, of which:

- At least 1,600 homes will be affordable to households making 30% of area median income (AMI) or below;
- At least 1,950 homes will be sized for families, with 2 or more bedrooms; and
- No more than 10 percent of homes will be provided for households making 61-80% of AMI.

For acquired rental properties, the above targets and cap on homes for households making 61-80% of AMI will be applied upon turnover.

In its efforts to achieve the Program unit production targets referenced above (“Unit Production Targets” or “Targets”), Metro is guided by four principles (“Guiding Principles”), which were derived from (a) existing Metro policies, including the agency’s Strategy to Advance Racial Equity, Diversity, and Inclusion and (b) conversations with key stakeholders who participated in a six month public process convened prior to the referral of the Bond Measure. Those Guiding Principles are:

- 1) Lead with racial equity.** Ensure that racial equity considerations guide and are integrated throughout all aspects of Program implementation, including community engagement, project location prioritization, tenant screening and marketing, resident and/or supportive services, and inclusive workforce strategies.

- 2) Create opportunity for those in need.** Ensure that Program investments serve people currently left behind in the region’s housing market, especially: communities of color, families with children and multiple generations, people living with disabilities, seniors, veterans, households experiencing or at risk of homelessness, and households at risk of displacement. Incorporate commitments for tracking and reporting on Program outcomes for people of color and other historically marginalized groups.
- 3) Create opportunity throughout the region.** Ensure that Program investments are distributed across the region to (a) expand affordable housing options in neighborhoods that have not historically included sufficient supply of affordable homes, (b) increase access to transportation, employment, education, nutrition, parks and natural areas, and (c) help prevent displacement in changing neighborhoods where communities of color live today.
- 4) Ensure long-term benefits and good use of public dollars.** Provide for community oversight to ensure transparency and accountability in Program activities and outcomes. Ensure financially sound investments in affordable, high quality homes. Allow flexibility and efficiency to respond to local needs and opportunities, and to create immediate affordable housing opportunities for those in need.

These Guiding Principles will be implemented consistent with applicable requirements of the federal Fair Housing Act and ORS Chapter 659a and, as appropriate, in consultation with the Fair Housing Council of Oregon.

3. GOVERNANCE

3.1 BOND MEASURE; GENERAL OBLIGATION BOND REQUIREMENTS

On June 7, 2018, the Metro Council adopted Resolution 18-4898 referring to Metro area voters the Bond Measure authorizing Metro to issue general obligation bonds in the amount of \$652.8 million to fund affordable housing. The Program and this Work Plan must comply with the promises made to the voters in the Bond Measure. In addition, in accordance with Oregon law, the bond funds may be used only to pay for capital costs, including costs associated with acquisition, construction, improvement, remodeling, furnishing, equipping, maintenance or repair having an expected useful life of more than one year. Bond funds may not be used to pay for general project maintenance and repair, supplies, or equipment that are not intrinsic to a structure or for any other costs that do not meet the definition of “capital costs” under the Oregon Constitution and Oregon law.

3.2 METRO COUNCIL

The Metro Council provides policy direction for the Housing Bond Program through:

- A. Adoption of this Work Plan;
- B. Appointment of Community Oversight Committee members, chair and/or co-chairs, collectively charged with monitoring program implementation;
- C. Approval of Local Implementation Strategies and Metro Regional Site Acquisition Strategy;

- D. Approval of intergovernmental agreements for implementation (each, an “Implementation IGA”) with Local Implementation Partners; and
- E. Monitoring of Program outcomes, with guidance from the Community Oversight Committee.

3.3 METRO CHIEF OPERATING OFFICER AND STAFF

The Metro Chief Operating Officer (COO) is authorized by the Metro Council to implement this Work Plan, and the COO will direct staff to conduct all program administration activities referenced herein, including (without limitation) the following:

- A. Acquisition of real property and associated project funding in accordance with the Metro Regional Site Acquisition Strategy and the criteria and conditions set forth in this Work Plan;
- B. Authorization of Metro Bond Measure funding for projects and program administration activities of Local Implementation Partners in accordance with the criteria and conditions set forth in this Work Plan; and
- C. Convening meetings and providing administrative support for the Community Oversight Committee.

3.4 LOCAL IMPLEMENTATION PARTNERS

Government agencies that are eligible to become Local Implementation Partners include counties, public housing authorities, and cities with populations over 50,000 that receive and administer their own federal Community Development Block Grant (CDBG) funding. To be eligible to receive Metro Bond Measure funds, Local Implementation Partners that receive Bond funding must:

- A. Adopt a Local Implementation Strategy, informed by community engagement, that includes a development plan to achieve the unit production targets, a strategy for advancing racial equity, and ensuring community engagement in implementation (see Section 5.2 and Exhibit C);
- B. Enter into an Implementation IGA with Metro, obligating the Local Implementation Partner to comply with this Work Plan and enter into certain covenants required to ensure compliance with the Bond Measure and other applicable law; and
- C. Provide adequate assurances to Metro that Metro Bond Measure funds will be expended solely to make permitted capital investments to create affordable housing in accordance with this Work Plan.

4. COMMUNITY OVERSIGHT COMMITTEE

In accordance with Metro Code Section 2.19, Metro will appoint a Community Oversight Committee (“Oversight Committee”) to ensure Program transparency and accountability. The Oversight Committee will be charged with the following duties:

- A. Review local implementation strategies and Metro's Regional Site Acquisition Implementation Strategy for alignment with the Guiding Principles and clear plan to achieve the local share of Unit Production Targets, and recommend strategies for Metro Council approval; and
- B. Monitor program expenditures and outcomes and provide an annual report and presentation to Metro Council. The Committee may recommend changes to implementation strategies as necessary to achieve Unit Production Targets and adhere to the Guiding Principles.

Metro staff will consult members of the Community Oversight Committee as needed to advise on projects prior to the Metro COO's authorization of funding.

5. DISTRIBUTION OF FUNDS AND TARGETS AND REQUIREMENTS FOR LOCAL IMPLEMENTATION PARTNERS

The Housing Bond Program is guided by regional goals and oversight, but implemented by the Local Implementation Partners, who are best positioned to respond to community affordable housing needs. Successful implementation requires flexibility for local jurisdictions to create and nimbly pursue strategies that respond to local community priorities and market contexts. Metro and the Local Implementation Partners must work together to ensure that Local Implementation Strategies, actions and investments advance desired regional outcomes that honor the commitments made to the region's voters.

5.1 ALLOCATION OF BOND FUNDS

Metro Bond Measure funds will be allocated to Local Implementation Partners on the basis of assessed value of property, as described in Exhibit B. Except for permitted Program administration funding disbursements, Program funds will be committed and disbursed on a project-by-project basis following execution of Implementation IGAs. Distribution of Bond Measure funds will be conditioned on a Local Implementation Partner's ongoing demonstration of progress toward its assigned share of the Unit Production Targets set forth in Exhibit B.

5.2 LOCAL IMPLEMENTATION STRATEGIES

To be eligible to receive Bond Measure funds, a Local Implementation Partner must create a Local Implementation Strategy outlining strategies for achieving its allocated share of Unit Production Targets. Each Local Implementation Strategy will be aligned with the Guiding Principles.

Each Local Implementation Strategy must include the following components, described in more detail in Exhibit C:

- A. Development Plan to achieve the Unit Production Targets, including criteria and selection process(es);
- B. Strategy for advancing racial equity throughout implementation;

- C. Engagement report summarizing how stakeholder input shaped the development of the Local Implementation Strategy; and
- D. Plan for ongoing community engagement to inform project implementation.

Approval and Revision Process

The Community Oversight Committee will review Local Implementation Strategies and recommend them for approval by the Metro Council. One Local Implementation Strategies have been approved by local governing bodies and Metro Council, they will be incorporated into Implementation IGAs.

As needed, the Oversight Committee and/or Local Implementation Partners may recommend changes to Local Implementation Strategies based on annual evaluation of Program outcomes. Local Implementation Strategies may be revised only following approval by the Metro Council and local governing bodies.

6. METRO REGIONAL SITE ACQUISITION PROGRAM

The Regional Site Acquisition Program will seek to support Local Implementation Partners in achieving the overall Unit Production Targets. Program funds will primarily be used to purchase regionally significant sites. Program funds may also be used to help ensure the development of affordable housing on regionally significant sites owned by Metro, including but not limited to sites previously acquired by Metro's Transit Oriented Development Program

6.1 REGIONAL SITE ACQUISITION IMPLEMENTATION STRATEGY

Up to ten percent of Bond Measure funds will be retained by Metro for the Regional Site Acquisition Program. Metro will create a Regional Site Acquisition Implementation Strategy outlining commitments and strategies for ensuring that regional site acquisitions and the expenditure of program funds are coordinated with Local Implementation Partners to support regional progress toward Unit Production Targets. The Regional Site Acquisition Implementation Strategy will be aligned with the Guiding Principles.

The Regional Site Acquisition Implementation Strategy must include the following components, consistent with applicable required elements of Local Implementation Strategies, as described in Exhibit C:

- A. Development plan including criteria and selection process(es), including a process for engaging relevant Local Implementation Partners;
- B. Strategy for advancing racial equity throughout implementation, in alignment with applicable Local Implementation Strategy approaches; and
- C. Engagement report summarizing how stakeholder input shaped the development of the Regional Site Acquisition Implementation Strategy.

Metro will engage Local Implementation Partners throughout the development of the Regional Site Acquisition Strategy to ensure alignment and coordination with Local Implementation Strategies and approaches.

Approval and Revision Process

The Community Oversight Committee will review the Regional Site Acquisition Implementation and recommend such strategy for approval by Metro Council.

As needed, the Oversight Committee and/or Metro staff may recommend changes to the Regional Site Acquisition Implementation Strategy based on annual evaluation of Program outcomes. The Regional Site Acquisition Implementation Strategy may be revised only following approval by the Metro Council.

7. CAPITAL INVESTMENT ACTIVITIES

Affordable housing projects proposing to use Bond Measure funds must be selected using a process and criteria consistent with the applicable Local Implementation Strategy and/or Metro Site Acquisition Implementation Strategy. Funding will be authorized by the Metro COO based on consistency with applicable strategy and compliance with this Work Plan. Metro staff will consult members of the Community Oversight Committee as needed to advise on projects prior to authorization of funding by the COO.

Once a project is approved by the Metro COO, Bond Measure funds will be released to the Local Implementation Partner in accordance with the terms of the Implementation IGA, which may require the release of funds in stages upon completion of construction and development benchmarks. Local Implementation Partners may directly utilize the Bond Measure funds for public improvement projects, or loan, grant or otherwise contribute these funds to a non-governmental entity, such as a Low Income Housing Tax Credit (LIHTC) Partnership or LLC for private projects.

7.1 NONGOVERNMENTAL REHABILITATION AND NEW CONSTRUCTION

Local Implementation Partners may contribute Metro Bond Measure funds to private for-profit and nonprofit development entities to pay for new construction of privately owned affordable housing or for the acquisition and rehabilitation of existing market rate/unregulated housing being converted to regulated affordable housing. Bond Measure funds may be contributed to projects as either the primary source of project funding or as “gap funding” as described below.

Gap Funding

Local Implementation Partners may use Bond Measure funds to provide grants and make loans to qualified private for-profit or nonprofit entities developing, owning and operating affordable housing projects, including LIHTC Partnerships or LLCs, to assist these entities in closing funding gaps between all other available sources of funding (including but not limited to LIHTC equity, senior secured project indebtedness, other state and local loan and grant proceeds and programs, and private and/or philanthropic sources), and the actual project development and construction costs. Local Implementation Partners may provide Bond Measure funds to such private entities in the form of loans or grants. Loans may be “cash-flow-only,” or “soft loans” and may include below market or no interest, non-recourse, extended amortization or fully “forgivable” repayment terms.

Eligible Costs

Bond Measure funds may be used to pay for qualified capital costs associated with the following:

- Construction of new affordable housing for households earning 80% area median income (AMI) or less;
- Acquisition and rehabilitation of residential buildings with no existing form of public affordability restriction;
- Construction of new affordable housing as part of the redevelopment of a residential property with existing public affordability restrictions, as long as the redevelopment results in a substantial net increase in the total number of affordable homes. In such cases, Program funding may only be used for the portion of new homes that are not replacing regulated affordable homes currently on the site and related project/site improvements, such as parking, infrastructure improvements, and community space;
- Construction of ancillary commercial space, community space, and resident amenities, as long as ancillary spaces and amenities are part of buildings that contribute toward Unit Production Targets;
- All necessary and required site work and infrastructure for the above projects;
- Predevelopment costs, including third party reports, design studies, financial modeling and community outreach, which may be reimbursed upon closing of construction financing of an affordable housing project. Prior to closing, these costs are an eligible use of bond program administration funding, but will count toward administrative funding caps prior to reimbursement through a project closing; and
- Administrative costs that comply with requirements laid out in Section 9.2.

Ineligible Costs

Bond proceeds must be used to finance projects that constitute capital construction, capital improvement or a capital cost as those terms are defined by the relevant provisions or the Oregon Constitution, Oregon law (including ORS 310.140) and the parameters of the Bond Measure.

Costs that are ineligible for bond funding include but are not limited to:

- Acquisition of housing with existing public affordability restrictions;
- Rehabilitation of housing with existing public affordability restrictions;
- Redevelopment of residential properties with existing public affordability restrictions that does not result in a substantial net increase in the number of affordable homes on the site;
- Project operating costs, including the provision of resident support services;
- Rental assistance; and
- Administrative costs that do not comply with requirements laid out in Section 9.2.

7.2 PUBLIC REHABILITATION AND NEW CONSTRUCTION

Local Implementation Partners may utilize Bond Measure funds only to pay qualified capital costs to develop, finance, construct and equip new affordable housing and to acquire and rehabilitate market rate housing with no existing public affordability restriction for conversion to affordable housing with a public affordability restriction. Metro housing bond funds may not be used to acquire and/or rehabilitate any housing with an existing public affordability restriction.

Eligible and ineligible costs are set forth in Section 7.1, above.

7.3 PROJECT APPROVAL AND FUNDING PROCESS

The Metro COO will approve funding commitments for all qualified projects identified by Local Implementation Partners at two stages: (1) a Concept Endorsement and (2) a Final Approval. The Concept Endorsement is a preliminary commitment of funding on the basis of consistency of the early project concept with the Local Implementation Strategy. The Concept Endorsement is optional for acquisition and rehabilitation projects (to be pursued at the Local Implementation Partner's discretion), but is mandatory for new construction projects.

Stage 1: Concept Endorsement (optional for acquisition/rehabilitation; required for new construction)

The Metro COO will provide Concept Endorsements for preliminary development and acquisition/rehabilitation projects. Presented concepts should consist of, at minimum, an identified site which the Local Implementation Partner or the private developer/sponsor controls, a preliminary development or rehabilitation plan, a preliminary unit and affordability mix, preliminary estimates of total development costs, preliminary estimate of requested Metro Housing bond funds and an identified development team.

The Concept Endorsement will be made based upon the following criteria:

- Endorsement of Local Implementation Partner;
- Concept's contribution to Unit Production Targets relative to requested amount of bond funding **or** demonstration of how proposed project will contribute to Local Implementation Partner's portfolio of planned or completed projects to achieve the local share of Unit Production Targets; and
- Consistency with Local Implementation Strategy.

Stage 2: Funding Authorization and Release of Funds

The Metro COO will authorize project funding only after a finalized development program, design development drawings and confirmed funding sources have been provided. Metro staff will consult members of the Community Oversight Committee as needed to advise on projects prior to authorization of funding by the COO. The Metro COO's authorization of funding will be based on the satisfaction of the following criteria:

- Continued support for the project by Local Implementation Partner;
- Development program's contribution to Unit Production Targets (including affordability and bedroom size targets) relative to requested amount of bond funding; **or** demonstration of how proposed project will contribute to Local Implementation Partner's portfolio of planned or

completed projects to achieve the local share of Unit Production Targets;

- Consistency with Local Implementation Strategy; and
- Provision of requested documentation to demonstrate project feasibility.

Prior to the release of funds to the Implementation Partner, a Regulatory Agreement (as defined below) approved by the Office of the Metro Attorney and meeting the criteria described further in Section 8.1 will be executed. The Regulatory Agreement will be recorded against the property at or prior to the time of closing.

7.4 REAL PROPERTY ACQUISITIONS

Bond funds may be used by Metro or Local Implementation Partners to acquire real property (including land and buildings) for the development, rehabilitation, or adaptive reuse as affordable housing consistent with this Work Plan (hereinafter referred to as “Property Acquisitions”).

Property Acquisition costs that may be paid for with Bond funds include the purchase price and all costs related to pre-purchase due diligence including appraisals, purchase of options, earnest money for purchase and sale agreements, environmental assessments, geotechnical reports, preliminary development cost estimates, zoning capacity studies, physical capital needs assessments for acquired buildings, and other third party reports. Eligible pre-purchase due diligence costs will be reimbursed to Local Implementation Partners only upon completion of the Property Acquisition, although bond Program Administration funds may be applied to due diligence costs prior to reimbursement.

Bond Measure funds may also be loaned or granted to projects sited on real property previously acquired by a project sponsor or Local Implementation Partner using non-Bond funds. For these projects, the costs of previous real property acquisition will be included in overall project costs, subject to Metro appraisal requirements.

Property Acquisition Parameters

Bond Measure funds may be used for Property Acquisition provided the following criteria are met:

- The property is owned by a willing seller;
- An appraised value has been obtained in accordance with applicable Uniform Standards of Professional Appraisal Practice (USPAP) standards. In general, the purchase price should not exceed 10 percent over appraised value. However, exceptions may be made at the discretion of the Metro COO if it can be demonstrated that the site presents unique opportunities to advance the Unit Production Targets and Guiding Principles;
- The anticipated project on the site will contribute proportionately to Unit Production Targets (including affordability and bedroom size targets) relative to the forecasted bond funding; or the Local Implementation Partner demonstrates how the anticipated project will contribute to that Partner’s portfolio of planned or completed projects to achieve the local share of Unit Production Targets;
- The property consists of a development-ready site, with zoned capacity to support the preliminary development concept, road access, utility connections, buildable soils, and mitigation

plan for any environmental conditions; and

- The acquisition is consistent with the applicable Implementation Strategy.

The requirement for zoned capacity, utility connections, and other infrastructure improvements may be waived in cases where an approved plan provides for needed improvements and such improvements are expected within two years.

Funding Authorization and Release of Funds

Funding authorizations for Property Acquisitions will be authorized by the Metro COO. Metro staff will consult members of the Community Oversight Committee as needed to advise on projects prior to authorization of funding by the COO.

Prior to the release of funds, a Regulatory Agreement (as defined in Section 8.1) will be recorded against the property at or prior to the time of closing. The Local Implementation Partner will provide a copy of the recorded Regulatory Agreement to Metro promptly after closing.

8. AFFORDABILITY COVENANTS AND MONITORING

8.1 METRO AFFORDABILITY COVENANTS

Each Implementation IGA will require that a regulatory agreement or similar affordability/restrictive covenant (the "Regulatory Agreement"), in form and substance acceptable to Metro, must be recorded on the title of every property that receives Bond project funding. The Regulatory Agreement will acknowledge the use of Bond Measure funds and the restrictions associated with the use of such funds, including the affordability restrictions and other policies upon which the funding was conditioned, provide monitoring and access rights to Metro, and be enforceable by the Local Implementation Partner and Metro.

The Regulatory Agreement will have a term of not less than 60 years for newly constructed projects and existing market-rate projects that are converted to affordable/regulated projects, except in the case of converted projects where the project is more than 10 years old at the date of acquisition, in which case the minimum term will be not less than 30 years. The Regulatory Agreement will provide a first right of refusal for qualified nonprofit organizations or government entities to acquire the project upon expiration of the affordability period.

In the case of Property Acquisitions, the Regulatory Agreement will ensure development of the property consistent with the requirements set forth in this Work Plan.

8.2 MONITORING RESPONSIBILITIES

Owners of private projects receiving Bond Measure funds will be required to enter into a Regulatory Agreement, or similar agreement for the benefit of both Metro and the Local Implementation Partner, to periodically provide tenant income verification data to ensure compliance with affordability restrictions. Project owners will also be required to provide certain information, including voluntarily

collected tenant demographic data, to support evaluation of program outcomes. Finally, owners will be required to provide Metro with access to asset management data, including financial performance and physical condition of the project, and to provide physical access to the property when requested by Metro and/or the Local Implementation Partner. Metro will work with Local Implementation Partners, Oregon Housing and Community Services, or other public agencies to develop shared monitoring and reporting requirements and functions that align with established funding programs, including LIHTC.

9. PROGRAM OPERATIONS

9.1 PROCEDURES MANUAL

A Program procedures manual (“Procedures Manual”) will be maintained by Metro to support fair and consistent consideration of Program funding requests, clear standards for reporting on Program outcomes, and continuous improvements in Program operations. Revisions to the Procedures Manual require Planning and Development Department Director approval.

The Affordable Housing Program procedures will include, at a minimum, guidance related to:

1. *Concept Endorsement and Final Approval Guidelines*: Guidelines related to Metro staff project evaluation based on contribution to the Unit Production Targets relative to the amount of bond funding proposed, and consistency with the LIS, Bond Measure, and this Work Plan;
2. *Risk Controls*: Preconditions for contractual commitments and release of funds, procedures for funding disbursement and updates during project construction, and recurring investment policies;
3. *Project Documentation Checklists and Templates*: List of required documents for Property Acquisition, Concept Endorsement, and Project Funding Authorization;
4. *Local Implementation Partner and Metro Site Acquisition Program Project and Program Outcomes Reporting*: Metrics, protocol, and templates for Local Implementation Partners and Metro’s Site Acquisition Program to submit (a) post-construction and post-occupancy project reports and (b) annual reports on program outcomes for review by the Community Oversight Committee; and
5. *Local Implementation Partner Financial Reporting Guidelines*: Protocol and templates for Local Implementation Partners to submit annual end-of-year reporting on project and administrative expenditures, to demonstrate compliance with the Bond Measure and this Work Plan.

9.2 CAPITAL EXPENDITURES - ADMINISTRATIVE COST CAP

Bond Measure funds must be used to pay for or reimburse prior expenditures that constitute qualified capital costs, consistent with the requirements of the Bond Measure, the Oregon Constitution and other applicable law.

The purpose and focus of the Affordable Housing Program is to expand the region's supply of affordable housing. Consistent with requirements set forth in the Bond Measure, no more than five percent of total Bond Measure proceeds may be expended on administrative costs associated with the implementation of Program activities, including Program development and administration, financial administration, and monitoring and oversight functions prior to the completion of the Unit Production Targets. All administrative and Program costs funded with Metro Bond Measure proceeds must be capital costs, as defined by the Oregon Constitution and Oregon Statutes, allocable to affordable housing projects.

Subject to compliance with Oregon law and the Bond Measure, Local Implementation Partners are eligible to receive funding for administrative costs associated with Program implementation according to the distribution described in Exhibit B. Each Local Implementation Partner must submit an annual report demonstrating use of the previous year's funding as well as certification that Metro Bond Measure funds have been and will be applied solely to the payment or reimbursement of capital costs consistent with Oregon law and the Bond Measure. A partial year allocation will be made available to eligible Local Implementation Partners for FY2018-19 in February 2019. Further allocations will be available following execution of Implementation IGAs. All distributions of administrative funding will be conditioned on Local Implementation Partners making reasonable progress towards their Unit Production Targets.

9.3 PROGRAM AMENDMENTS

This Work Plan may be amended, as needed, by Metro staff with approval of the Metro Council to ensure compliance with Bond Measure covenants, applicable law, achievement of Unit Production Goals, and alignment with Guiding Principles.

EXHIBIT A
BOND MEASURE BALLOT TITLE

Caption:	Bonds to fund affordable housing in Washington, Clackamas, Multnomah counties.
Question:	Shall Metro issue bonds, fund affordable housing for low-income families, seniors, veterans, people with disabilities; require independent oversight, annual audits? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution
Summary:	<p>Measure authorizes \$652.8 million in general obligation bonds to fund affordable housing in Washington, Clackamas, and Multnomah counties.</p> <p>Bonds will be used to build affordable housing for low-income households; purchase, rehabilitate, and preserve affordability of existing housing; buy land for affordable housing; help prevent displacement.</p> <p>Affordable housing means land and improvements for residential units occupied by low-income households making 80% or less of area median income, which in 2018 for a family of four was \$65,120; improvements may include a mix of unit sizes, spaces for community and resident needs and services. Some units will be accessible for people with disabilities and seniors; flexibility for existing tenants and hardship.</p> <p>Requires community oversight and independent financial audits. Creates affordable housing function for Metro, implemented by Metro and local housing partners. Local and regional administrative costs capped at 5% of bond proceeds. Bond costs estimated at \$0.24 per \$1,000 of assessed value annually, approximately \$5.00/month for the average homeowner. Bonds may be issued over time in multiple series.</p>
Explanatory Statement:	<p>In the Metro region, rents and housing prices are rising faster than wages. Between 2010 and 2016, the median income for a renter increased 19% while the average rent increased 52%. The need for affordable housing continues to increase, with demand for affordable housing outpacing supply. This is especially true for people on fixed incomes, working families, and seniors and disabled people in our region.</p> <p>This measure will authorize Metro to issue \$652.8 million in general obligation bonds to provide affordable housing for low-income families, seniors, veterans and</p>

	<p>people with disabilities in the Metro region which includes Washington, Clackamas and Multnomah counties.</p> <p>The bond funds will be used to build affordable housing for low-income households, to purchase and rehabilitate existing housing to preserve its affordability and prevent displacement, and to buy land for the immediate or future construction of new affordable housing.</p> <p>The measure will create an affordable housing function for Metro, and will be implemented by Metro and local governments. The administrative costs of Metro and local housing providers paid for by the measure will not exceed 5% of bond funds. Metro may issue the bonds over time in multiple series. Metro estimates that the cost of the measure to the average homeowner to be 24 cents per \$1,000 of assessed value annually, or approximately \$5.00/month. An independent community oversight committee will review bond expenditures and provide annual reports, and an independent public accounting firm will perform an annual financial audit of the expenditure of bond funds.</p> <p>For purposes of the bond measure, “Affordable Housing” means land and improvements for residential units occupied by low-income households making 80% or less of the area median income, which in 2018 for a family of four was \$65,120. The improvements constructed or purchased with bond funds may be composed of a mix of unit sizes, and may include spaces for community and resident needs and services, such as, without limitation, spaces for childcare services, healthcare services, grocery, onsite utility and building facilities, and other commercial, office and retail uses. Some units will be accessible for people with disabilities and seniors. The income eligibility rules may provide for a waiver or temporary relief from the limitations on qualifying income, if needed to avoid undue hardship or displacement of persons living in existing housing.</p>
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On behalf of:

Metro Council President Tom Hughes

Councilor Shirley Craddick

Councilor Betty Dominguez

Councilor Craig Dirksen

Councilor Kathryn Harrington

Councilor Sam Chase

Councilor Bob Stacey

Submitted by: Metro Council President Tom Hughes

EXHIBIT B
BREAKDOWN OF UNIT PRODUCTION TARGETS AND
FUNDING ELIGIBILITY

Distribution of targets and eligible project and administration funding*

Jurisdiction	Percent of assessed value	Unit Production Targets**			Total Project Funding Available	Total Admin. Funding Available***
		Total	30% AMI	Family-Size		
Beaverton	5.58%	218	89	109	\$31,587,595	\$974,615
Clackamas County	20.82%	812	333	406	\$117,854,094	\$3,636,371
Gresham	4.79%	187	77	93	\$27,140,995	\$837,421
Hillsboro	7.28%	284	117	142	\$41,240,081	\$1,272,457
Home Forward (balance of Multnomah County)	2.84%	258	107	129	\$37,141,206	\$496,973
Portland	37.81%	1,315	539	657	\$197,490,792	\$2,162,200
Washington County (balance of county)	20.87%	814	334	407	\$118,135,532	\$3,645,054
Metro Site Acquisition Program****	<i>n/a</i>	<i>Contributes to above targets</i>			\$62,016,000	\$1,940,932
Metro accountability and financial transaction costs	<i>n/a</i>	<i>n/a</i>			<i>n/a</i>	\$19,409,319
Reserved for future allocation as determined necessary to achieve targets	<i>n/a</i>	<i>n/a</i>			\$20,525,195	\$0
Total	100%	3,900	1,600	1,950	\$653,131,490	\$34,375,341

* The Initial Housing Bond Framework calls for distribution of targets and funding to counties on the basis of assessed value but provides flexibility for how partners within each county further distribute targets and funding. If an alternative distribution is not agreed to by partners for distribution of funding within a county, assessed value will be used as the basis of distribution to all partners. Adjustments to the Portland and Home Forward unit targets reflect agreement between Portland, Home Forward, and Metro that Metro would directly fund Home Forward's Dekum Court project.

** For acquired rental properties, the targets and cap on homes for households making 61-80% of AMI will be applied upon turnover.

*** Any administrative funding from bond proceeds must be consistent with the requirements of Oregon law and the Bond Measure and Metro will, in consultation with bond and tax counsel, request certification from jurisdictions that proceeds are being applied to qualified capital costs.

**** The Regional Site Acquisition Program aims to distribute investments proportionately across the region to support local progress toward the Unit Production Targets. In the event that regional investments are not proportionately distributed, the above Unit Production Targets may be adjusted pursuant to a Work Plan amendment.

EXHIBIT C

LOCAL IMPLEMENTATION STRATEGY REQUIREMENTS

1. Development Plan to achieve the Unit Production Targets that includes the following elements:
 - a. Anticipated number, size, and range of project types (estimates are acceptable) and cost containment strategies to achieve local share of unit production targets (including 30% AMI and family-size unit goals and the cap on units at 61-80% AMI) using local share of eligible funding;
 - b. Consideration for how new bond program investments will complement existing regulated affordable housing supply and pipeline;
 - c. Goals and/or initial commitments for leveraging additional capital and ongoing operating and/or service funding necessary to achieve the local share of Unit Production Targets;
 - d. Strategy for aligning resident or supportive services with housing investments, including [optional] any local goals or commitments related to permanent supportive housing; and
 - e. Description of project selection process(es) and prioritization criteria, including anticipated timing of competitive project solicitations and how existing or new governing or advisory bodies will be involved in decisions regarding project selection.
2. Strategy for advancing racial equity in implementation that includes:
 - a. Location strategy that considers geographic distribution of housing investments, access to opportunity, strategies to address racial segregation, and strategies to prevent displacement and stabilize communities;
 - b. Fair housing strategies and/or policies to eliminate barriers in accessing housing for communities of color and other historically marginalized communities, including people with low incomes, seniors and people with disabilities, people with limited English proficiency, immigrants and refugees, and people who have experienced or are experiencing housing instability;
 - c. Strategies and/or policies, such as goals or competitive criteria related to diversity in contracting or hiring practices, to increase economic opportunities for people of color; and
 - d. Requirements or competitive criteria for projects to align culturally specific programming and supportive services to meet the needs of tenants.
3. Engagement report summarizing engagement activities, participation and outcomes, including:
 - a. Engagement activities focused on reaching communities of color and other historically marginalized communities, including people with low incomes, seniors and people with disabilities, people with limited English proficiency, immigrants and refugees, and people who have experienced or are experiencing housing instability;
 - b. Summary of key community engagement themes related to local housing needs and priority outcomes for new affordable housing investments, approach to geographic distribution and location strategies, acknowledgement of historic/current inequitable

access to affordable housing and opportunities for stakeholders to identify specific barriers to access, and opportunities to advance racial equity through new investments;

- c. Summary of how the above themes are reflected in the Local Implementation Strategy.
4. Plan to ensure ongoing community engagement to inform project implementation, including:
 - a. Strategies for ensuring that ongoing engagement around project implementation reaches communities of color and other historically marginalized community members, including: people with low incomes, seniors and people with disabilities, people with limited English proficiency, immigrants and refugees, existing tenants in acquired buildings, and people who have experienced or are experiencing housing instability; and
 - b. Strategy for ensuring community engagement to shape project outcomes to support the success of future residents.

ATTACHMENT A – REVISION TO WORK PLAN ALLOCATION OF ADMINISTRATIVE FUNDING

**EXHIBIT B
BREAKDOWN OF UNIT PRODUCTION TARGETS AND
FUNDING ELIGIBILITY**

Distribution of targets and eligible project and administration funding*

Jurisdiction	Percent of assessed value	Unit Production Targets**			Total Project Funding Available	Total Admin. Funding Available***
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Gresham	4.79%	187	77	93	\$26,756,995 \$27,140,995	\$563,305 \$837,421
Hillsboro	7.28%	284	117	142	\$40,657,081 \$41,240,081	\$855,939 \$1,272,457
Home Forward (balance of Multnomah County)	2.84%	111 258	46 107	55 129	\$15,879,123 \$37,141,206	\$334,297 \$496,973
Portland	37.81%	1,475 1,315	605 539	737 657	\$211,056,579 \$197,490,792	\$4,443,296 \$2,162,200
Washington County (balance of county)	20.87%	814	334	407	\$116,465,532 \$118,135,532	\$2,451,906 \$3,645,054
Metro Site Acquisition Program****	n/a	Contributes to above targets			\$62,016,000	\$1,305,600 \$1,940,932
Metro accountability and financial transaction costs	n/a	n/a			n/a	\$13,056,000 \$19,409,319
Reserved for future allocation as	n/a	n/a			n/a	\$6,528,000

determined necessary to achieve targets					\$20,525,195	\$0
Total	100%	3,900	1,600	1,950	\$620,016,000 \$653,131,490	\$32,640,000 \$34,375,341

*The Initial Housing Bond Framework calls for distribution of targets and funding to counties on the basis of assessed value but provides flexibility for how partners within each county further distribute targets and funding. If an alternative distribution is not agreed to by partners for distribution of funding within a county, assessed value will be used as the basis of distribution to all partners. **Adjustments to the Portland and Home Forward unit targets reflect agreement between Portland, Home Forward, and Metro that Metro would directly fund Home Forward's Dekum Court project.**

** For acquired rental properties, the targets and cap on homes for households making 61-80% of AMI will be applied upon turnover.

*** Any administrative funding from bond proceeds must be consistent with the requirements of Oregon law and the Bond Measure and Metro will, in consultation with bond and tax counsel, request certification from jurisdictions that proceeds are being applied to qualified capital costs.

**** The Regional Site Acquisition Program aims to distribute investments proportionately across the region to support local progress toward the Unit Production Targets. In the event that regional investments are not proportionately distributed, the above Unit Production Targets may be adjusted pursuant to a Work Plan amendment.

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

Prepared by: Emily Lieb, emily.lieb@oregonmetro.gov; Rachael Lembo,

Rachael.lembo@oregonmetro.gov

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