

MEMORANDUM

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From: Steve Rudman
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Subject: Local Jurisdiction Capacity Assessment for Regional Housing Measure

The purpose of this memorandum is to examine the current capacity within the region to successfully deploy a \$652.8 MM regional housing bond. The focus of this initial assessment of local capacity is on factors important to successfully implement a regional housing bond. It is not the aim or intent of this assessment to address capacity of jurisdictional partners to carry out their current programs.

1. Background

Within Metro's service district, two in three low-income families are unable to find an affordable rental home. As the need continues to grow, it is increasingly clear a coordinated regional approach to creating affordable housing is necessary.

Across the region, city and county staff are being directed by their governing bodies to identify new policy and funding solutions to address growing local concerns about homelessness, displacement vulnerability for renters, and the need for permanently affordable housing to serve households at a range of income levels.

In fall 2017, Metro Council directed staff to work collaboratively with local governments to explore the potential for a November 2018 ballot measure to create and protect permanently affordable homes throughout the greater Portland region.

It has been determined the best available option is a General Obligation Bond of \$652.8 MM. Metro would issue bonds to be repaid with property tax revenue and guaranteed by Metro.

State and federal statutes control use of general obligation bond proceeds for the creation of rental housing. Existing Oregon constitutional limitations on general obligation bonds issued by local governments effectively require the real estate funded with proceeds of the bond to be owned by a governmental entity. Metro has determined it does not want to add owning and operating affordable housing to its current functions. The ideal governmental entities to own affordable housing are the three countywide public housing authorities.



In November 2018, Oregon voters will be asked to amend their constitution to allow private ownership of affordable housing financed with general obligation bonds. This would significantly change the role of jurisdictional partners in the implementation of a regional bond from a developers, owners, and operators to primarily serving as gap funders. With an amendment, bond proceeds would be accessible to non-governmental entities (non-profit and private developers) and provide a new gap investment source to be paired with other equity and debt sources commonly utilized in the affordable housing industry.

2. Jurisdictional Partners

Successful delivery of affordable housing to achieve the goals established for the regional housing bond will require cooperation between Metro and jurisdictional partners, and among jurisdictional partners within each county. Affordable housing needs differ across the region and most localities have been working on plans and strategies tailored to their community. Additionally, locally controlled resources such as project-based Section 8 rental subsidy, tax abatements, fee waivers, or development subsidy (e.g. CDBG, HOME, general funds, tax increments, Construction Excise Tax, or fee waivers) offer potential for greater leverage of the regional bond resources.

Based on meetings with local staff, many smaller jurisdictions feel they do not currently have the staff and/or technical capacity to facilitate affordable housing development, and some interest has been expressed in a regional technical assistance program. Several larger jurisdictions felt they had significant staff expertise but currently lacked the financial resources and/or staff capacity needed for implementation.

Below are the Jurisdictional partners identified as core to the delivery of a regional housing bond. In addition to these partners, Metro is also an important regional implementer of the bond whose past performance with land acquisition and gap funding for transit-oriented development projects is relevant to future success in implementation.

Cities	Counties	Public Housing Authorities
<ul style="list-style-type: none"> • Beaverton • Gresham • Hillsboro • Portland 	<ul style="list-style-type: none"> • Clackamas (Department of Health and Human Services and Housing) • Washington (Department of Housing Services) 	<ul style="list-style-type: none"> • Home Forward • Housing Authority of Clackamas County(HACC) • Housing Authority of Washington County (HAWC)

Since Multnomah County is not an affordable housing development implementer, it is not included in the scope of this assessment. However, it is important to note, the Joint Office of Homeless Services is the lead entity responsible for overseeing the delivery of services to people experiencing homelessness in Multnomah County.

Under existing constitutional limitations, the three public housing authorities are recommended to be eligible partners, given their capacity and experience owning and



operating affordable housing. If the constitutional amendment were to pass, Metro has determined that the four cities that administer their own Community Development Block Grant (CDBG) funding should also be eligible to participate in program administration. Cities with more than 50,000 people are eligible to administer their own CDBG. These include Portland, Gresham, Beaverton, and Hillsboro.

Housing authorities (PHA) have historically administered federal funding in their communities for the provision of public housing and rent assistance housing choice vouchers (HCV, also known as section 8). Most HCV are tenant-based, meaning families can use them to rent any private apartment that meets program guidelines. Project-based vouchers (PBV), in contrast, are attached to a specific unit whose owner contracts with a local PHA to rent the unit to low-income families. Across the country, PBV's have been an increasingly important development tool to provide an operating subsidy that enables very low-income households to reside in affordable housing apartments. Housing authorities, such as Washington and Clackamas counties, can use up to 20 percent of their Housing Choice Vouchers for Project-Based Vouchers plus an additional 10 percent to assist veterans or people experiencing homelessness, to provide supportive housing to seniors or people with disabilities, or in low poverty areas. Home Forward has a federal deregulation status that provides them the opportunity to tailor locally-designed strategies without setting a federal limit on the number of project-based vouchers.

Roles played by these jurisdictional partners and their relative geography or service area is an important consideration is determining capacity to implement this program throughout the entire region. The table below reflects the jurisdiction partners organized by the county within which they operate.

Clackamas County	Multnomah County	Washington County
<ul style="list-style-type: none"> • Clackamas County • Housing Authority of Clackamas County 	<ul style="list-style-type: none"> • Gresham • Portland • Home Forward 	<ul style="list-style-type: none"> • Beaverton • Hillsboro • Washington County • Housing Authority of Washington County

A board or council governs each partner. In the case of the Housing Authority of Washington County ("HAWC") and the Housing Authority of Clackamas County ("HACC"), both are within departments of the larger county government. The boards for HAWC and HACC are their respective county commissions, plus a resident representative.

Home Forward, a public corporation, is the housing authority serving all of Multnomah County. A separate volunteer board appointed by the Cities of Portland and Gresham, and Multnomah County serves as the governing body.

The relationship of partners and geographic coverage varies by county. These differences are important to acknowledge as they have potential implications for the underlying mechanics necessary to administer the regional housing bond.



Clackamas County: The housing authority and the department of Health and Human Services cover the same geography and share an administrative and leadership structure. This commonality simplifies the implementation (both with and without an amendment) of the housing bond in Clackamas.

Multnomah County: Portland encompasses much of the county and controls significant resources for affordable housing. Gresham is the next largest city in the county and is also a CDBG entitlement city. There are small parts of the county not within either city, leaving potential gaps in geographic coverage for a gap funding (amendment) option. Coordination between Portland, Gresham and Home Forward may present additional implementation questions. Home Forward provides an ownership implementation option as the housing authority for the entire county and currently serves as an implementation partner on the Portland housing bond.

Washington County: Beaverton and Hillsboro are each CDBG entitlement cities in Washington County and represent a portion of the county geography. Coordination is important as Washington County provides housing program (HOME) and finance services for the county. HAWC provides an ownership implementation option for the entire county.

3. Synopsis of Factors relevant to capacity / requirements:

Clackamas County

- The Board of County Commissioners (BCC) has adopted a goal of 2,000 new units across the affordability continuum by 2024.
- An Affordable Housing and Homelessness Task Force is now working to explore affordable housing incentives such as tax abatements and fee waivers.
- In FY17-18, the county received about \$700,000 in HOME and \$2.2 million in CDBG.
- The County Commission is considering investing more than \$1 million general fund in FY18-19 for affordable housing.
- Efforts are underway to borrow additional funds (\$10 million) {section 108 federal loan guarantee} for housing development and land acquisition, particularly in unincorporated urban county areas.
- Current staffing for housing development include two project managers in the Housing and Community Development division.
- In the past 5 years, the County has worked with private and non-profit partners to develop almost 400 affordable housing units in six projects as gap lender and co-owner (HACC).

Housing Authority of Clackamas County

- HACC currently owns 545 units of public housing and 400 units of affordable housing and administers almost 1700 Section 8 vouchers, of which 92 (about 5.4%) are currently project-based.
- HACC uses a combination of in-house and third-party property management companies for units owned or controlled.



- HACC currently owns 40 acres of land (containing public housing) that underpins the County's goal of 2000 units by 2024. Significant planning efforts are underway to redevelop public housing communities in Oregon City and Milwaukie to provide additional 30% AMI units and a range of options affordable at different levels.
- Currently there 2 FTE of development coordinators at HACC.
- HACC has limited experience with joint ventures and partnership with private developers. Recently HACC partnered with a private developer to deliver affordable housing units, a model they have interest in replicating.

Washington County

- The Department of Housing Services' 2017-2027 strategic plan outlines a goal of developing 1,000 units by 2027.
- For FY17-18, \$1.6 million is budgeted for housing development, of which approximately \$ 1 million is from Federal HOME, \$50,000 in CDBG and \$500,000 local general funds. The Office of Community Development funds 1-2 projects per year with its HOME funds, depending on its federal allocation.
- Washington County recently committed \$500,000 in general funds toward gap financing by creating a Housing Production Opportunity Fund.
- Additionally, over the past 5 years, the County has provided gap funding and supported 14 developments with over 1000 affordable units.
- Current department staff include 6 FTE directly involved in various aspects of site selection, housing development and/or gap financing with private and non-profits partners.

Housing Authority of Washington County ("HAWC")

- A Housing strategy adopted by Washington County also provides direction for the HAWC.
- HAWC owns 890 units of housing (public housing and affordable housing), and administers 2803 section 8 vouchers, of which 152 (5.4%) are currently project based.
- Currently there 2 FTE of development coordinators at HAWC.
- HAWC has experience as owner and operator and uses a combination of in-house and third-party property management companies for units owned or controlled.
- HAWC has extensive experience with joint ventures with private developers.

City of Beaverton

- Beaverton adopted a comprehensive 5-year Housing Action Plan (FY17 -22) which addresses strategies across the housing continuum, from homelessness to market rate housing. Housing has become a high priority for the City of Beaverton.
- FY 2017-18 Budget for housing development is over \$1.2 million including general fund, CDBG and tax increment financing (TIF) sources.
- Current staff include 3 FTE working on housing, including policy and program development, project evaluation for gap financing, and CDBG administration.
- Beaverton also invests both CDBG and general fund dollars in resident services and homelessness support services.



- In recent years, the City of Beaverton has provided gap-funding assistance to several housing projects resulting in over 400 affordable units, as well as market rate developments.
- No experience owning affordable housing and limited underwriting experience to date.

City of Hillsboro

- Rental housing costs have risen dramatically in Hillsboro in the past five years and City Council recently directed staff to explore opportunities and tools to take a more active role on housing affordability concerns.
- Hillsboro will begin to directly administer its own CDBG allocation beginning this July (FY18-19), with a CDBG budget of approximately \$650,000. Previously Hillsboro's federal entitlement awards were administered by Washington County. Additionally, City General Fund budgeted for Affordable Housing is about \$1.8 million.
- Current staff include approximately 2.5 FTE working on affordable housing related issues focused primarily on policy development and CDBG administration. Hillsboro is interested in building a department to administer housing resources.
- No direct underwriting experience to date, and no experience owning affordable housing.

City of Gresham

- Gresham has some of the highest urban concentrations of poverty in Oregon (Census tracts with a poverty rate over 40%).
- The City has not identified the creation of affordable housing as a priority but has interest in stimulating market rate housing development and mixed income neighborhoods.
- Gresham also seeks to ensure the habitability of existing housing with a mandatory, fee -supported, rental housing inspection program.
- In FY17-18, Gresham received about \$1.5 million in HOME and CDBG funds.
- Current staffing includes 2 FTE for work on housing policy and federal grant administration. Additionally, staff from community development/planning and urban renewal assist on development selections.
- The City recently partnered with Metro to seek qualifications from firms to develop land in the Civic Neighborhood and is working on the Rockwood Rising redevelopment project which will include mixed-income housing opportunities.
- Gresham has no experience owning affordable housing and little underwriting experience.

City of Portland

- The affordable housing crisis has been a top-tier priority of the City of Portland. Since 2015, the City Council declared a State of Emergency for Housing and Homelessness. This has led to a significant increase in dedicated funding for affordable housing development through the Portland Housing Bureau (PHB).
- The City's FY 2017-18 budget for housing development is over \$130 million from TIF, Federal, bond and general funds.



- PHB administers two other delivery program areas: homeownership and indirect financing assistance, which includes property tax abatements, fee waivers and Inclusionary Zoning.
- Approximately 25 affordable rental projects are in the current pipeline with 2,200 units.
- In 2016, Portland voters approved \$258 million General Obligation (GO) Bond for Affordable Housing. The bond program has a goal of producing 1,300 units (at 60% of median income and below) by 2023. Of these: 600 units will be affordable for households at 0-30% AMI, including a target of 300 units of Permanent Supportive Housing (PSH). Also, 650 units will be family size.
- The PHB staff has extensive experience as a gap lender. The rental housing finance team (11 staff) is responsible for underwriting, construction oversight, closing and project management. PHB also has experience managing a public-sector loan portfolio. Finally, staff also perform housing policy planning functions. There are also 2 city attorneys assigned to support PHB's work.
- Limited experience owning affordable housing. Asset management functions for bond funded housing provided by Home Forward through an IGA.

Home Forward

- Home Forward, which is the housing authority serving Multnomah County, is the largest provider of affordable housing in Oregon. Its focus is the development, management and operations of housing for very low-income households and providing rent subsidy (predominately Section 8) to assist households.
- Home Forward owns over 6400 units of housing (public housing and affordable housing) and administers over 9000 rent assistance vouchers of which about 2800 (31.1%) are project-based.
- Home Forward uses a combination of in-house and third-party property management companies for units owned or controlled.
- Currently Home Forward has a development department of approximately 12 FTE focused on acquisition, rehabilitation and construction of affordable housing.
- Home Forward is currently acting as the City of Portland's asset manager and developer for the city's housing bond.
- Significant experience working with nonprofit and for-profit developers.

Metro

- Metro's Transit-Oriented Development (TOD) Program has been a tool designed to help realize the region's 2040 growth management plans. It is designed to provide modest gap investments, acquire property, and facilitate development of higher-density, mixed-use and affordable projects located near transit corridors.
- In total, the program has facilitated the development of over 3,500 housing units, over 700 of which are income restricted, and has committed funding to an additional 1,500 units currently in design or under construction, of which over 800 will be income restricted.
- The TOD budget is approximately \$3 million annually from federal regional flexible transportation funds that come to the program through an agreement with TriMet.



- Program staff manage a regional search for properties that meet acquisition criteria and contract with a commercial broker to facilitate negotiations. The TOD Program has completed property acquisitions in Gresham, Portland, Milwaukie, Hillsboro, and Beaverton.
- The TOD program has 2 FTE that underwrite real estate projects for TOD Program financing, manage a regional property search, and prepare development solicitations for Metro-owned parcels. The TOD Program also has legal and administrative support to help with environmental remediation, development agreements, and miscellaneous property due-diligence.

4. Analysis

Based on information collected, interviews and knowledge of the local housing delivery system, the following conclusions have been reached.

- a) Throughout the region, cities and counties, including smaller cities not within the scope of this assessment, are creating strategies, employing regulatory tools and allocating local funds for affordable housing. This groundswell of support and prioritization of affordable housing provide great opportunity for a regional bond to leverage local support.
- b) There are concerns among some jurisdictions about ability to provide deeply affordable housing. Others are concerned that bond resources could further concentrate low income housing in already impoverished areas. Strategies that would ensure an equitable regional distribution may be needed.
- c) Currently, within the Metro region, there's a range of jurisdictional experience, expertise, and readiness to implement a regional housing bond program at the local level.
- d) Without an amendment, the three countywide housing authorities are willing partners who have the capacity for public ownership, and to oversee development. Technical assistance may be needed in Washington and Clackamas housing authorities to support development of bond supported projects.
- e) With an amendment, experience lending public sector development funds exists, but is minimal outside of Portland. The recommended local partners do not currently have all of the capacity needed to perform the tasks for successful bond implementation (e.g., real estate due diligence, underwriting and documentation).

The primary reason is the level of existing development subsidy is small (but growing). There has not been much money to lend / invest, and staff capacity (both in size and knowhow) varies. Outside of Portland, experience underwriting and lending public development capital is very limited. Current experience is largely tied to administration of federal entitlement funds. Most of the federal requirements associated with these funds will not apply to the regional housing bond.



- f) Concurrent to housing bond discussions, the region has been increasingly recognizing the importance of permanent supportive housing opportunities as key to addressing chronic homelessness. A targeted affordable housing bond program could advance systems and align efforts to provide combinations of housing and services designed for people with serious mental illnesses or other disabilities, who need support to live stably in their communities. As part of their local implementation strategy, counties should be required to identify mainstream support services which would be linked to housing their most vulnerable populations.
- g) An affordable housing finance intermediary may be able to provide the delivery system with transparency, efficiency, data consistency, and value-for-money through aggregation. Centralization of some functions within such an intermediary could facilitate coordination of Metro resources with implementation partners as well as with state tax credits, locally controlled funds, and private capital.

5. Recommendations

- a) Soon after referral, facilitated efforts should to be undertaken to improve cooperation, collaboration, and partnership among governments. Guiding principles for implementation should be developed and agreed to by Metro and local jurisdictional partners as a foundational exercise to design a regional affordable housing delivery framework.
- b) Metro should build into the Implementation Framework expectations for outcomes tied to resources and milestones. If the region or an individual jurisdiction is not on track to achieve these outcomes, Metro should maintain flexibility to allow for alternative methods to achieve regional goals.
- c) As a key aspect of Intergovernmental Agreements (IGA), participating jurisdictions will be required to produce a “local implementation strategy” (which should be part of an overall affordable housing plan) to illustrate their commitment to meet their share of regional goals. Partners should reference how they will support the bond program goals with local leverage or explain how they will use their resources in parallel with the bonds to further affordable housing opportunities in their community.
- d) Additional staff capacity and/or technical assistance resources will likely be needed to ensure an effective and consistent regional delivery system.
- e) Metro should establish parameters for the lending of funds to ensure consistency across the region (important for program delivery, monitoring, system efficiency).
- f) Metro should explore the feasibility and potential benefits of working with a financial intermediary to help underwrite projects. An intermediary organization could also possibly bring other fund sources for pre-development, bridge and permanent loans, as well as provide technical assistance to borrowers.