

Memo



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Date: Thursday, June 30, 2022
To: Metro Council
From: Metro Affordable Housing Bond Community Oversight Committee
Subject: 2021 Annual Report

A report to the Metro Council and the community from the Metro Affordable Housing Bond Community Oversight Committee

Over the past several months, the Metro Affordable Housing Bond Community Oversight Committee has reviewed progress reports from all eight implementation partner agencies, as well as an analysis of regional progress and performance presented by Metro staff. The committee also reviews quarterly progress and expenditure reports on an ongoing basis to monitor and evaluate progress toward production and policy goals outlined in the Metro Council's adopted policy framework for the measure.

Key highlights

We are pleased to report that the Metro affordable housing bond program is **making significant progress toward delivering on the promises made to voters**. The annual report highlights production and policy outcomes through December 2021, but we wanted to highlight updated production numbers through June 2022 here.

- As of June 2022, there are **3,179 new homes in the pipeline for community members in need** as a result of investments through Metro's 2018 affordable housing bond. A total of 1,353 homes are either under construction or have been completed and are in the leasing process. An additional 1,826 homes are in development planning and design and planning to break ground in the next year.
- This progress puts the region **82% of the way toward the goal of 3,900 new homes**, 77% of the way toward the goal of 1,600 homes regulated for affordability to extremely low income households making 30% AMI or below, and 84% of the way toward the goal of 1,950 homes sized for families, with 2 or more bedrooms— with only 56% of funds committed. Metro expects all remaining bond funds to be committed by 2026.

Over the past year, Metro and partners took significant steps to respond to emerging opportunities and challenges, including expanding permanent supportive housing commitments and ensuring adequate cooling systems:

- Passage of the 2020 regional supportive housing services measure represents a game-changing opportunity to ensure that housing bond investments are aligned with broader efforts and funding to address homelessness. Over the past year, Metro and partners have made significant progress toward **expanding permanent supportive housing (PSH) across the housing bond pipeline**.

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Key highlights, continued

Supportive housing pairs a physical housing unit funded by the bond with ongoing rental assistance and wraparound services to meet the needs of households experiencing homelessness. As of June 2022, the bond pipeline includes 595 PSH units that are leveraging ongoing funding from a range of federal and local resources, including Metro’s supportive housing services (SHS) funding measure.

- Metro and partners moved quickly to respond to lessons learned from last summer’s deadly heat wave by ensuring that **in-unit air conditioning will be incorporated for all bond funded buildings moving forward**. With additional funding commitments from Metro, partners have made progress in incorporating in-unit cooling in a way that balances considerations for cost and sustainability with the need to ensure adequate cooling for a warming climate.

Analysis and reporting as of December 2021 demonstrates that Metro and implementation partners are making significant progress toward goals of advancing racial equity throughout construction and lease up and ensuring safety and livability for future residents. More work is needed to monitor and evaluate outcomes. Key findings include:

- Development projects are geographically distributed across the region and **project locations reflect consideration for the goals of affirmatively furthering fair housing access**, with 38% of homes located in places with lower than the regional average rate of regulated affordable housing per capita. Transportation access remains a challenge in some locations, with only **70% of homes located in areas with access to frequent service transit**.
- Development projects are **on track to meet or exceed the regional goal of at least 20% of construction contract funding going to state certified minority, women, and emerging small businesses**. More work is needed to ensure that affordable housing investments can tackle broader workforce equity issues, which also require upstream investments to create a pipeline of diverse workers. Moving forward, Metro should seek opportunities to apply the Construction to Career Pathways Project to affordable housing development.
- Projects include **strong plans and partnerships aimed at affirmatively marketing housing opportunities and ensuring that households don’t face barriers in accessing housing**. There is anecdotal evidence that projects are successfully getting the word out about these housing opportunities, but the true measure of success will be in the evaluation of who is housed through these investments. Post-occupancy demographic data will be included in future reports once buildings have leased up.

Looking forward

Along with significant progress, the past year has brought **new challenges related to shifts in the financial and funding landscape**, including unprecedented cost escalation due to supply chain challenges and labor shortages, rising interest rates, and constraints in the availability of state-issued private activity bonds (PABs). Private activity bonds are tax exempt bonds that are required for financing 4% Low Income Housing Tax Credits (LIHTC). While this resource was historically undersubscribed, Oregon has recently joined 20 other states in reaching a point at which demand for 4% LIHTC exceeds the state’s federal allocation of PABs needed to finance them. It’s important for the Council to recognize the risk posed by the combination of PAB limitation and cost escalation caused by dramatic inflation; the ability for bond resources to continue to outpace goals committed to voters has become less likely, particularly because unit production was forecasted in a different development environment.

Strong coordination and alignment among local and state partners, combined with appropriate contingency planning, will be essential to ensure that partners can successfully navigate these challenges. In order to ensure that homes will be delivered on the scale and within the timeline committed to voters, it is imperative that Metro and partners advocate for the state to ensure that all PABs are prioritized for affordable housing, and that projects with PSH and 30% AMI units are further prioritized.

In addition to these shifts in the funding and financial landscape, the next year will see many more projects under construction and beginning to lease up, so this is a critical time frame in which to continue to support PSH commitments and effective practices to ensure equitable access to affordable housing.

With these challenges and opportunities in mind, the Oversight Committee recommends the following priority focus areas for the coming year:

- Work with state and local partners to **advocate for state/federal solutions and support statewide coordination and alignment to address PAB volume cap and cost escalation challenges**.
- Work with partners to **identify and support opportunities for continued PSH and SHS integration**, including planning for implementation of up to \$25 million in housing bond interest earnings that has been allocated to support investments in PSH.
- Work with partners to support **effective equitable lease up practices**, and evaluate opportunities for ongoing capacity building and increased accountability in this area.

Finally, it's also important to recognize the important role that local regulatory and policy tools play in eliminating barriers to housing production and supporting the feasibility of affordable housing development projects. Much work has been done in recent years to share information about effective tools and policies, recognizing that each jurisdiction faces unique challenges and one-size-fits-all approaches won't work. More can be done at the local level to create zoning and regulatory environment that welcomes housing production at all levels and especially affordable housing for those with the lowest incomes. With the implementation of Oregon House Bill 2003, which requires local jurisdictions to study housing needs and develop strategies to address them, there will important opportunities in coming years to expand local tools that contribute to housing production. The Oversight Committee recommends that Metro support local elected bodies in facing any political challenges that may arise when local regulations are changing to meet housing goals.

It is our honor to serve in this capacity and we'd like to thank Metro and jurisdictional partner staff for their hard work, professionalism, and responsiveness to our questions.

Thank you,

Jenny Lee (Co-chair)

Steve Rudman (Co-chair)

Kira Cador

Brandon Culbertson

Melissa Erlbaum

Mitch Hornecker

Ann Leenstra

Mara Romero

Andrea K. Sanchez

Karen Shawcross

Nicole Stingham

Trinh Tran

Juan Ugarte Ahumada

Tia Vonil