

Agenda



Metro

600 NE Grand Ave.
Portland, OR 97232-2736

Meeting: Housing Bond Oversight Committee
Date: Meeting Monday, January 22, 2024
Time: 3:00 p.m. to 5:30 p.m.
Place: Virtual meeting ([Zoom link](#))
Purpose: Provide committee with updates on Affordable Housing Bond program progress, communications, and policy and the 2023 Affordable housing bond audit

3:00 p.m.	Welcome and Introductions
3:35 p.m.	Conflict of Interest Declarations
3:40 p.m.	Public Comment
3:45 p.m.	Director Update
3:55 p.m.	Affordable Housing Bond Audit
4:25 p.m.	Affordable Housing Bond Program Updates
4:45 p.m.	Break
4:55 p.m.	Communications Updates
5:10 p.m.	Policy Updates
5:25 p.m.	Closing/Next steps
5:30 p.m.	Adjourn

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Meeting Summary

Meeting: Housing Bond Oversight Committee Meeting
Date: Monday, September 18, 2023
Time: 3:00 p.m. to 5:30 p.m.
Place: Virtual meeting (Zoom)
Purpose: Committee discussion and finalization of their findings and recommendations for the Affordable Housing Bond

Attendees

Kira Cador (she/her), Brandon Culbertson (he/him), Scott Greenfield (he/him), Ann Leenstra (she/her), Co-chair Jenny Lee (she/her), Mara Romero (she/her), Co-chair Steve Rudman (he/him), Andrea Sanchez (she/her), Karen Shawcross (she/her), Nicole Stingham (she/her), Trinh Tran (he/him)

Absent Members

Juan Ugarte Ahumada (he/him), Rachael Lembo (she/her), Mary Nolan (they/them), Willie Poinsette (she/her)

Metro staff

Melissa Arnold (she/her), Israel Bayer (he/him), Ash Elverfeld (they/she), Mercedes Evangelista (she/her), Val Galstad (they/them), Emily Lieb (she/her), Jimmy Oporta (he/him) Patricia Rojas (she/her), Daisy Quinonez (she/her), Alison Wicks (she/her)

Facilitator

Ben Duncan (he/him)

Note: The meeting was recorded via Zoom; therefore, details will be mainly focused on the discussions, with less detail regarding the presentations. Presentation slides are included in the archived meeting packet.

Welcome and Introductions

Co-chairs Jenny Lee and Steve Rudman welcomed the Committee to the meeting.

Ben Duncan, Kearns & West, facilitated introductions between Committee Members and reviewed the agenda.

The May 10th Meeting minutes were approved.

Ben discussed a new protocol for sharing potential or perceived conflicts of interest. Ash Elverfeld, Metro, asked members to send conflicts of interest to them in advance of future meetings. No one shared any conflicts of interest for this meeting.

Meeting Summary

Housing Department Updates with Director Patricia Roja

Patricia Roja, Metro, introduced Val Galstad, Metro, who shared updates on the housing Department and shared a presentation on Strategic Targets.

Mara Romero asked if these recent changes were voted on by any sort of council.

Val Galstad said this was born out of a prioritization council meeting within Metro that happens annually.

Patricia Roja, Metro, shared an organization chart of the Metro Housing Department and shared updates of new staff. She introduced Daisy Quinonez, Mercedes Evangelista, and Israel Bayer. Patricia noted that more staff hires were planned for the near future.

Nicole Stingh noted appreciation to the Metro Staff and asked if there was long-term funding in place to maintain the new staff hires.

Patricia Rojas, Metro, noted that SHS funds were used to make these hires but also these hires will impact the work on the bond. She noted that Metro will have to identify ongoing funding in the future, but it is something in consideration as an emerging department.

Andrea Sanchez asked about operational and technical assistance and capacity in Metro and what could be expected in those areas of work.

Patricia Rojas, Metro, stated that many of the new hires will be responsible for helping operations and will work directly across agencies and departments.

Mara Romero reflected that this new staffing reflects a shift in how housing work is done for the better.

Karen Shawcross noted that she wished for technical assistance to extend to asset and property managers.

Patricia stated, Metro, that she agreed and that Metro is at a point where they are able to support their partners in a way they would have liked to for decades.

Public Comment

No public comment was received.

Affordable Housing Bond Program Updates

Alison Wicks, Metro, delivered a presentation reflecting that the metro housing bond was at 93% of its housing production goals and on track to meet its 2024 goal.

Jimmy Oporta, Metro, updated the group on the current housing stock that Metro is overseeing. He emphasized that the bond money was being used in conjunction with a land trust to not only build homes but to keep people and families in the home long term; The homeowner will own these homes, but the land trust owns the land.

Melissa Arnold, Metro, noted that the equity stays with the land trust and a larger trust means more opportunity for the trust to own more properties and grow over time.

Mara Romero asked if the land that the housing was built upon was protected in any way.

Meeting Summary

Alison Wicks noted that the bond would be in place for 60-years, and possibly even 100 years for the City of Portland, and the land would be protected for at least that long, but possibly even longer.

Nicole Stihl asked about how the land trust model was selected.

Emily Lieb, Metro, said that obligation bonds are voter approved funding that had to be used to create permanent public capital assets. Metro looks at a number of methods of creating permanent public capital assets and the land trust model was identified as the best way to achieve this goal through the funding mechanism Metro had, although there are other options that are similar.

Nicole Stihl asked if there was a price per housing unit set by the bonds.

Emily Lieb, Metro, said that price per unit is a decision made independently by the jurisdictions. Additionally, Metro has gotten feedback from developers that they would appreciate clearer expectations up front about pricing, so they are considering that for the future.

Mara Romero asked how Metro would talk about the impact of building generational wealth as a part of the bond and noted that sharing success stories could be a useful messaging tactic.

Emil Lieb, Metro, noted that the current website dashboard doesn't note every outcome they are achieving such as Permanent Supportive Housing as well as home ownership. She noted there could possibly be more done in future messaging to distinguish between the types of housing being constructed.

Melissa Arnold, Metro, noted the need for a "menu" of solutions for people with issues. Different people have different needs from these programs and Permanent Supportive Housing is a service intensive support system that only some people need. She noted that a lot of these different options are not fully integrated with each other but that was a goal for the future.

Brandon Culbertson stated the link between current economic issues and housing issues.

Progress on Committee Recommendations to Metro Council

Emily Lieb shared the letter that included the committee's recommendations from May 2022. She noted that there was budget approval for a position for policy and systems work for permanent supportive housing. She also stated that Melissa Arnold will be involved in the PSH work. That work will be launched in Fall 2023 and will include significant stakeholder work. She also stated that data monitoring is a key part of this effort and Metro was happy to have Mercedes Evangelista in their position to take part in that effort. Mercedes is the first of three data focused roles in the department, and the other two have not been hired yet.

Melissa Arnold shared a presentation on The Oregon Housing and Community Service alignment with Metro's current operations. These alignments include a centralized application process, funding projects that are closer to shovel-ready than in the past and streamlining policy objectives and funding set-asides. She also noted that revised criteria would require developers to take on more risk. She noted that working with partners to gather more data was an ongoing process.

Karen Shawcross asked if the farmworker housing tax credit calendar was aligned with these efforts.

Melissa Arnold, Metro, noted she did not have an immediate answer and would look into that.

Meeting Summary

Andrea Sanchez stated that it is not a project's readiness to proceed that is causing issues but, instead, was the financial risk a developer could have to take, up to and including \$4,000,000 dollars, to get a project to the threshold that OHCS is demanding. She asked if Metro builds in predictability for developers to ensure they get funded?

Melissa Arnold, Metro, noted that the Housing Oregon letter focused on this and stated that supporting developers, especially emerging developers, was a critical component of any change in criteria that may happen.

Emily Lieb, Metro, stated that the Housing Oregon letter points out that community based, BIPOC, small developers would be most impacted by this shift and that is a concern and something that requires a better understanding before proceeding with any change.

Kira Cador said that as a housing committee, loan structures and their involvement in the housing building process are an important factor that needs to be addressed adequately.

Nicole Stingh said she would abstain from saying if this committee should write a letter. However, she did note that this agency is trying to make it easier for developers and address the cost escalation in recent years. If the agency has a better idea of what kind of funding they're doing, then more long-term success is ensured. How risk is mitigated is a big consideration.

Jenny Lee said the frame of risk mitigation was useful.

Steve Rudman noted that this is a complicated process for many who are outside of this process. Any way to simplify, standardize, and put more energy into building housing and less into chasing money that is needed is a net positive.

Andrea Sanchez posed the question of what an effective letter would say. She asked if there is there an opportunity for the metro bond to be used for predevelopment?

Emily said there could be flexibility for bond funds to address predevelopment, such as in funding. The metro bond has sought to provide a first in commitment and that a developer could then use it to secure funding, including state funding, for further certainty.

Mara Romero said the advocacy letter could come from a prospective of what could have been done if things had been aligned between agencies. They said that this could be a helpful framing device, i.e.. highlighting successes and noting shortcomings.

Ben Duncan, Kearns & West, asked the group if they were interested in writing the advocacy letter discussed and, if so, what day such a letter would need to be drafted by. Some members expressed interest, but noted they would have to check with their employer as a representative.

Melissa Arnold, Metro, stated she could work with Alison to draft the high-level bullet points she has heard in these discussions and then send them to the group. Additionally, she stated that the engagement process has several more opportunities for people to participate but recommended that the letter be written by mid-October.

Kira Cador asked for clarity on the purpose of the letter.

Melissa Arnold, Metro, said that the letter would be meant to affirm what this committee wants for Metro to do moving forward.

Emily Lieb, Metro, said that this letter could consider what the values of this committee could be and what can be aligned with the policy framework/outcomes this committee is overseeing. She emphasized the topic of how resources are aligned to achieve outcomes.

Meeting Summary

Mara Romero sked for an example of what could be recommended in the letter.

Nicole Stingh, Oregon Housing & Community Services, noted that her agency was seeking feedback on blind spots they may have in the affordable housing process.

Emily Lieb, Metro, briefly discussed private activity bonds. She noted that with this particular bond type, there are several projects across the housing pipeline where it is uncertain what resources developers will get. Additionally, Metro's Communication Team is gathering stories of those who have been impacted by affordable housing and also has plans for a roadshow to highlight progress of the bond throughout Fall and Winter.

Ben Duncan, Kearns & West, asked if the group was comfortable with Metro drafting an outline and consulting with legal. There was no objections to this approach.

Ben Duncan, Kearns & West, provided closing remarks.

Next steps include:

- Metro to consult with Legal to determine the online ability to vote and approve a letter or whether it is necessary to have a short virtual meeting, notice to the public, to formally vote for approval.
- Metro to draft a high-level outline advocacy letter, after consulting with Legal, and share it with the Committee.
- Committee members to review the outline letter when received.
- Melissa Arnold to check if the Agriculture Workforce Housing Tax Credit is aligned with current efforts and to respond with an answer to Karen Shawcross.

Adjourn

The meeting adjourned at 5:30 p.m.

METRO HOUSING BOND QUARTERLY REPORT | OCTOBER – DECEMBER 2023

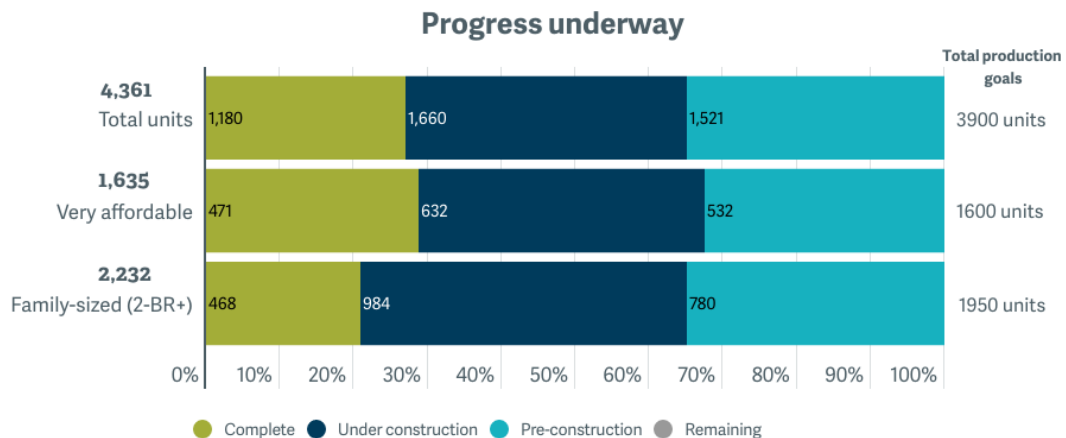
January 12, 2024

This is the fourth quarterly progress report for the Metro Affordable Housing Bond of 2023. Similar reports are produced quarterly with the goal of keeping the Housing Bond Community Oversight Committee, Metro Council, and other stakeholders and partners informed about ongoing implementation progress. A more detailed report will be provided annually for each calendar year, following submission of local progress reports by each participating implementation jurisdiction.

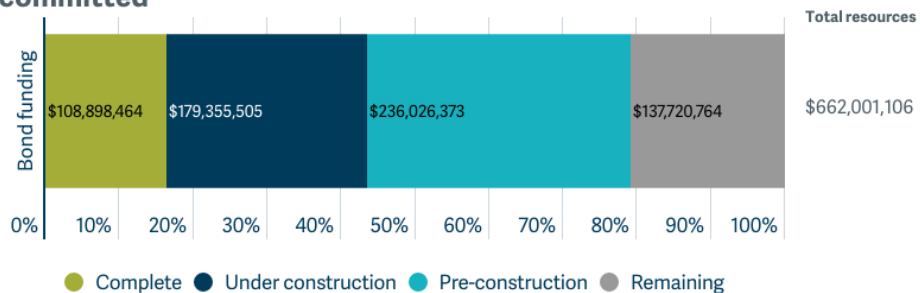
REGIONAL PRODUCTION PROGRESS

As of the end of December 2023, the Affordable Housing Bond program has 52 projects representing 4,361 new affordable homes in the pipeline, including 20 projects (1,521 units) that are in pre-construction. Thirty-four projects have received final approval, of which eighteen (1,660 units) are under construction, and fourteen projects (1,180 units) have completed construction and are accepting residents. Of these homes, 2,232 will have two or more bedrooms, representing 114% of the program's production goal of 1,950 family-sized homes; and 1,635 will be affordable to households with incomes at or below 30% of area median income (AMI), representing 102% of the program's production goal of 1,600 deeply affordable homes. Collectively, the 52 projects in the pipeline represent 4,361 new affordable homes, or 112% of the total production target for the Housing Bond, while utilizing approximately 79% of allocated project funding.

Production and funding dashboard



Resources committed



REGIONAL PRODUCTION PROGRESS

	Eligible units	30% AMI units	2+ BR units	PSH units
Total units in pipeline	4,361	1,635	2,232	775
Total unit production targets	3,900	1,600	1,950	N/A
% of unit progress underway	112%	102%	114%	N/A
Total funding committed or underway	\$524,280,342			
% of funding committed	79%			
Total funding remaining	\$137,720,764			

LOCAL PRODUCTION PROGRESS

Portland

Name	Metro Bond Funds	Status	Eligible units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Hattie Redmond	\$4,411,737	Complete	60	60	0	60	Oct-2021	Feb-2023
Dekum Court*	see Home Forward	Construction	147	61	78	0	Apr-2022	Jan-2025
Findley Commons	\$1,945,175	Complete	35	0	0	35	Oct-2020	Dec-2021
Waterleaf	\$1,929,219	Complete	176	17	48	20	Dec-2020	Dec-2022
74th and Glisan – Family	\$3,685,679	Construction	96	15	63	0	Jun-2023	Sep-2024
74 th and Glisan – PSH	\$5,822,000	Construction	41	41	0	41	Jun-2023	Sep-2024
5020 N Interstate	\$9,216,838	Construction	63	17	48	0	Jul-2022	Dec-2023
Albina One	\$13,572,107	Construction	94	32	55	0	Mar-2023	Jun-2025
Meridian Gardens	\$13,365,160	Construction	85	70	0	65	Feb-2023	Mar-2025
Hollywood Hub	\$29,084,328	Pre-construction	73	39	23	0	Nov-2023	Jun-2026
PCC Killingsworth	\$2,538,237	Pre-construction	84	28	60	0	Jun-2023	Dec-2025
Tistilal Village	\$4,632,538	Construction	24	24	22	16	Jan-2023	Aug-2024
Powellhurst Place	\$4,091,048	Construction	64	12	45	12	Aug-2022	Dec-2023
Barbur Apartments	\$22,519,248	Pre-construction	149	32	102	0	Jun-2024	Dec-2025
Carter Commons	\$5,800,000	Pre-construction	62	21	0	0	Jun-2024	Aug-2025
Garden Park Estates	\$2,239,308	Construction	54	25	40	25	Jun-2023	Jul-2025
Strong Site	\$11,250,000	Pre-construction	75	11	54	0	Apr-2024	Aug-2025
Portland Value Inn	\$6,155,974	Pre-construction	98	39	58	15	Jun-2025	Aug-2026
Carey Blvd. (Homeownership)	\$6,087,267	Pre-construction	53	0	53	0	Jul-2025	Feb-2029
Abbey Townhomes	\$1,200,000	Pre-construction	8	0	8	0		Feb-2025
Total units in pipeline			1,541	544	757	289		
Total unit production targets			1,475	605	737	300		
% of commitment complete			104%	90%	103%	96%		
Total committed or underway								
Total LIS funding			\$150,398,353					
% of funding committed			\$199,652,992					
Remaining LIS funding			75%					
			\$49,254,639					

*Home Forward is the developer of Dekum Court, but the units will count toward Portland's production goals. Dekum Court's funding was allocated directly to Home Forward, based on an agreement between Portland, Home Forward, and Metro prior to the execution of IGAs allocating funds, and as part of Metro's early commitment of funding to four "Phase I projects" (also including Viewfinder, Mary Ann, and Tukwila Springs).

Washington County

Name	Metro Bond Funds	Status	Eligible Units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Aloha Family Housing	\$10,230,000	Construction	81	33	50	0	Apr-2022	Oct-2023
Aloha Quality Inn	\$9,283,000	Complete	54	54	0	54	Dec-2021	Feb-2023
Plambeck Gardens	\$14,320,000	Construction	116	47	60	8	Mar-2023	Aug-2024
Goldcrest	\$12,000,000	Construction	74	14	45	0	Sep-2022	Apr-2024
Plaza Los Amigos	\$13,670,523	Construction	112	26	72	16	Jul-2022	Sep-2023
Saltzman Road	\$6,149,000	Construction	54	28	9	24	Jun-2022	Dec-2023
Terrace Glen	\$17,484,000	Complete	144	51	74	3	Nov-2021	May-2023
The Valfre at Avenida 26	\$3,792,088	Complete	36	8	30	8	Jul-2021	Oct-2022
Tigard Senior	\$6,270,000	Construction	57	23	0	23	Jul-2022	Aug-2023
Viewfinder	\$11,583,000	Complete	81	34	56	27	Jun-2020	Dec-2021
Woodland Hearth	\$9,450,000	Pre-construction	63	24	40	22		
Total units in pipeline			872	342	438	185		
Total unit production targets			814	334	407	100		
% of commitment complete			107%	102%	108%	N/A		
Total committed or underway								
Total LIS funding			\$114,611,611					
% of funding committed			\$118,135,532					
Remaining LIS funding			97%					
			\$3,523,921					

Clackamas County

Name	Metro Bond Funds	Status	Eligible units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Fuller Road Station	\$8,570,000	Complete	99	25	82	25	Apr-2021	Sep-2022
Good Shepherd Village	\$18,330,000	Complete	142	58	79	58	Mar-2022	Aug-2023
Las Flores (Maple Apts.)	\$15,903,000	Construction	171	70	129	9	May-2022	Dec-2023
Tukwila Springs	\$5,548,542	Complete	48	48	0	48	Jun-2021	Jun-2022
Marylhurst Commons	\$3,000,000	Construction	100	40	83	40	Sep-2022	Jan-2024
Hillside Park – A & B	\$25,454,545	Pre-construction	143	40	14	13	Mar-2024	Apr-2026
Hillside Park – C	\$14,545,455	Pre-construction	78	68	53	8	Mar-2024	Apr-2026
Lake Grove	\$10,000,000	Pre-construction	54	20	28	10	Aug-2024	Oct-2025
Wilsonville TOD	\$8,000,000	Pre-construction	120	40	79	20	Sep-2024	Nov-2025
Shortstack Milwaukie	\$700,000	Pre-construction	15	0	15	0	Jun-2024	Jun-2025
Total units in pipeline			970	414	562	231		
Total unit production targets			812	333	406	0		
% of commitment complete			119%	124%	138%	N/A		

<i>Total committed or underway</i>	\$110,051,542
<i>Total LIS funding</i>	\$122,018,094
<i>% of funding committed</i>	90%
<i>Remaining LIS funding</i>	\$11,966,552

Hillsboro

Name	Metro Bond Funds	Status	Eligible units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Nueva Esperanza	\$16,940,731	Construction	149	60	105	0	Mar-2022	Oct-2023
The Dolores	\$10,500,000	Pre-construction	66	30	46	10	Sep-2024	Dec-2025
Total units in pipeline Total unit production targets % of commitment complete			215	90	151	10		
			284	117	142	0		
			76%	77%	106%	N/A		
Total committed or underway			\$27,440,731					
Total LIS funding			\$41,240,081					
% of funding committed			67%					
Remaining LIS funding			\$13,799,350					

Gresham

Name	Metro Bond Funds	Status	Eligible units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Albertina Kerr	\$11,292,447.42	Complete	147	30	31	30	Jan-2021	Jun-2022
Rockwood Village	\$5,237,813.69	Complete	47	47	39	0	Jan-2020	Apr-2022
Oak Row at Rockwood	\$2,200,000	Pre-construction	11	0	11	0	Apr-2024	Dec-2024
Terracina Vista	\$2,500,000	Pre-construction	91	0	56	0	Dec-2023	Mar-2025
Total units in pipeline			296	77	137	30		
Total unit production targets			187	77	93	0		
% of commitment complete			158%	100%	147%	N/A		
Total committed or underway			\$21,230,261					
Total LIS funding			\$27,140,995					
% of funding committed			67%					
Remaining LIS funding			\$5,910,734					

Beaverton

Name	Metro Bond Funds	Status	Eligible units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Mary Ann	\$3,000,000	Complete	54	11	29	0	Jun-2020	Sep-2021
Elmonica	\$8,439,934	Pre-construction	80	33	32	0	Jan-2023	Dec-2024
Scholls Ferry Road	\$9,000,000	Construction	135	17	79	0	Jun-2022	Jan-2024

Senior Housing on 5th	\$10,500,000	Pre-construction	104	68	0	30	Jan-2025	Jun-2026
Total units in pipeline			269	61	140	30		
Total unit production targets			218	89	109	N/A		
% of commitment complete			100%	69%	100%	N/A		
Total committed or underway			\$30,939,934					
Total LIS funding			\$31,587,595					
% of funding committed			98%					
Remaining LIS funding			\$647,661					

Home Forward (East Multnomah County)

Name	Metro Bond Funds	Status	Eligible units	30% AMI units	2+ BR units	PSH units	Construction Start	Anticipated Completion
Troutdale Apartments	\$13,449,238	Pre-construction	94	39	47	0	Apr-2023	Oct-2024
Dekum Court (PHB)*	\$21,034,083	Construction	Counts toward PHB's unit production goals				Apr-2022	Jan-2025
Total units in pipeline			94	39	47	0		
Total unit production targets			111	46	55	0		
% of commitment complete			85%	85%	85%	N/A		
Total committed or underway			\$34,483,321					
Total LIS funding			\$37,141,206					
% of funding committed			92.84%					
Remaining LIS funding			\$2,657,885					

*Home Forward is the developer of Dekum Court, but the units will count toward Portland's production goals. Dekum Court's funding was allocated directly to Home Forward, based on an agreement between Portland, Home Forward, and Metro prior to the execution of IGAs allocating funds, and as part of Metro's early commitment of funding to four "Phase I projects" (also including Viewfinder, Mary Ann, and Tukwila Springs).

PROJECT ENDORSEMENTS AND FINAL APPROVALS

*The following projects were endorsed or approved during the fourth quarter of 2023. Staff reports for these approvals are included in the Quarterly Report Project Approvals Addendum**

Project	Endorsement/Approval
Abbey Site (Homeownership)	Concept Endorsement
Oak Row at Rockwood (Homeownership)	Concept Endorsement
Senior Housing on 5th	Concept Endorsement
Shortstack Milwaukie (Homeownership)	Concept Endorsement
Terracina Vista	Final Approval
Wilsonville TOD	Concept Endorsement
Woodland Hearth	Concept Endorsement

*Staff reports for projects approved in the fourth quarter can be found at <https://www.oregonmetro.gov/public-projects/affordable-homes-greater-portland/progress>

METRO AFFORDABLE HOUSING BOND

Financial Report Through December 2023

FINANCIAL SUMMARY

TOTAL REVENUE	\$696,843,268
TOTAL EXPENSES and DISBURSEMENTS	\$333,581,903
TOTAL COMMITTED	\$210,434,645
TOTAL FUNDING REMAINING	\$152,826,721

REVENUE

	FY 2018 - 2023	FY 2023 - 2024	TOTAL REVENUE
Bond Proceeds	\$652,800,000		\$652,800,000
Premiums on Bonds	\$2,630,335		\$2,630,335
Interest Earnings	\$35,973,700	\$5,439,233	\$41,412,933
TOTAL REVENUE:	\$691,404,035	\$5,439,233	\$696,843,268

EXPENSES

PROJECTS	Prior Years Expended or Disbursed	FY2023-24 Expended or Disbursed	Committed -- Not Yet Disbursed	TOTAL EXPENDED, DISBURSED or COMMITTED	WORK PLAN FUNDING (Amended)	% of Work Plan Funding Expended, Disbursed or Committed
Jurisdiction:						
Beaverton	\$12,000,000	\$0	\$18,939,934	\$30,939,934	\$31,587,595	98%
Clackamas County	\$51,351,542	\$0	\$58,700,000	\$110,051,542	\$122,018,094	90%
Gresham	\$16,530,261	\$2,500,000	\$2,200,000	\$21,230,261	\$27,140,995	78%
Hillsboro	\$16,940,731	\$0	\$10,500,000	\$27,440,731	\$41,240,081	67%
Home Forward (East Multnomah Co.)	\$21,034,083	\$0	\$13,449,238	\$34,483,321	\$37,141,206	93%
Portland	\$65,763,299	\$0	\$84,635,054	\$150,398,353	\$199,652,992	75%
Washington County	\$105,161,611	\$0	\$9,450,000	\$114,611,611	\$118,135,532	97%
Metro Site Acquisition Program	\$22,154,319	\$188,409	\$12,560,419	\$34,903,147	\$62,016,000	56%
Other Metro Direct Project Costs	\$161,824	\$59,618	\$0	\$221,442	\$0	N/A
PSH IGAs in progress (Portland and Wash Co)					\$15,834,000	N/A
Funding to be allocated (Interest Earnings)					\$7,234,610	N/A
TOTAL:	\$311,097,670	\$2,748,027	\$210,434,645	\$524,280,342	\$ 662,001,106	79%

ADMINISTRATIVE	Prior Years Expended or Disbursed	FY2023-24 Expended or Disbursed	TOTAL EXPENDED or DISBURSED	WORK PLAN FUNDING (Amended)	% of Work Plan Funding Expended or Disbursed
Jurisdiction:					
Beaverton	\$569,252	\$376,583	\$945,835	\$974,615	97%
Clackamas County	\$1,712,246	\$641,376	\$2,353,622	\$3,636,371	65%
Gresham	\$450,643	\$147,702	\$598,345	\$837,421	71%
Hillsboro	\$684,752	\$0	\$684,752	\$1,272,457	54%
Home Forward (East Multnomah Co.)	\$334,297	\$162,676	\$496,973	\$496,973	100%
Portland ¹	\$0	\$0	\$0	\$0	N/A
Washington County	\$1,759,590	\$627,716	\$2,387,306	\$3,645,054	65%
Metro Site Acquisition Program ²	\$0	\$0	\$0	\$1,940,932	N/A
Metro Accountability and Financial Transaction Costs	\$11,226,696	\$1,042,677	\$12,269,373	\$19,409,319	63%
Funding to be allocated (Interest Earnings)				\$2,629,021	N/A
TOTAL:	\$16,737,476	\$2,998,730	\$19,736,206	\$34,842,163	57%

¹ PHB uses a Project Delivery Fee, not paid for by Metro's Affordable Housing Bond, to reimburse their administrative expenses.

² Administrative expenses in support of Metro's Site Acquisition Program are combined with Metro's total Administrative expenses and included in "Metro Accountability and Financial Transaction Costs."

METRO COSTS ANNUAL BASIS ³	FY2023-24 YTD Actuals	FY2023-24 Metro Budget	YTD % Spent
	1,215,003	3,068,547	40%

³ In addition to Metro's Administrative costs, these costs include certain Metro Direct Costs reported under the "Project" Cost table above (e.g. Metro Site Acquisition Program Staff and Other Metro Direct) that were not provided a Work Plan Funding allocation, and therefore must be covered by Metro's Administrative Funding allocation.

Affordable Housing Bond: Continue progress to inform future efforts

Why this audit is important

The purpose of the audit was to conclude on the status of prior audit recommendations and determine if there were gaps or redundancies in administrative controls to deliver on Affordable Housing Bond values.

Voters approved a \$652.8 million general obligation bond measure in 2018 to create 3,900 affordable units over five to seven years. A January 2021 audit evaluated Metro's preparedness to implement the bond measure.

Although progress has been made, the need for affordable housing continues to outpace availability. With the deficit of affordable units in the region, reducing duplicate efforts and filling potential monitoring gaps will be critical.

Bond-funded homes became available to eligible residents



Source: Metro Website

What we found

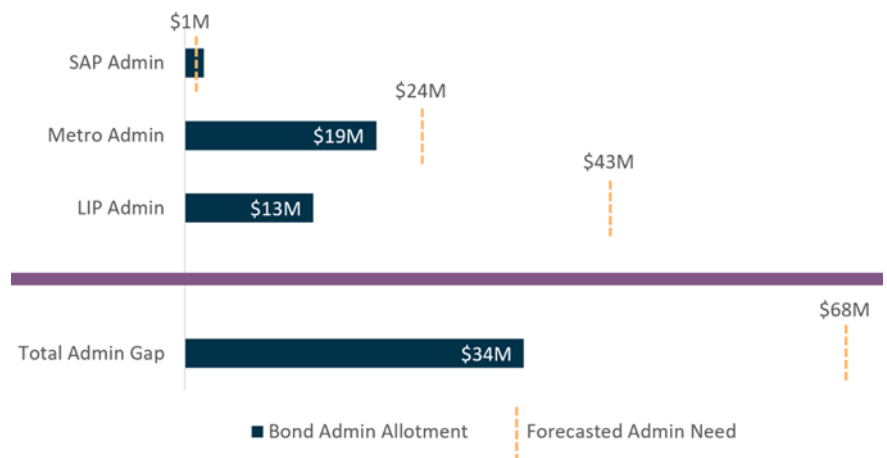
Metro made significant progress on prior audit recommendations. Seven out of nine recommendations were fully implemented and two were in process.

While progress was made, there were opportunities for improvement. Reporting processes were sufficient but could be strengthened to help Metro capture lessons learned. Metro also had project monitoring rights, but it was unclear how ongoing project information would be used or reported. This was important to sustain the bond's commitments to racial equity, creating opportunity for those in need, and good use of public investments.

The number of parties involved, and long project timelines increased the chance for gaps and inefficiency. Some duplication was necessary to provide appropriate oversight of projects. However, Metro is in a unique position to work with local and state partners to identify inefficient duplication and unintended gaps.

Additional work in several following areas will help Metro as it prepares for the future of its affordable housing program. The bond's administrative allocations will not cover administrative needs. This means Metro and local partners will need funding from other sources. Although this was expected when the bond was being developed, it presents a challenge for understanding the actual cost of implementing the bond.

Administrative expenses are funded by other sources of revenue



Source: Auditor's Office analysis of Affordable Housing Bond workplan and FY23-24 to FY27-28 forecast as of June 2023

What we recommend

The audit included eight recommendations. Five recommendations were designed to strengthen bond oversight and prepare for the future. To ensure bond activities are sufficiently funded, we made three additional recommendations to develop a long-term affordable housing plan, identify sources of funds to support Metro's ongoing roles and responsibilities, and use actual administrative spending data to inform potential future bonds.



Affordable Housing Bond:

Continue progress to inform future efforts

November 2023

A Report by the Office of the Auditor

Brian Evans

Metro Auditor

Angela Owens

Principal Management Auditor

Mason Atkin

Senior Management Auditor

Metro Accountability Hotline

The Metro Accountability Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any Metro or Metro Exposition Recreation Commission (MERC) facility or department.

The Hotline is administered by the Metro Auditor's Office. All reports are taken seriously and responded to in a timely manner. The auditor contracts with a hotline vendor, EthicsPoint, to provide and maintain the reporting system. Your report will serve the public interest and assist Metro in meeting high standards of public accountability.

To make a report, choose either of the following methods:

Dial 888-299-5460 (toll free in the U.S. and Canada)

File an online report at www.metroaccountability.org



Brian Evans
Metro Auditor

600 NE Grand Ave
Portland, OR 97232-2736
TEL 503 797 1892, FAX 503 797 1831

MEMORANDUM

November 20, 2023

To: Lynn Peterson, Council President
Ashton Simpson, Councilor, District 1
Christine Lewis, Councilor, District 2
Gerritt Rosenthal, Councilor, District 3
Juan Carlos Gonzalez, Councilor, District 4
Mary Nolan, Councilor, District 5
Duncan Hwang, Councilor, District 6

From: Brian Evans, Metro Auditor

Re: Audit of Metro's Affordable Housing Bond Program

This report covers the second audit of the Affordable Housing Bond Program. The purpose of the audit was to conclude on the status of prior audit recommendations and determine if there were gaps or redundancies in administrative controls to deliver on Affordable Housing Bond values.

Metro made significant progress on past audit recommendations and developed the foundational structures for its housing work. Seven recommendations were implemented. Two were in process.

The audit identified several areas where additional work will help Metro prepare for the future. As bond work moves to its next phase, the Housing department will shift to outcome reporting and other oversight processes to ensure the region's investments in affordable housing are sustained. The region continues to have a shortage of affordable housing. As a result, even with successful implementation of the 2018 bond a significant number of new units will be needed.

We have discussed our findings and recommendations with Marissa Madrigal, COO; Patricia Rojas, Housing Director; Liam Frost, Housing Deputy Director; Emily Lieb, Housing Bond Program Manager; Alison Wicks, Housing Program Supervisor; and Rachael Lembo, Finance Manager, Finance and Regulatory Services. I would like to acknowledge and thank all the employees who assisted us in completing this audit.

Summary

Voters approved a \$652.8 million general obligation bond measure in November 2018. The goal was to create 3,900 affordable units over five to seven years. As of August 2023, about 1,600 units were under construction and 981 units were completed.

This audit was designed to follow up on previous recommendations and assess the potential for administrative gaps or duplication due to the complex governance structure of the bond. Metro made significant progress on past recommendations. Seven were implemented. Two were in process. Some in-process recommendations will continue to be important as Metro prepares for the future.

While progress has been made, we identified several opportunities for improvement. We evaluated the review processes and timelines for ten projects. Reporting processes were sufficient but could be strengthened to help Metro more systematically capture some lessons learned.

Metro lacked a long-term plan for fulfilling some of the oversight and administrative commitments of the bond. For example, long-term monitoring is needed to sustain the bond's commitments of racial equity, creating opportunity for those in need, and good use of public investments.

Inconsistent requirements and goals across local partners and project funders increased the potential for inefficient processes. Expectations for perfect alignment across funding sources may be unreasonable. However, Metro is in a unique position to work with local and state partners to identify ways to simplify the project approval and funding process.

Our analysis found that the bond's administrative allocations will not cover administrative needs. This means Metro and local partners will need funding from other sources. Although this was expected when the bond was being developed, it presents a challenge for understanding the actual cost of implementing the bond.

Based on current estimates, the need for affordable housing in the region will likely continue to outpace the availability. A need of about 90,000 units was estimated for those making 50% or less of the area median income in the greater Portland area. Metro needs a regional housing plan that considers new construction, preservation of existing units, and integration with the Supportive Housing Services program and other funds, to sustain progress.

The audit included eight recommendations. Five were intended to strengthen bond oversight and prepare for the future. Three were designed to ensure bond administrative activities are sufficiently funded.

Background

Voters passed a \$652.8 million general obligation bond measure (bond) in November 2018 to build affordable housing. Bond funds were targeted to households making less than 60 percent of area median income, or \$55,260 for a family of four in 2020. Most of the bond funding would go to city and county housing authorities (local partners), who would work with developers to build units.

There were targets for deeply affordable units (for households earning 30 percent of area median income or below) and family-sized units. Family-sized was defined as a unit with two or more bedrooms. The bond established four outcomes:

- Lead with racial equity
- Create opportunity for those in need
- Create opportunity throughout the region
- Ensure long-term benefits and good use of public dollars

Exhibit 1 The bond work plan included goals for deeply affordable and family-sized units

Deeply affordable units	Family-sized units
1,600	1,950

Source: Affordable Housing bond work plan

A January 2021 audit took an early look at Metro’s preparedness to implement the bond measure. A letter to management included three early recommendations to ensure responsible stewardship of bond funds and strengthen independent oversight. The audit included six recommendations to address procedural gaps. This audit was designed to follow up on the previous recommendations and assess the potential for administrative gaps or duplication due to the complex governance structure of the bond.

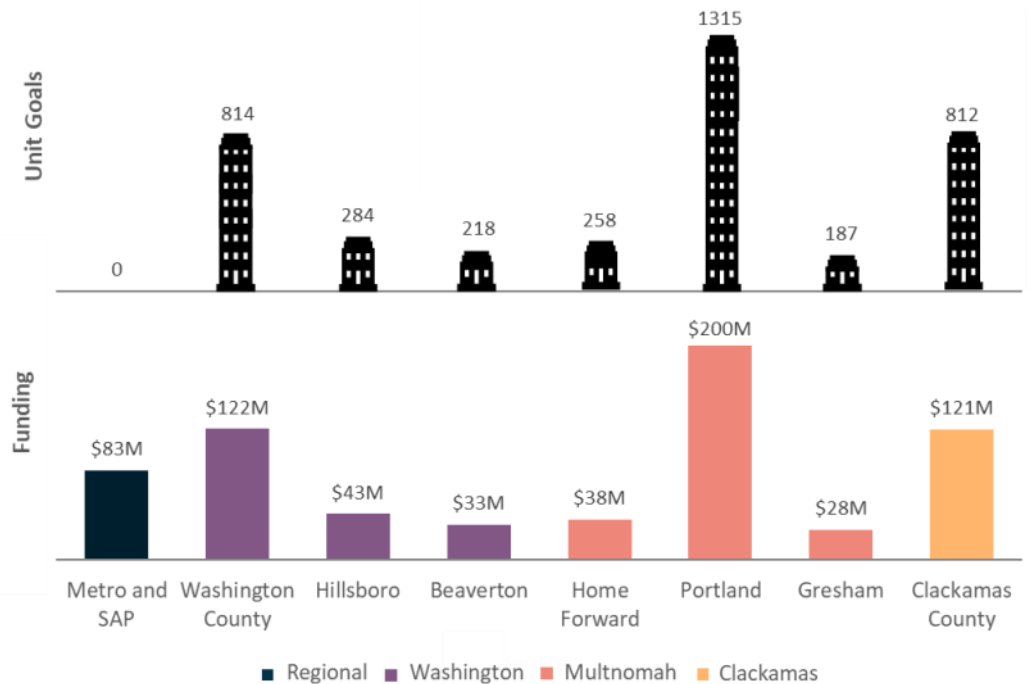
Metro’s role in bond administration is to authorize funding for projects and purchase sites for the jurisdictions to use for development. An independent community oversight committee reviews bond expenditures and provides annual reports to Metro Council. Administrative costs were capped at five percent of total bond proceeds.

Seven local partners received bond funds and each was expected to meet unit production targets. Local partners included four cities (Beaverton, Gresham, Hillsboro, and Portland) and two counties (Clackamas and Washington). Home Forward—Multnomah County’s housing authority—would develop housing in the cities east of Gresham. Each local partner was expected to obtain additional sources of funding to develop housing, such as tax credits or loans.

Local partners would work with private sector developers to build units. Local implementation strategies outlined how each local partner would select and complete projects. Those strategies were to be included in intergovernmental agreements (IGAs) between Metro and each local partner.

As of March 2023, about 3% of bond funds were set aside for Metro administrative activities (\$19 million). Metro also set aside about 9% of bond funds (\$64 million) for the Site Acquisition Program (SAP). SAP is a program managed by Metro designed to support local partners reaching their unit production goals. Metro can purchase an estimated one to three sites in each local partner area. Metro would also be involved in developing properties on these sites. Through SAP, Metro had an opportunity to emphasize community engagement and encourage building on regionally significant sites.

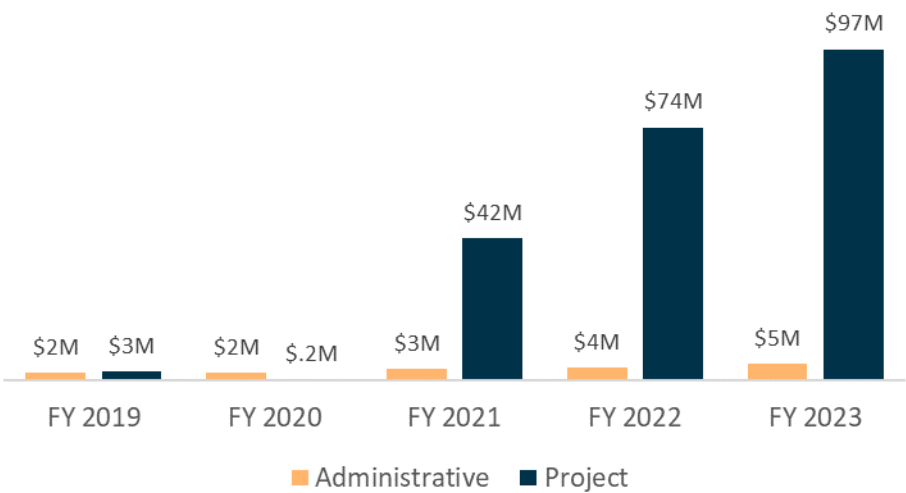
Exhibit 2 Bond funding was allocated to Metro and seven local partners



Source: Auditor's Office analysis of Affordable Housing bond work plan

The bond is administered by Metro's Housing department. As of June 30, 2023, about 34% of bond proceeds (\$232 million) had been spent. Most expenditures (93%) were for project costs. The other 7% was for administrative costs.

Exhibit 3 Bond expenditures have increased over time



Source: Auditor’s Office analysis of PeopleSoft data

As of August 2023, about 1,600 units were under construction and 981 units were completed. Completed units included three multi-family apartment buildings in Portland, four in Washington County, two in Clackamas County, two in Gresham, and one in Beaverton. No units had been completed in Hillsboro or through Home Forward in east Multnomah County.

Exhibit 4 Bond-funded homes became available to eligible residents



Source: Metro website

Results

Metro made significant progress on past audit recommendations and developed the foundational structures for its housing work. Seven recommendations were implemented. Two were in process. As more projects are completed, bond work is moving to its next phase. This will require the housing department to focus its efforts on outcome reporting and oversight processes to ensure the region's investments in affordable housing are sustained.

At the same time, the region continues to have a shortage of affordable housing. As a result, even with successful implementation of the 2018 bond a significant number of new units will be needed. During the audit, discussions were taking place about the need for another affordable housing bond measure. Additional work in the following areas will help Metro as it prepares for the future of its affordable housing program:

- Strengthening regional oversight processes to reduce gaps and avoid duplication
- Learning from past projects
- Developing a plan to track affordability over time
- Standardizing requirements to improve efficiency
- Improving clarity about the cost to administer programs
- Developing a long-term plan for Metro's role in affordable housing

Although progress has been made, the need for affordable housing continues to outpace availability. The State of Oregon estimated a loss of about 4,100 affordable units in Clackamas, Multnomah, and Washington counties by 2032. This was because existing affordability restrictions expire after a certain number of years. The bond is expected to deliver as many as 4,700 new units. This emphasizes the importance of building new, and preserving existing, affordable housing to increase the overall supply.

Most recommendations were implemented

Our 2021 audit found weaknesses in Metro's preparedness to implement the bond. Early bond efforts focused on helping local partners develop implementation strategies. This meant there was reduced focus on developing internal procedures. The audit included six recommendations to support fair and consistent consideration of bond funding requests, provide timely and complete information to monitor bond progress, and support continuous improvement in bond operations. Three other recommendations were included in a separate management letter to strengthen perceptions of the community oversight committee's independence and ensure responsible stewardship of bond administrative funds.

Exhibit 5 Seven out of nine recommendations were fully implemented

Recommendation	Status
To ensure responsible stewardship of bond administrative funds:	
1. Develop written guidance to help employees determine which administrative costs are bond-eligible	Implemented
2. Provide training on written guidance to the employees responsible for making and coding expenditures	Implemented
To strengthen perceptions of the community oversight committee's independence:	
3. Ensure that disclosures are accurate and complete by:	In Process (In Process)
a. Reminding committee members at each meeting to follow guidance Metro provided to disclose any conflicts of interest (potential or actual) verbally and to update disclosure forms if circumstances affecting their independence change.	
b. Documenting how potential threats to independence were reduced.	(In Process)
To support fair and consistent consideration of bond program funding requests:	
4. Clarify and use procedures for evaluating requests and proposed changes to approved projects, including the use of Site Acquisition Program funds on sites owned by Metro	Implemented
5. Communicate procedures to staff, the community oversight committee, and participating jurisdictions	Implemented
To provide timely and complete information to monitor bond progress:	
6. Complete and use guidance for reporting on project and program outcomes, including:	In Process
a. Annual progress and financial report templates	(Implemented)
b. Processes for reporting information to the community oversight committee, including sites acquired for the Site Acquisition Program	(Implemented)
c. Metrics to address gaps in program outcomes, including the impact of housing units on neighborhood-level changes for communities of color	(Implemented)
d. Targets for all metrics to assess whether performance meets expectations	(In Process)
e. Protocol to ensure reliable performance information is provided for each metric	(In Process)

7. Communicate guidance to staff, the community oversight committee, and participating jurisdictions	Implemented
To support continuous improvement in bond operations:	
8. Evaluate and assign bond administration responsibilities to balance workloads	Implemented
9. Increase the accuracy and transparency of the bond administration budget by:	Implemented
a. Developing a long-term budget for bond administration	(Implemented)
b. Tracking actual hours worked on the bond to inform FTE calculations	(Implemented)
c. Providing budget vs. actuals reports to the community oversight committee	(Implemented)

Source: Auditor's Office analysis of status of recommendations from August 2020 management letter and January 2021 Audit: Affordable Housing Bond Preparedness: Develop clear and consistent guidance to improve bond operations

The Auditor's August 2020 management letter found Metro's guidance for managing regional administrative costs was not specific enough to determine which costs were bond eligible. We recommended Metro develop written guidance and train employees on that guidance. Since that time, Metro implemented these recommendations by establishing more specific guidance for tracking bond expenditures and developing tools to help management and staff meet expectations.

The January 2021 audit found that additional guidance was needed to ensure fair consideration of program funding requests. There was also a lack of clarity about how changes to approved projects would be managed. Metro has since developed procedures and clarified them in guidelines that were communicated to staff, the oversight committee, and local partners. While related recommendations were fully implemented, there was an opportunity to provide more specificity about SAP projects during the acquisition and project solicitation phase in the guidelines.

Additional guidance was also needed to establish clear standards for reporting on program outcomes. We recommended that Metro complete, communicate, and use this guidance. Metro made improvements in these areas. Some parts of that recommendation were implemented, and some were in process.

Reporting templates were developed, communicated, and being used. These included templates for financial reporting, annual progress reporting, and post-construction and post-lease-up reporting. Processes were in place to report information to the community oversight committee. Several metrics were in place to evaluate bond outcomes. These included location-based metrics, such as the percentage of new housing where communities at risk of displacement live. Metro also identified data sources and developed a methodology to ensure reliable performance information was provided for some metrics.

Address gaps and strengthen processes to prepare for the future

During our prior review, there were several responsibilities assigned to two employees which created high workloads. We recommended that Metro evaluate and assign bond administration responsibilities to balance workload among staff. This recommendation was implemented but will need to be continuously revisited through the life of the bond. This is because staff responsibilities are expected to evolve over time, from focusing on project reviews to oversight and monitoring functions.

Finally, our prior audit raised concerns about the lack of detail that was used to develop the bond’s administrative budget. We recommended that Metro develop a long-term budget for bond administration and that staff track actual time worked on the bond. Our follow-up work found these things were implemented.

While progress has been made, we identified several opportunities for improvement. We evaluated the review processes and timelines for ten projects. Data from past projects provides helpful lessons that can be applied to future housing work.

The level of project oversight varied by local partner. For one local partner, about 11 different groups were responsible for selecting, reviewing, managing, and reporting on projects. Some duplication is necessary to provide an appropriate level of scrutiny to these projects. However, it took between three and four years for the first bond projects to go from solicitation to full occupancy. The number of parties involved, and long project timelines, increased the chance of gaps and inefficiency due to duplication. Metro’s involvement in projects across seven local partners provides a unique opportunity to identify places where there may be inefficient duplication and unintended gaps.

Our review found an increased potential for inefficiency during project review and approvals. There is also a potential for gaps in oversight once affordable housing units reach full occupancy. Units were expected to be affordable for 30, 60, or 99 years. This means that monitoring roles and responsibilities need to be clearly assigned to ensure units remain affordable as intended. Bond funds cannot be used for ongoing monitoring activities so other resources must be used for this work.

Exhibit 6 Oversight was potentially over covered for some processes and potentially under covered for others

	Review and Approval	Ongoing Monitoring
Potentially over covered	✓	
Potentially under covered		✓

Source: Auditor’s Office review of project files and oversight processes

Additional attention needed to ensure commitments are met

With the deficit of affordable units in the region, reducing duplicate efforts and filling potential monitoring gaps will be critical. Metro estimated a shortage of almost 90,000 affordable housing units for low-income households. Recently the Oregon Governor set a goal of creating 36,000 units of housing per year. To meet the goals, affordable housing development will need to be as efficient as possible.

Some of the in-process recommendations from the prior audit will continue to be important as Metro prepares for the future. Specifically, the Housing department should continue to develop quality control procedures and ensure transparency in reporting conflicts of interest. Fully implementing the prior audit recommendations related to developing metrics and targets would require modifying procedures or IGAs. It may not be feasible to undergo these changes at this point in the bond but could serve as lessons learned for future efforts.

Collecting workforce data is an example of an in-process recommendation that would require modifying existing agreements to implement. Workforce data was being collected for some, but not all projects because it was not a requirement in the IGAs. Workforce data includes the percentage of hours women, people of color, and apprentices work on bond projects. These data points are important to help evaluate how well bond expenditures aligned with Metro's commitments. Although this information was not tracked for all projects, the Housing department was gathering what data was available to better understand workforce activity and establish a baseline and future workforce goals.

Guidance for home-ownership programs is another example where existing procedures may need to be modified. Bond funds could be used to develop affordable housing, which was mainly in large apartment complexes. Bond funds could also be used for home-ownership programs. This provided an opportunity to build wealth among those who may otherwise not have the chance. Metro's procedures did not include detailed guidance for home-ownership programs. We were informed that a few home-ownership projects were expected and that they would serve as a pilot to inform future guidelines.

Targets were not in place for some metrics that Metro used to assess bond outcomes. Metro expected the data collected from this bond would be used to establish baselines and targets for future efforts. This was reasonable, but also limited Metro's ability to ensure current performance was meeting expectations. For example, Metro wanted to invest in areas that have limited affordable housing. Metro also wanted to increase housing in areas where communities at risk of displacement live. This information was being tracked across the bond portfolio, but no targets were set. Creating targets could help Metro balance these potentially competing goals.

Metro had not identified metrics for housing quality. In response to heat waves in the summer of 2021, Metro issued a policy statement requesting jurisdictions to incorporate cooling strategies for bond projects. Energy efficiency and sustainability strategies also appeared to be a consideration across some bond projects. However, metrics for quality housing were undefined. Developing metrics for housing quality will be important to ensure projects facing increased construction costs continue to provide quality units.

Quality control processes to ensure the accuracy of reported information could also be improved. During our review of project documents, we found several minor errors and inconsistencies in reported information. For instance, some documents included the housing unit reserved for the building manager as part of the total unit counts, while others did not. Formal quality control processes could help ensure reliable information is reported by all program partners. In July 2023, Metro hired a reporting and evaluation coordinator responsible for this task.

Conflict of interest disclosures for the oversight committee were not updated, and verbal disclosures were documented inconsistently. Our prior review found that processes for disclosing potential or actual conflicts of interest did not ensure accuracy or completeness of the information that was reported. This was a risk because committee members were selected based on their expertise related to developing and providing affordable housing. Transparency about how their expertise or work duties may overlap with their duties of providing independent bond oversight are important for increasing public trust.

Verbal disclosures were inconsistently documented in meeting minutes and agendas. We also noted two examples where committee members were involved in project selections at the local level, but conflict of interest forms did not appear to be updated to reflect this involvement. Metro can increase transparency and strengthen the perception of the committee's independence by ensuring disclosure forms are up-to-date and more consistently documenting how potential threats to independence were reduced.

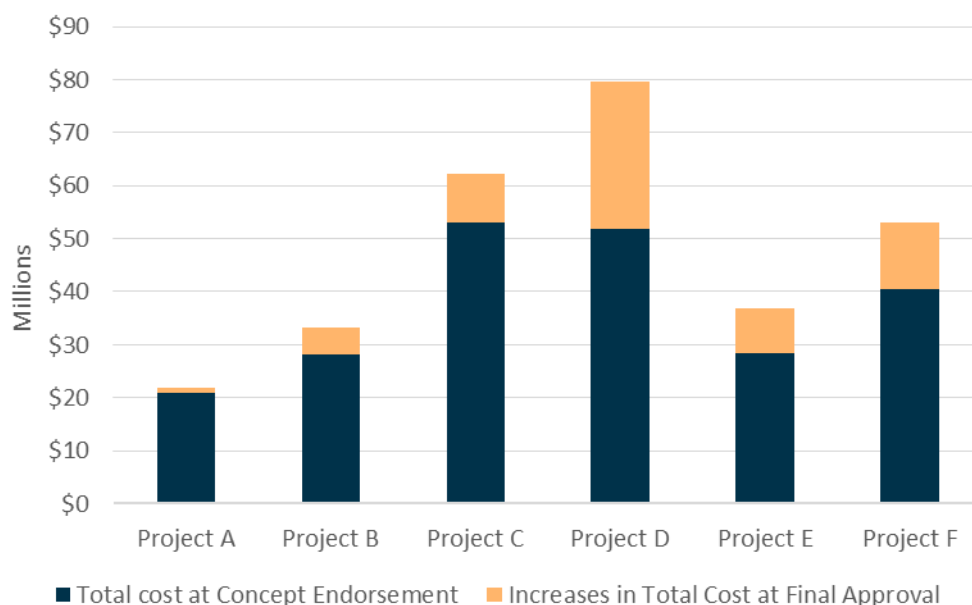
Use reports to track lessons learned

Current reporting processes were sufficient but could be strengthened to help Metro more systematically capture some lessons learned. Learning more about challenges and opportunities for each project during the pre-construction and construction phases could help Metro, local partners, and the oversight committee spot regional trends.

It is important to understand what challenges projects face before construction because they can have a large impact on total project cost. Before construction, projects go through a series of pre-development activities to ensure safety and financial feasibility. Examples include environmental assessments, permitting, and evaluation of existing utilities or street access. For bond projects, some of these activities took place between concept endorsement and final approval.

Six out of seven projects that had reached final approval in our review increased in cost during this time. Increases ranged from \$890,000 to \$27.6 million. Metro and local partners provided some explanation for delays and cost increases during the final approval process. However, detailed project reporting between concept endorsement and final approval was not required. Additional project detail during this time could help the Housing department understand the cause of these cost increases. These lessons could inform future project selection criteria or identify areas for policy advocacy.

Exhibit 7 Capturing more information about projects could help identify the reasons for cost increases



Source: Auditor's Office analysis of reported information in project documents

Local partners are responsible for managing project construction. They are also required to provide updates to Metro about events during construction that materially affect the project. Examples include changes to the project schedule or increases in the project budget. However, materiality was not defined. This reduced clarity about what changes needed to be reported and limited Metro's ability to learn more about the potential causes for delays or cost increases.

Additionally, Metro developed reporting tools, but they were not consistently used. A tool to track the timeliness of post-construction and post-occupancy reports was important to ensure local partners reported bond outcomes in a timely manner. Tracking reporting trends could help Metro identify reporting requirements that should be included in future IGAs.

The Office of the Metro Attorney reviews drafts of each project's priority and subordination agreements and regulatory agreements. However, some of the project files we reviewed did not include the final agreements. Priority and subordination agreements are used to establish the order that debts are repaid in the event of foreclosure, for example. Without documentation, Metro cannot be certain about its legal rights as one of the project's funders.

Regulatory agreements document each project's specific levels of affordability per unit and the amount of time the unit is required to remain affordable. They also outline Metro's ongoing monitoring rights over the period of affordability. Without documentation, Metro cannot be certain unit affordability expectations have been met or that it has ongoing monitoring rights.

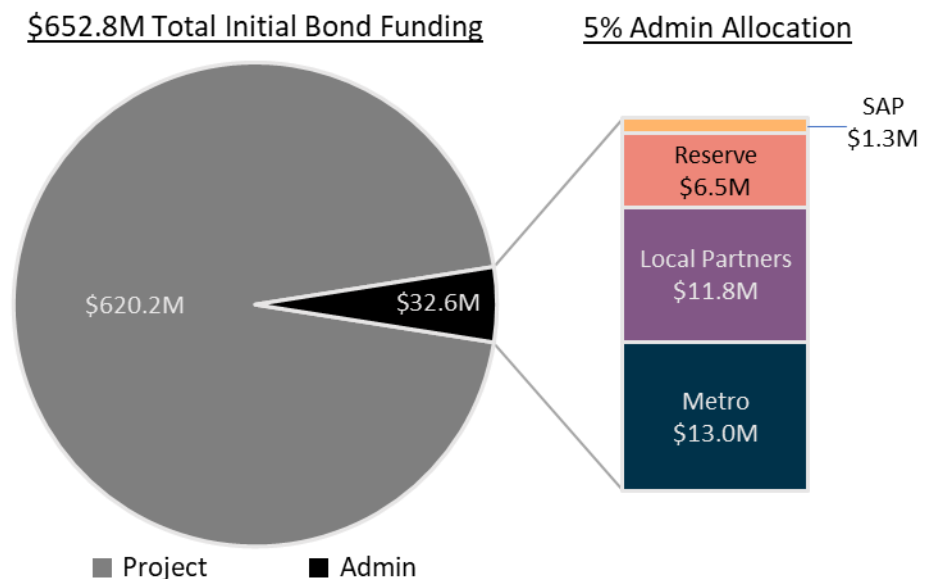
We were informed staff capacity impacted the Housing department's ability to actively update its reporting tools. Metro hired a reporting and evaluation coordinator in July 2023 to lead this work.

Administrative cap does not cover all expenditures

Our analysis found that the bond's administrative allocations will not cover administrative needs. This means Metro and local partners will need funding from other sources. Although this was expected when the bond was being developed, it presents a challenge for understanding the actual cost of implementing the measure. If another regional housing bond is pursued in the future, it will be important to understand the cost of administration to set realistic expectations among regional partners and the public.

The bond stated that administrative costs would not exceed 5% (about \$32.6 million) of bond funds. The initial bond workplan allocated 2% to Metro, 2% to project partners (including SAP projects), and 1% to reserves. Some additional administrative funds were recently allocated from the contingency fund to cover higher costs.

Exhibit 8 No more than 5% of bond funding can be spent on administrative costs

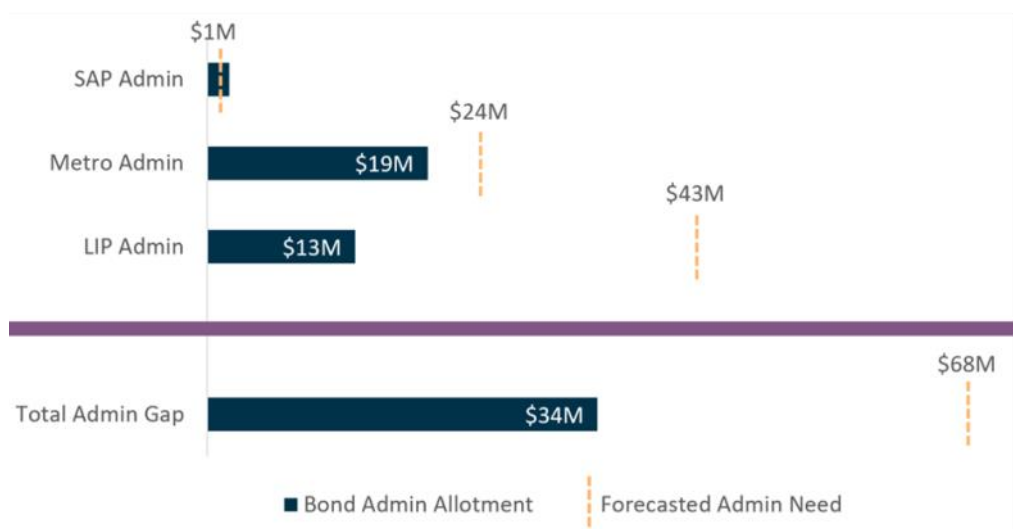


Source: Auditor's Office analysis of Affordable Housing Bond authorizing resolution and workplan

During development of Metro’s FY2023-24 budget, staff determined an additional \$700,000 in administrative funds was needed to avoid exceeding the bond limit. This meant staff predicted spending the entire \$13 million administrative allotment in year six of the bond. The bond is estimated to last about 10 years.

Local partners were also concerned about the amount of administrative funding. One of the program partners, the Portland Housing Bureau, stated that their current administrative costs were closer to 7% of bond project funds, which meant other sources of funding were being used to cover about 5% of their costs. If administrative costs for regional bond projects are similar to administrative costs reported by the Portland Housing Bureau, it is possible about \$34 million in administrative costs are covered by other funding sources.

Exhibit 9 Administrative expenses are funded by other sources of revenue



Source: Auditor’s Office analysis of Affordable Housing Bond workplan and FY23-24 to FY27-28 forecast as of June 2023

On March 30, 2023 the bond work plan was amended by Council to provide more administrative funding to Metro, SAP and local partners. The amendment distributed unallocated administrative funds, which kept the total administrative amount to 5% (in alignment with bond requirements). However, additional funds may be needed in the future.

Actual administrative costs for bond projects were not reported. Quarterly reports showed how much bond funding had been expended or dispersed for administrative costs to each partner. Those reports were limited to bond disbursements and did not include administrative spending that may have been covered by other sources. The community oversight committee is not required to monitor the use of outside funds for administrative expenses. However, more information about actual local partner administrative costs may be useful for informing future bonds.

Metro's reports included administrative expenditures but compared them to the overall administrative budget, not an annual one. Without this information, it was difficult to know if Metro was meeting or exceeding expectations for fiscal responsibility. Further, annual budget to actual reports could help the oversight committee monitor financial aspects of program administration.

In some instances, SAP and Metro administrative expenses were reported together. This could make it hard to determine how much it costs to administer the bond versus how much it costs to administer the SAP program. For example, in a March 30, 2023 Council meeting, staff reported a Metro administrative gap of \$4 million. This appeared to refer to the combined gap of both Metro and SAP administrative costs. The five-year forecast showed the Metro administrative expense gap was closer to \$5 million and there was a surplus for the SAP program. Combining the two could limit the ability to understand true costs for SAP and for Metro.

Learning from the current bond presents an opportunity to use data to inform future decisions. When the bond was being developed, Metro Council reduced the administrative cap before it was referred to voters. A draft of the bond's ballot language had the administrative cap set at 7%. In a work session two days before the resolution passed, a short discussion was held by Council, which resulted in lowering the cap to 5%. Several justifications for lowering the cap were mentioned during the meeting, but they did not appear to be data driven.

In the meeting Metro staff stated that lowering the cap would require Metro to use other sources of revenue, likely the general fund, to administer the program. The discussion noted that lowering the administrative cap could impact local partner funding as well. While an administrative cap of 7% would not have covered all forecasted costs, based on our estimations it would have lowered the estimated gap from \$34 million to \$20 million.

Develop a plan for long-term monitoring

Metro lacked a long-term plan for fulfilling some of the oversight and administrative commitments of the bond. For example, long-term monitoring is needed to sustain the bond's commitments of racial equity, creating opportunity for those in need, and good use of public investments. However, long-term monitoring is not a capital expenditure, so bond funds cannot be used.

Responsibilities for ongoing monitoring after construction were not fully assigned. Post-occupancy reporting is one way Metro monitors commitments related to community engagement and racial equity. However, this information is gathered at one point in time for each project, which may not provide a true picture over the decades-long life of these units.

Standardize requirements to improve efficiency

It was also unclear how Metro would use and report ongoing project information or how those responsibilities would be funded. Project regulatory agreements give Metro and local partners the right to access certain property information and to enter properties for inspection. This includes information about tenant recertifications, tenant demographics, and building conditions. For projects that also received state funding, Metro had an agreement in place with the State of Oregon to collect the information on Metro's behalf.

The affordability of bond-funded units was not guaranteed over the life of the affordability period. This could result in fewer units than what the bond pays to build. In some cases, unit prices were allowed to increase if resident income increased. In other cases, property managers could increase rents if certain rental vouchers become unavailable or if the property experienced financial challenges. Evaluating tenant recertification data could be one way for Metro to determine the extent to which voters are getting what they paid for over the long term.

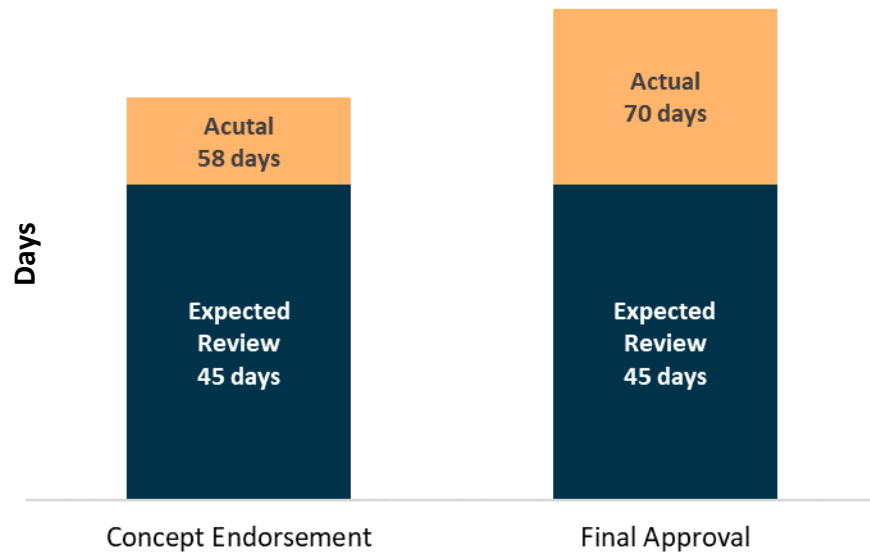
Inconsistent requirements and goals across local partners and project funders increased the potential for inefficient processes. Variation in project requirements and goals was created because bond funds were intended to be flexible to meet local needs and projects were funded by several sources. Expectations for perfect alignment across funding sources may be unreasonable. However, Metro is in a unique position to work with local and state partners to identify ways to simplify the project approval and funding process.

A lack of consistent standards for developer fees is one example of a flexible requirement leading to additional oversight involvement. Metro's reviews for several projects were delayed in part because there were different opinions about developer fees. These fees are paid to developers to cover development costs. Some funders allow larger fees than others. This created confusion among local partners and increased the amount of time it took Metro to provide concept endorsements and final approvals. As a result, Metro developed regional guidelines for bond-funded projects in March 2022 to clarify expectations about developer fees.

The project review process could also increase the potential for inefficiency. Projects required review at the local level, at Metro, and often at the state level. Metro's involvement at the project level was to ensure bond commitments were met, but there was some overlap among the project information reviewed at the local, Metro, and State levels.

Metro informed local partners that reviews for concept endorsement and final approval would take place within 30 to 45 days. This assumed Metro did not identify issues during its review and require follow-up. Projects we reviewed appeared to be under review for longer than originally anticipated. This suggested more consistency, coordination, and clarity could increase the efficiency of the review process.

Exhibit 10 Projects were under review for longer than expected



Source: Auditor's Office analysis of project narratives and signed concept endorsements and final approvals

For instance, Metro's expectations for overall project funding were unclear. Metro developed an average per-unit bond subsidy. We saw examples where Metro followed-up during the review process with some projects that planned to spend under the per-unit subsidy. This indicated Metro had expectations about overall project funding. Identifying these expectations and documenting them in future requirements could be one way to clarify the project review process.

A long-term plan for regional affordable housing is needed

Based on current estimates, the need for affordable housing in the region will likely continue to outpace the availability. A need of about 90,000 units was estimated for those making 50% or less of the area median income in the greater Portland area. Another regional housing bond may increase the supply of affordable housing, but it is likely to be only one part of a long-term solution. Metro needs a regional housing plan that considers new construction building, preservation of existing affordable units, and integration with the Supportive Housing Services program and other funds, to sustain progress.

The bond workplan indicated that Metro's roles and responsibilities were limited to project reviews, funding approvals, reporting, and compliance. However, Metro's involvement appears to have been much more robust during bond implementation. Examples included:

- Coordinating technical assistance
- Convening stakeholders
- Surveying local partners to identify best practices
- Responding to and advocating for policy changes

The absence of a long-term housing plan made it difficult to understand the level of involvement Metro staff was expected to have in these activities. This could also cause confusion among local partners about what Metro will or will not do during or after bond implementation.

Recommendations

To strengthen bond oversight and prepare for the future, the Housing department should:

1. Identify and track metrics for housing quality.
2. Provide information to the community oversight committee about how Metro's annual administrative spending compares to the annual budgeted amount.
3. Document conflict of interest disclosures consistently and require committee members to update their disclosures if circumstances change.
4. Strengthen reporting requirements to capture lessons learned from each project.
5. Identify ways to simplify project review and approval processes.

To ensure bond administrative activities are sufficiently funded, the COO, FRS and the Housing department should:

6. Develop a long-term affordable housing plan that clarifies Metro's roles and responsibilities for ensuring compliance, providing technical assistance, advocacy, convening regional partners and ongoing asset management.
7. Identify sources of funds to support Metro's ongoing roles and responsibilities.
8. Use actual administrative trend data to inform potential future bonds.

Scope and methodology

The purpose of our audit was to determine if there were gaps or redundancies in administrative controls to deliver on Affordable Housing Bond (bond) values and conclude on the status of prior audit recommendations. We had two objectives:

- Conclude on the status of prior recommendations.
- Identify gaps and redundancies in administrative controls.

To familiarize ourselves with Metro's implementation of prior recommendations, we interviewed Housing department staff and management, Metro leadership, and members of the Bond Oversight Committee (committee). We reviewed program documents to learn more about requirements. Examples included the bond workplan, local implementation strategies, intergovernmental agreements, and relevant Metro legislation. To better understand bond progress we reviewed Metro's website, quarterly reports, and annual reports.

To address the audit objectives we conducted additional interviews of Metro staff, developed project flowcharts, evaluated a selection of projects, and analyzed bond financial data. We used criteria from the local implementation strategies, Metro's implementation guidelines, and the U.S. Government Accountability Office (GAO) to identify administrative controls and develop project flowcharts.

We judgmentally selected ten bond projects to evaluate the potential for gaps and redundancies. As a result, our conclusions may not apply to all bond projects. To complete our evaluation, we reviewed project files which included project documentation, correspondence, and Metro's review processes. Our assessment was based on criteria identified in developing the project flowcharts and guidance from the Government Finance Officers Association related to long-term monitoring.

We conducted financial analyses to determine the status of prior recommendations related to bond administrative spending. This included evaluating information from Metro's financial system, local partner budget documents, bond reports and workplans, and Metro's budget forecasts.

This audit was included in the FY 2022-23 audit schedule. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management response

Memo



Date: November 15, 2023
To: Brian Evans, Metro Auditor
From: Marissa Madrigal, Chief Operating Officer
Patricia Rojas, Housing Director
Subject: Management Response to Affordable Housing Bond Audit

Auditor Evans:

Thank you for the opportunity to respond to the audit of Metro's Affordable Housing Bond. As the second audit that has been conducted on this bond, we appreciated the recognition of progress towards addressing the original audit's findings, with seven of the nine recommendations successfully implemented, and notable strides towards implementing the remaining two recommendations (strengthening community oversight and providing more timely and complete information to monitor the bond process).

As the first ever regional bond for affordable housing, a continued commitment to assessing opportunities for improvement is paramount. We are confident that the actions set forth to respond to the latest audit's recommendations demonstrate our commitment to continuous improvement.

First, we'd be remiss to not acknowledge the incredible progress and success of this bond. To date, the Metro Affordable Housing Bond has exceeded every goal set by the measure and workplan adopted by Metro Council. We are on track to build at least 4,700 affordable housing units, exceeding the original goal of 3,900 units. We expect to exceed the goal of producing 1,800 0-30% AMI by over 200 units, and the goal of 1,950 family-sized units, two-bedroom or more units by 580 units.

In addition to unit production goals, the Affordable Housing Bond program continues to prioritize solutions to address racial housing disparities by increasing access to affordable housing in communities of color, creating affordable housing across the region and creating opportunities for minority owned businesses.

45% of bond funded units are in areas historically inaccessible to communities of color and 42% of units are in areas that have historically lacked affordable housing. In addition, more than \$39 million in construction costs have been paid to COBID-Certified MWESB firms. On November 6th of this year, we reached the milestone of opening the 1000th bond funded unit.

Even more encouraging are the innovative solutions we're seeing across the region; an example of this is the long-term affordability in homeownership proposed in the City of Portland, Gresham and Clackamas County. These initiatives will build more than 80 homes with long term affordability requirements that will create homeownership pathways and opportunities for wealth creation for individuals and families who have experienced historic and contemporary systemic barriers to homeownership.

The bond also reinforced Metro's unique role in the region, providing our agency an opportunity to lead the development of a regional solution to collectively solve complex problems, like the housing crisis, that extend beyond jurisdictional boundaries.

An example of this is the alignment of the Affordable Housing Bond with the Supportive Housing Service (SHS) program, which was established in 2020. The Metro Affordable Housing Bond has created 568 specialized units, exceeding the goal of 555 units, that utilize SHS resources and other sources to fund critical wrap-around services and long-term rent assistance. This creative approach of resource and program integration will provide the safety and stability of a home for thousands of residents across the region who have experienced homelessness.

While the Affordable Housing Bond has been a success, it alone cannot end our housing crisis, nor was it intended to. All Affordable Housing Bond dollars will be fully committed in 2024. The affordable housing gap across our region continues to grow, and the economy and housing landscape have changed in large part due to a global pandemic. Ending this housing crisis will require continued investments in housing at all levels and leveraging government resources (including resources from State of Oregon, the city of Portland and HUD) for the deepest levels of affordability.

The affordable housing bond also offers many learnings and opportunities for improvement when considering future affordable housing efforts, and many of these are noted in the audit recommendations and findings. Implementation with seven jurisdictional partners, including cities, counties and housing authorities led to the creation of new jurisdictional capacity and infrastructure for the development of affordable housing and added affordable housing in areas of the region where it didn't exist before. At the same time, this structure also brought complexity in governance and implementation processes which limited Metro's ability to ensure that opportunities to accomplish regional goals were being maximized. We thank the Auditor for continuing to support the implementation of the Affordable Housing Bond with audits that highlight areas for improvement.

Below, please find responses to the findings and recommendations in the audit. Proposed actions reflect constraints that have been created by limitations in the measure, intergovernmental agreements with implementation partners, insufficient resources to fund administrative functions, the complexity and limitations of the broader affordable housing funding system and the fact that most funds have already been committed.

We appreciate your guidance and recommendations for improving the implementation of the Affordable Housing Bond and we look forward to continued improvement.

To strengthen bond oversight and prepare for the future, the Housing department should:

Recommendation 1. Identify and track metrics for housing quality.

Response: Management agrees that ensuring high quality housing for those we serve is critical. That said, given the stage of implementation of the current bond, Metro is unable to require new reporting metrics, as this would require renegotiating existing agreements with seven jurisdictional partners and numerous project sponsors. Due to constrained administrative funding, Metro has been thoughtful and intentional in aligning our current program with existing structures that define housing quality. The Housing department will continue to work with partner jurisdictions to ensure that cost escalation is not negatively impacting construction quality across our portfolio, and to gather and document lessons learned for the future.

Proposed Plan: Program staff will continue to implement the final approval amendment program guidelines, which include the demonstration that value engineering strategies have not compromised livability elements. As a part of the 2023 annual report process staff will ask jurisdictions to report on overall themes on cost escalation and housing quality. Staff will gather information, document notes and summarize themes.

Timeline:

- Continue to rely on existing applicable safety and quality standards in place at the state and local level (ongoing)
- Continue to utilize program guidelines for final approval amendment when jurisdictions request an increase in bond funds (ongoing)
- Ask jurisdictions to report on overall themes on cost escalation and housing quality as a part of 2023 Annual Report (June 2024)

Recommendation 2. Provide information to the community oversight committee about how Metro's annual administrative spending compares to the annual budgeted amount.

Response: Management agrees with this recommendation. While the reports currently provided include administrative budget and actual spending on a total program basis, which provides a more complete picture of program spending than a single fiscal year, staff will add a report of Metro annual administrative spending as compared to the annual budgeted amount.

Proposed Plan: Metro staff will update the quarterly reporting to include Metro annual administrative spending as compared to the annual budgeted amount.

Timeline:

- Quarterly reporting will be updated in the next report (December 2023)

Recommendation 3. Document conflict of interest disclosures consistently and require committee members to update their disclosures if circumstances change.

Response: Management agrees with this recommendation. The Metro Housing department has been in the process of improving and aligning all housing department committee processes including standardizing the disclosure and documentation of conflicts of interest. While there is an existing practice where the meeting facilitator asks committee members to disclose actual or perceived conflicts of interest as a standing committee meeting agenda item, there have been some inconsistencies in how the responses were documented in the meeting minute notes.

Proposed Plan: Moving forward, the meeting minute review process will ensure that conflicts of interest discussions and disclosures are consistently documented. Additionally, Metro staff will provide all members with updated written guidance on expectations for managing conflicts of interest, examples of actual and perceived conflicts of interest, processes and opportunities for reporting conflicts of interest and information about the personal liability associated with conflicts of interest including language from the Ethics Commission. Lastly, Metro staff will update and issue a survey to committee members annually to better understand and document life changes and barriers relevant to committee membership and participation, including new conflicts of interest. The survey will include information about the personal responsibility associated with conflicts of interest, outline the process for disclosing conflicts of interest and include examples of real or perceived conflicts of interest to provide additional clarity.

While many of the above steps have been implemented at an ad-hoc level the following timeline documents the proposed systemization of this process.

Timeline:

- Facilitator requests conflict of interest disclosures as a standing agenda item (ongoing)
- Staff review all meeting minutes for consistent documentation of conflict of interest as an agenda item and disclosures. (November 2023)
- Create an SOP (Standard Operating Procedure) that clearly outlines the process to notify and record conflicts of interest (December 2023)
- Written guidance provided to committee members (December 2023)
- Annual survey of community members to understand and document life changes and barriers relevant to committee membership and participation. (June 2024)

Recommendation 4. Strengthen reporting requirements to capture lessons learned from each project.

Response: Management agrees with the auditor's recommendation of strengthening Metro's ability to capture lessons learned, to ensure that we can support continuous improvement and future planning. As highlighted in the audit report, affordable housing bond projects have experienced significant cost increases between concept endorsement and final approval, in part due to the unprecedented economic challenges impacting the construction industry more broadly. As stated in responses to previous recommendations, due to constraints of existing IGAs and staff capacity due to limited administrative funding, we plan to request local reporting on lessons learned as part of the annual review process, rather than the funding approval process.

Proposed Plan: As a part of the 2023 annual report process, staff will ask jurisdictions to report overall lessons learned from the implementation of the bond, including any lessons learned from specific projects, on cost escalation and housing quality, and ways to simplify the project review and approval process. Staff will gather information on what is going well and what could be improved, document notes and summarize themes.

Timeline:

- Jurisdiction reporting on lessons learned as part of 2023 Annual Report (June 2024)
- Housing department to compile all lessons learned and capture themes (July 2024)

Recommendation 5. Identify ways to simplify project review and approval processes.

Response: Management agrees that there are opportunities to simplify and streamline the project review and approval process for affordable housing, both at a systems level and within Metro's processes. Because of the stage of implementation of the affordable housing bond, with a majority of projects already through the review and approval process, this recommendation cannot be completed within this bond. That said, there is an opportunity to streamline project review and approval processes in future housing bonds.

Proposed Plan: As a part of the 2023 annual report process, staff will ask jurisdictions to report opportunities to simplify the project review and approval process. Housing department staff will then create an inventory of opportunities to improve the project review and approval process. Staff will gather information on what is going well and what could be improved, document notes and summarize themes. Metro will also continue to participate in conversations being convened by OHCS to support coordination across state and local funding processes.

Timeline:

- Participate in state engagement process (Fall 2023) and beyond to support coordinated funding processes (ongoing)
- Ask jurisdictions to report on ways to simplify project review and approval process as a part of 2023 Annual Report (June 2024)

To ensure bond administrative activities are sufficiently funded, the COO, FRS and the Housing department should:

Recommendation 6. Develop a long-term affordable housing plan that clarifies Metro's roles and responsibilities for ensuring compliance, providing technical assistance, advocacy, convening regional partners and ongoing asset management.

Response: Management agrees with this recommendation.

Proposed Plan: In partnership with the Office of the COO and FRS, the Housing department will complete an assessment of asset management roles and responsibilities, risks, opportunities and gaps for the 2018 affordable housing bond. Additionally, with the support of an external consultant, they will develop recommendations to support ongoing stewardship of affordable housing funded by Metro, including ongoing staffing or funding needs, as well as lessons learned and considerations for future funding.

Timeline:

- Define goals and scope and secure consultant contract (July 2024)
- Draft assessment findings (October 2024)
- Draft recommendations (December 2024)

Recommendation 7. Identify sources of funds to support Metro's ongoing roles and responsibilities.

Response: Management agrees with this recommendation. Bond funding is limited to capital costs and may not be used to support ongoing monitoring, so other funding sources need to be identified.

Proposed Plan: As part of the FY25 five-year forecast, Metro staff will review future expected administration and oversight costs and propose potential funding to continue that work.

Timeline:

- Based on the recommendations of the assessment noted above, propose budget requests to support implementation (January 2025)

Recommendation 8. Use actual administrative trend data to inform potential future bonds.

Response: Management agrees with this recommendation.

The audit flagged challenges because of the 5% administrative cap. Now that we have actual data on the cost to administer and oversee a regional housing bond program, we can use it to forecast costs for potential future bonds.

Proposed Plan: The plan depends on the Council direction regarding a future bond. Staff will prepare estimated administrative and oversight costs for a future bond if requested by Council.

Timeline: The timeline depends on Council direction regarding a future bond.

I want to express my gratitude to you and your team for performing this audit and for the opportunity to submit a management response.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Madrigal".

Marissa Madrigal, Chief Operating Officer



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Metro



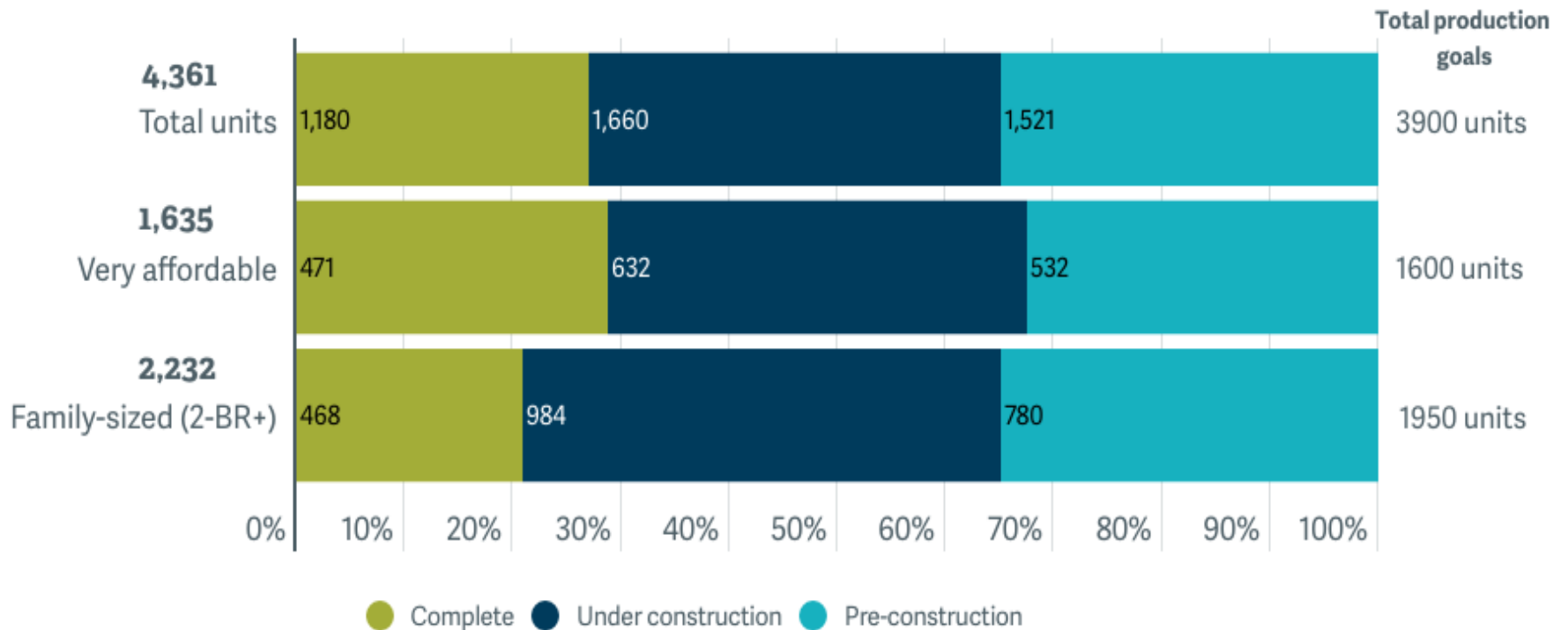
Metro affordable housing bond oversight
committee meeting | January 22, 2024

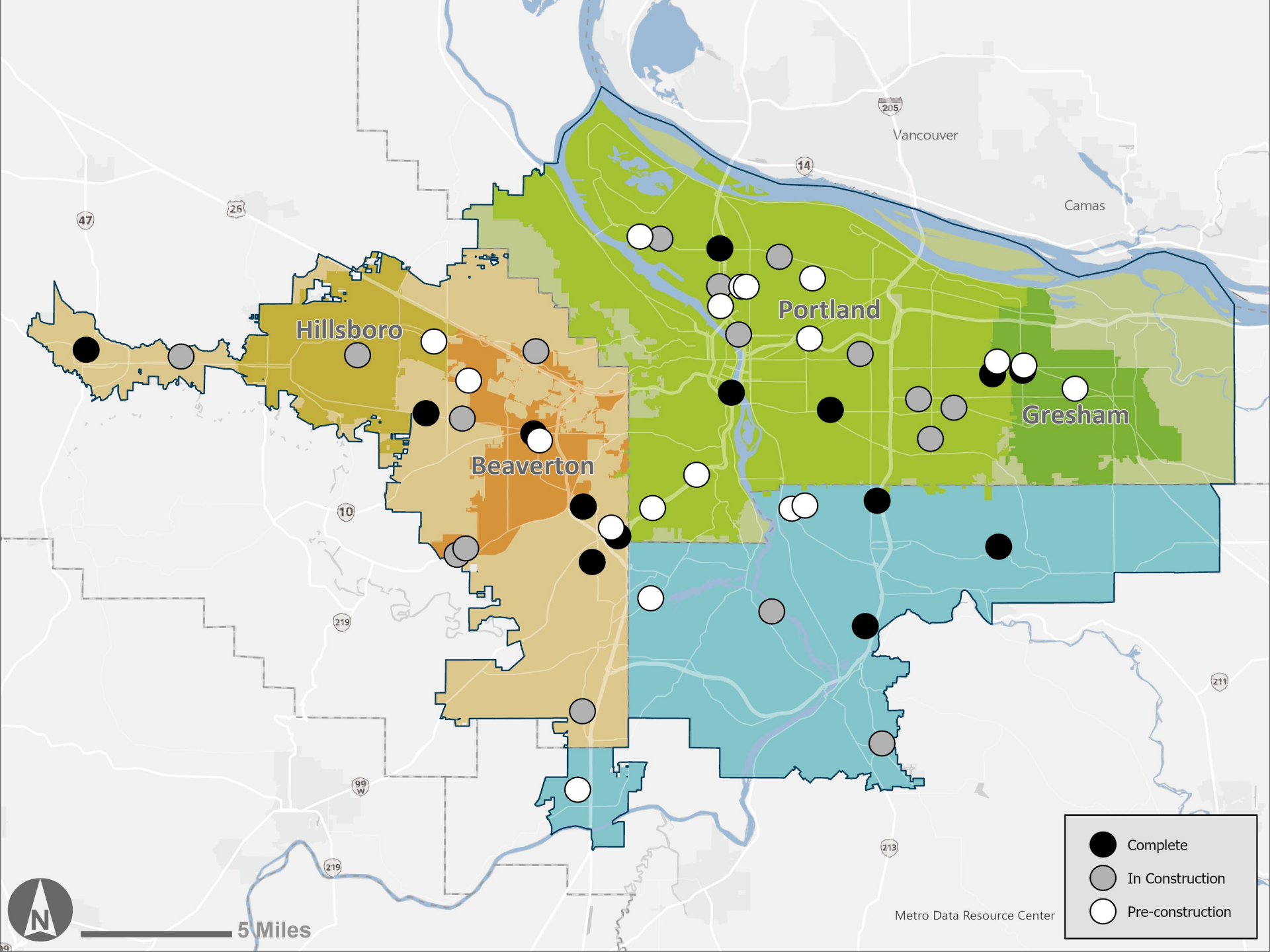
Agenda

- Welcome and introductions
- Director Update
- Affordable Housing Bond audit
- Affordable Housing Bond program updates
- Communications update
- Policy update

Unit production progress

Progress underway





- Complete
- In Construction
- Pre-construction

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