

A City Club Report on Metro Ballot Measure: Bonds to Fund Affordable Housing

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EXECUTIVE SUMMARY

After fact-finding through testimony, research, data analysis and consideration, the committee unanimously voted to support the Metro bond ballot measure. The committee agrees that an unmet need for affordable housing exists across the region and further agrees the bond measure, if passed, will supply affordable housing for low-income populations.

The regional housing market's performance over time demonstrates that demand for housing by people at the lowest income levels has not been met by adequate provision of housing by market forces. This weakness in the market signals a clear role for governmental action. A regional approach to the lack of affordable housing, undertaken in alignment with other strategies implemented by county and municipal entities within the Metro service area, is a sound public investment. No single entity is dealing with the housing crisis alone and the bond measure is designed to be flexible to meet local needs. The bond measure will allow for better public financing at lower interest rates than would otherwise occur. This will allow all housing funding mechanisms to be stretched and applied to their most effective capacity.

The committee recognizes that communities of color are disproportionately represented in low-income populations and have historically been negatively impacted by gentrification and discriminatory housing policies. We believe the bond measure, as proposed, would begin to address this historical structural inequity.

Additionally, public financial resources raised by the bond to generate increased affordable housing will have a secondary impact in accelerating economic growth in the region. Housing at multiple income levels is critical for a vibrant and diverse economy. If the bond passes, it will increase additional resources for affordable housing; however, the affordable housing gap will still

exceed the need. Continued community engagement to develop ongoing strategies, including examination of the role of the urban growth boundaries' impact on housing affordability, is necessary to develop sustainable solutions to the affordable housing need in the Metro region.

Recommendation: The committee recommends a “Yes” vote.

City Club members will debate this report on Wednesday, Aug. 22, 2018 at Ballotpalooza. Club members will vote on the report beginning Wednesday, Aug. 22 and concluding on Friday, Aug. 24. Until the membership votes, City Club of Portland does not have an official position on this report and Metro’s bond measure. The outcome of the vote will be reported via email and online at pdxcityclub.org.

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INTRODUCTION

Metro's bond measure will appear on the Nov. 6, 2018 ballot in Multnomah, Washington, and Clackamas counties as follows:

Bonds to fund affordable housing in Washington, Clackamas, Multnomah counties

Question: Shall Metro issue bonds, fund affordable housing for low-income families, seniors, veterans, people with disabilities; require independent oversight, annual audits? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

Summary: Measure authorizes \$652.8 million in general obligation bonds to fund affordable housing in Washington, Clackamas, and Multnomah counties.

Bonds will be used to build affordable housing for low-income households; purchase, rehabilitate, and preserve affordability of existing housing; buy land for affordable housing; help prevent displacement.

Affordable housing means land and improvements for residential units occupied by low-income households making 80% or less of area median income, which in 2018 for a family of four was \$65,120; improvements may include a mix of unit sizes, spaces for community and resident needs and services. Some units will be accessible for people with disabilities and seniors; flexibility for existing tenants and hardship.

Requires community oversight and independent financial audits. Creates affordable housing function for Metro, implemented by Metro and local housing partners. Local and regional administrative costs capped at 5% of bond proceeds. Bond costs estimated at \$0.24 per \$1,000 of assessed value annually, approximately \$5.00/month for the average homeowner. Bonds may be issued over time in multiple series

BACKGROUND

A ballot measure will appear on the November 2018 ballot titled: "Bonds to fund affordable housing in Washington, Clackamas, Multnomah counties." The City Club research committee issuing this report has focused on gathering and analyzing information, data, and testimony from various perspectives on this bond measure and presents this report as the product of our efforts.

Property owners, affordable housing and tenant advocates, elected officials, government administrators, and media reports have identified a shortage of affordable housing in the Portland region as a significant, persistent barrier to the current well-being of most residents and has a negative impact on the economic outlook for the future in the tri-county area. The Portland Housing Bureau publishes an annual report “State of Housing in Portland” [16] that provides a comprehensive analysis of all housing within Portland. The 2017 report describes continued challenges to developing an adequate supply of affordable housing. It shows that rents continue to rise—the average rental unit cost \$1,398 per month at the time of the report. It also showed that, of the 24 neighborhoods within the city, only two have affordable rental housing stock for a three-person household. Additionally, the average senior can only afford to live in one neighborhood. There are no neighborhoods that are, on average, affordable to rent for the average Black, Latino, Native American, or single-mother households. Metro has conducted a similar analysis across the region arriving at the same conclusion. Our community is currently working collaboratively across all sectors—government, private and nonprofit—to find sustainable solutions. The Metro Housing Bond ballot measure is just one proposal among several strategies being implemented across the region.

Metro Housing Bond Ballot Measure Summary

The bond measure authorizes Metro to issue \$652.8 million in general obligation bonds to fund affordable housing in Washington, Clackamas, and Multnomah counties. Bond proceeds will be used to build affordable housing for low-income households; purchase, rehabilitate, and preserve affordability of existing housing; buy land for affordable housing; and help prevent displacement. Affordable housing means land and improvements for residential units occupied by low-income households making 80% or less of area median income, which in 2018 for a family of four was \$65,120. Investments may include building or rehabilitating a mix of unit sizes, spaces for community and resident needs and services. Some units will be accessible for people with disabilities and seniors. The measure requires community oversight and independent financial audits. It creates an affordable housing function for Metro, implemented jointly by Metro and the three county housing authorities and municipal governments within the region.

Constitutional Amendment Ballot Measure

Separate from the Metro bond measure, a constitutional amendment will be presented statewide to the voters that, if passed, will allow private developers, in partnership with public agencies, to develop, own, and operate publicly financed affordable housing across the state. This proposed amendment addresses a constitutional provision that limits government financial obligations to management by government agencies. The current constitution prohibits government agencies such as Metro from sharing ownership with private developers or from entering into partnerships

that use any federal funding. A majority of existing federal housing funding streams require public/private partnership, so without passage of the constitutional amendment, Metro would be unable to enter into public/private ventures to utilize funds from the bond measure, and Metro would also be precluded from benefiting from use of federal funds to increase impact. Ultimately, the failure to pass the constitutional amendment would affect how the bond measure is implemented.

Study of the constitutional amendment measure was outside the scope of this committee's charge and the committee does not offer a recommendation on the measure. The committee nevertheless references the constitutional amendment based on information gathered during its research of the Metro bond measure.

Proposed Housing Bond Impact If Passed

According to documents published by Metro and media reports,^{[3][5][7]} passage of the bond measure would allow for:

1. Collection of \$652.8 million in revenue to be distributed by Metro to county housing authorities, and municipal governments in the tri-county area;
2. Acquisition of 3,900 units serving 12,000 people (if the constitutional amendment passes) or acquisition of 2,400 units serving up to 7,500 people (if the constitutional amendment does not pass);
3. 1,600 of these homes would be for renters with income below 30% of the area median income (if the constitutional amendment passes), or 1,200 homes at this income level (if the constitutional amendment does not pass);
4. Metro will retain 10% of bond proceeds to purchase land across the region for affordable housing and an additional 5% to administer the bonding program;
5. Distribution of the balance of bond proceeds will be based on overall property value by county resulting in allocating 45% to Multnomah County, 34% to Washington County and 21% to Clackamas County;
6. One half of the housing will be of 2-5 bedroom units;
7. Housing will be developed over a five to seven-year period;
8. Household affordability targets: 42% at 30 percent area median incomes (AMI); 48% at 60% AMI; 10 percent at 80% AMI; and
9. Estimated average per-unit costs: new construction, \$253,186; preservation/renovation, \$225,180.

PROPONENTS' VIEWS

The committee met with seven members of the community representing various organizations that are in support of the ballot measure. They represented regional, county, and city elected officials as well as nonprofit affordable housing developers and affordable housing advocacy agencies. All the witnesses stated that the bond measure itself will not solve the issue of affordable housing in the area, but that it was an important and necessary element in collaboration with other affordable housing strategies implemented at the county and municipal levels and by the nonprofit housing sector.

Each of the witnesses offered support for the measure from the perspective of improving their organization's ability to address housing issues more effectively. Below are some core agreements and issues that were shared.

Federal Support for Housing Has Decreased

It was reported that in the 1980s the federal government's support for affordable housing construction provided approximately 20% of the financing while this level has now fallen to support for only 6% of multi-family housing units. Additionally, the financing and voucher programs that exist today include a complex set of requirements for the properties, making it hard to find housing units for those in need and substantially increasing administrative operating costs.

Oregon Constitutional Amendment

The constitutional amendment may enable Metro to stretch the bond dollars further by making it possible to combine its dollars with other funding mechanisms for affordable housing construction. This includes the existing Portland affordable housing bond measure, passed in 2016. All proponents were in favor of the amendment. One proponent mentioned he knew of no known opposition by any political or business group statewide to the constitutional amendment.

Shortage of Affordable Housing Units

Several witnesses reiterated the facts that had been previously provided to the committee by Metro stating specific needs for housing units across the region. Commissioner Malinowski stated that in Washington County, it was estimated that the county had a shortage of 20,000 units and that currently available affordable housing was located far away from services and economic centers where jobs are located. Within Portland, an estimated three times as many of the 10,420 available housing units are needed to meet the demand for very low-income housing [17]. It was reported that Clackamas County has already begun a survey of housing units that would be targeted for purchase and development if funding is approved.

There Is an Increasing Dichotomy Across the Region in Affordability

Portland is in a building boom, but this housing development growth is at the top tier of the market and is producing luxury housing. This is confirmed by data from Harvard's Joint Center for Housing Studies [8]. Part of the overall regional effort at restricting growth through the Urban Growth Boundary (UGB) is leading development incentives to 'build up' and 'not out'. Inclusionary zoning in Portland, which requires developers to allocate a portion for affordable housing or pay a fee towards developing affordable housing is helping to improve affordability, but the availability of new affordable units continues to lag behind demand.

Increased development in inner Portland is leading to rising property values, rents, and gentrification that is pushing lower or fixed income residents out of the core.

Existing affordable housing units tend to be located further from services and employment opportunities. This places increasing stress on employers and employees since workers may have difficulty and increased cost in commuting to work. It was stated that this can decrease employment stability as these commuting issues may force workers to constantly seek employment closer to their housing units. Additionally, the distance from affordable housing to employment impacts traffic load and may contribute to increased auto emissions and their negative impact on climate change and public health.

More Developers, Fewer Financing Options & Shovel Readiness

The proponents maintain that the bond will simplify affordable housing financing options, making it easier, cheaper, and faster for organizations to move on their shovel-ready projects. There was also belief among the proponents that if the constitutional amendment passes, the pool of developers and financing options for projects will grow significantly to improve rental affordability. One witness stated, and others agreed, that he believed the target number of units expected to be brought on line by bond resources to be low; with the constitutional amendment and more flexible public funding options, it's possible the region could see more affordable housing units implemented across the region above proposed targets.

Metro's History of Administering Bond Programs

Several of the proponents argued that Metro has a history of administering bond funds to local jurisdictions and have exceeded their initial stated outcomes/expectations. In addition, proponents believed that Metro's existing [Transit Oriented Development Program](#) [19] would provide a synergistic approach to solving affordability along the existing transit lines where Metro already has land and is planning projects that can be applied to affordable housing development.

The Private Marketplace Won't Solve the Problem for 30% AMI Renters

A recurring theme mentioned by the bond measure's proponents is centered around their shared view that private development cannot be counted upon to solve the housing issues for the most vulnerable populations, those making 30% of average median income (AMI). Senior citizens receiving social security, minimum wage workers, disabled people, and other fixed-income residents need rent options in the \$500 to \$800 per month range. The private market doesn't have enough incentive to build towards this income group. Building new housing is expensive; developers must get funding or financing, which includes making the case for future revenue. Proponents argued that banks won't finance development projects of \$200,000 or more per unit when the rental revenue stream is \$500 per unit per month.

Urban Growth Boundary Discussion Is a Diversion

Proponents believed that the urban growth boundaries' impact on housing affordability is minimal to nonexistent. One proponent stated that any such discussion was "a diversion." His argument centered around the fact that affordable housing is an issue across the state of Oregon and in many areas of the country without similar land use constraints. Plus, in the opinion of proponents, there is plenty of land available for development all over the region. Another proponent argued that high-end development is increasing because developers are responding to market tastes and spending by a flood of upper income newcomers from cities like New York, San Francisco, and Los Angeles. This influx of skilled workers and professionals are not moving to the suburbs; they want downtown living in high-rise buildings.

The Public Appears to Favor a Regional Solution

It was reported that polling by various agencies leading up to the initiation of the bond measure demonstrated that approximately 50% of voters in the Metro area were in support of a funding measure to assist in providing needed housing. This was offered in part to demonstrate that property owners are willing to contribute funding via their property taxes to support affordable housing across the region.

OPPONENTS' VIEWS

The Committee interviewed three representatives opposing the bond measure. A summary of their major concerns is discussed below.

Lack of Specificity in the Measure

The opponents expressed concern about the permissive and vague wording of the ballot measure. The opponents believe the measure leaves it unclear what will be purchased, what

percentage of developing land versus existing housing units will be included, and the use of “may” in many instances indicates that there would be challenges to effective oversight (measuring outcomes) of the housing authorities. As examples, the opponents noted that bond funding “may” be used to fund “community and resident needs and services,” not strictly affordable housing. One opponent felt that the term “future” left too many options open for actions that may not be in strict accordance with the measure.

Cost

Economic issues were discussed at length by all opponents. The witnesses questioned how Metro came to the decision to fund the bond at the published level. While the bond measure lists the total bond issuance amount, there is no indication of the costs of these bonds over their lifetime. Timing, interest rates, and packaging of bond sales can affect overall costs. While it is stated that the estimated cost to an average homeowner would be \$60 per year, that is only an estimate, and would continue to be assessed across the life of the bonds. Opponents agreed that there has been little information released from Metro regarding the determination of the bonding amount. It was suggested that the actual cost over time may approach one billion dollars. If one takes the stated approximate cost of \$60 per year over the 20-year span of the bonds, and factor in that this will only cover construction of 3,900 units, it appeared to the witnesses that the cost was “not a good deal.”

Concern was expressed over the fact that the funds could be used for both purchase of existing housing units as well as land for future construction. These two actions would have decidedly different cost outcomes. Purchase of an existing housing unit that is well into its life cycle and has depreciated over time could be purchased at lower market rates and rehabilitated for less overall cost than new construction.

Limitations Imposed by the Urban Growth Boundary

The opponents each agreed that the passage of the measure would not measurably affect overall housing affordability issues. In their opinion, the housing affordability crisis is the result of multiple factors that remain ignored and unaddressed, including the urban growth boundary and excessive system development fees. The opponents contend that the urban growth boundary has led to an artificially decreased supply of new housing starts in the area that, when combined with local population growth, have increased rents in the area. Specifically, one witness noted that the population of the Portland area has increased 78% since 1980 while the UGB has only increased 10%. These representatives noted that proponents suggest that a sufficient quantity of housing can be provided by “building up not out.” Our opponent witnesses disputed this position, noting that construction costs increase on a per unit basis as you get above 2-3 story buildings.

Opponent witnesses stated that the effect of controlling the growth boundary has increased costs for all building. In the U.S., the average cost of land for building of a single housing unit encompasses 20-30% of the overall cost while in the Portland area it encompasses 40-50% of the cost.

An increase in the size of the growth boundary, according to the opponents, would allow for more housing to be built, which would increase supply within the metropolitan area, with the consequence of making additional lower income housing available in the area.

Management by Metro

Opponents offered criticism about Metro as a regulatory agency. They took issue with the fact that an agency charged initially with land use and transportation issues is now taking on housing without any significant experience in the matter. Concern was also expressed regarding the management costs. While Metro has indicated a cap of 5% management costs to administer the bond program, witnesses claimed that other Metro projects, such as their parks management fee, was as high as 9%.

Reducing Costs Associated with New Affordable Developments

Reference was made to additional issues affecting the cost of housing development in general, such as extended time periods to gain design approvals, system development fees, and administrative permit costs. Typical costs associated with housing developments include the building permits, design review, engineering studies, and legal expenses. These are generally a portion of any private or public project. However, opponents stated that other costs levied by municipalities such as water and sewer development fees, school support, park development, and infrastructure that are levied as system development fees could be reduced or eliminated for affordable housing projects to encourage investment in them. Two opposition witnesses felt that changes along these lines would increase housing development starts by reducing up-front costs and lead to a reduction in rents overall, thus increasing affordability for all.

While the Portland City Council declared a housing emergency in October of 2015, it only applied to existing rent “control” issues and did not address costs associated with housing development. It was stated that there has been a 15% decline in housing construction.

Social Program Issues

Opponents argue that social welfare programs are more successful if recipients are afforded the ability to utilize direct payments for their current needs rather than a system of government

“paternalism.” They proposed that a better use of bond funds, rather than purchasing affordable housing that could be utilized by a limited number of people who “win” the “affordable housing lottery,” would be to establish an endowment that would distribute benefits to be used to subsidize housing costs, and would be a continual source of support for affordable housing rather than a one-time purchase of a small number (based on current estimates) of needed units.

An opponent briefly mentioned an ancillary issue when he questioned whether a regional government authority such as Metro should be making welfare policy rather than having that made at the state level.

Horizontal Equity

An opponent expressed concern that Metro’s bond would not facilitate horizontal equity. Horizontal equity is a concept derived from economics where it is used to argue that those who have the same amount of wealth should be taxed at the same rate. This opponent felt that similarly positioned individuals would be treated differently under Metro’s bond depending on a lottery-like system that provided subsidized affordable housing units to only a subset of those individuals. Opponents suggested that an optimal approach is to treat all individuals who are similarly positioned equally, such as, by example, providing a cash subsidy of equal size to all such individuals.

CONCLUSION

The committee agrees that there’s a shortage of affordable housing in our region and that the bond measure, if passed, will improve the supply of affordable housing for low-income populations.

We also agree that this is an appropriate action for Metro. The regional housing market has shown itself incapable of addressing the need for low-income housing. This signals a clear role for governmental action, particularly a regional government that can coordinate and align strategies across counties and cities within the Metro service area. No single entity can solve the housing crisis alone, but the bond measure is designed to be flexible to meet local needs. Furthermore, the bond measure will allow for better public financing at lower interest rates. This will allow all housing funding mechanisms to be stretched and applied in the most effective way possible.

Finally, the committee recognizes that communities of color are disproportionately represented in low-income populations and have historically been negatively impacted by gentrification and discriminatory housing policies. We believe the bond measure, as proposed, would begin to address this historical structural inequity.

After considering these and other factors, the committee recommends a “Yes” vote on Metro’s affordable housing bond.

RECOMMENDATION

This committee recommends a “Yes” vote on Metro’s affordable housing bond.

SIGNATURES

Respectfully submitted,

Beth Crane, Chair
John Engle, Lead Writer
Philippe Boutros
Dan Melton
Reed Morgan
Mark Stephan

APPENDIX A: METHODOLOGY

This research committee originally had eight members, but two dropped out before our first meeting. The remaining six members are: Beth Crane, Mark Stephan, John Engle, Reed Morgan, Dan Melton, and Philippe Boutros. Our committee met weekly for an hour and a half in person, by conference call, and via video conferencing to facilitate member participation and we recorded most sessions. We organized our sessions to maximize time available and coordinate representation of perspectives.

We conducted a background and technical session with Metro staff and a second joint technical and background session with the executive directors of the housing authority of each county within the region.

We conducted one panel of two opponents identified by the City Club background document supplied to the committee, with an additional session for an opponent who was not able to attend the panel session due to a scheduling error.

We conducted a proponent's panel with a mix of elected officials, nonprofit developers, and affordable housing advocates.

In response to City Club's renewed and sharpened focus on equity, both opponents and proponents volunteered or were queried about how their perspective addressed issues of equity and inclusion for people living in the Metro region, particularly those historically marginalized or underserved. Their stated views are included in this report.

In addition to witness testimony, we gathered, reviewed, and analyzed documents and media reports, and conducted literature review to glean information about how other jurisdictions are addressing and financing affordable housing in their communities. These resources are documented in our bibliography.

APPENDIX B: WITNESSES

Witnesses that provided oral or written testimony:

Michael Buonocore, Executive Director, Home Forward, Multnomah County, in person testimony, technical and background only

John Charles, President and CEO of Cascade Policy Institute, in person testimony

Sam Chase, Metro Councilor, in person testimony

Nick Fish, Portland City Commissioner and Director of PAC Board for the bond measure, in person testimony

Komi Kalevor, Director, Housing Services of Washington County, in person testimony, technical and background only

Joe Keizur, Executive Director, Affordable Oregon - The Local government Accountability Project, in person testimony

Jess Larson, Housing Policy Analyst, Metro, in person testimony, technical and background only

Becky Lee, Yes for Affordable Housing Campaign, in person testimony

Emily Lieb, Equitable Housing Manager, Metro, in person testimony, technical and background only

Kari Lions, Director, Welcome Home Coalition, in person testimony

Greg Malinowski, Washington County Commissioner, in person testimony

Martha McClennon, Director, Northwest Housing Alternatives, in person testimony

Professor G. Mildner, Professor, Portland State University, in person and written testimony

Chuck Robbins, Executive Director, Housing Authority - Clackamas County, in person testimony, technical and background only

Andrew Scott, Governmental Liaison, Metro, in person testimony, technical and background only

Individuals that were invited to testify, but either declined or did not respond:

Clackamas County Commissioners, all declined due to scheduling issues

Rachel Duke, Executive Director, Community Partners for Affordable Housing, declined, scheduling issue

Andy Duyck, Chair, Washington County Board of Commissioners, declined, scheduling issue

Marc Jolin, Director, Joint Office on Homeless Services, declined, concerned testimony would be inappropriate as a public employee

Deborah Kafoury, Chair, Multnomah County Board of Commissioners, declined, scheduling issue

Marcus Mundy, Executive Director, Coalition of Communities of Color, multiple contacts, confirmed date for testimony, no show, no follow up

Nick Sauvie, Executive Director ROSE CDC, declined, scheduling issue

APPENDIX C: INTERVIEW QUESTIONS

Questions for All Witnesses

- What do you see as the main risks if the bond passes or doesn't pass?
- What are your thoughts on the constitutional amendment?
- How do you view the City of Portland 2016 bond implementation? Lessons learned?
- How would you define success or failure for this measure?
- How are you looking at this through a diversity and equity lens?
- Requires voter approval to use bond revenue. Does this ballot measure satisfy that requirement?
- What are your thoughts on public/private partnerships? What guardrails are/should be in place?

Questions for Opponents

Each representative took 5 mins to outline the primary reasons they or their organization oppose the Metro Housing Bond.

- All agree that housing affordability is an issue?
- Is there some alternative bond proposal that you would have supported?
- Some alternative policy proposal that you would support?
 - Reducing cost of land in region. How? Aware of any empirical projections/studies of effect?
 - Reducing cost of local government regulation on price of housing. How? Aware of any projections/empirical studies of effect?
 - Creating incentives at local governmental level? How? Aware of any projections/empirical studies of effect?
 - Developing different housing development policies that focus on affordability first? How? Aware of any projections/empirical studies of effect?
- What's your position on the constitutional amendment (allow bond funds to be paired with federal money by removing an Oregon constitutional clause that effectively prohibits splitting ownership with private developers (which is a requirement of many federal housing subsidies)?
- If the bond measure passes, do you have any views on how implementation should or would best proceed? Specific concerns?
- How are you looking at this through a diversity and equity lens?
- John Charles is quoted as saying this is "mission creep." What does he mean? An expensive and inefficient way to build affordable housing? What does he propose?

Questions for Proponents

Each representative took 5 mins to outline the primary reasons they or their organization supports the Metro Housing Bond.

- What do you see as the main risks if the bond does or doesn't pass?
- How does the proposed constitutional amendment relate to your support of the Metro bond measure?

- How do you view the City of Portland 2016 bond implementation? In your view, what lessons have been learned?
- How would you define success or failure for this measure and how should that be measured?
- How do you view the measure through an equity and inclusion lens?
- What are your thoughts on public/private partnerships? What guardrails are/should be in place?
- Other considerations we have not asked about but should include in our analysis?

Technical Questions for Metro Staff

- How did Metro settle on the dollar amount for the bond measure?
- What is the intersection between bond measure and constitutional amendment?
- How are you distributing the housing dollars (through housing authority, but how does that work)?
- What is the mix of rehabilitation and new build or how will that be determined?
- Evaluation and accountability criteria? Measures of success? Primary risks?
- What strategies will be used to address potential gentrification that pushes low income households out of established neighborhoods?
- How are you looking at this through a diversity and equity lens?
- How do you view the 2016 City of Portland bond implementation? Lessons learned?
- Tactics / distribution of housing. Where do you put it in? How will the location of affordable housing be determined?
- Requires voter approval to use bond revenue. Does this ballot measure satisfy that requirement?
- Related to public/private partnerships, what guardrails should be in place to ensure excellent stewardship over time of affordable housing built with substantial public resources?

Executive Directors of the Housing Authorities from Clackamas, Washington and Multnomah Counties

Each representative took 10 minutes each to discuss their jurisdiction's affordable housing services and future plans in general (level setting).

- Should the housing bond pass in November, what is the process and timeline for your agency to ramp up plans and projects? When might the community begin to see new units available in your community?
- How do you view the City of Portland 2016 bond implementation? In your view, what lessons have been learned?
- If the measure should pass, how would you define success or failure of implementation and how should that be measured?
- How would you apply an equity and inclusion lens to implement the bond resources, should the measure pass?
- What is your approach to public/private partnerships? What guardrails are/should be in place?
- Other considerations we have not asked about but should include in our analysis?

APPENDIX D: BACKGROUND RESEARCH WITH METRO

The Federal Highway Act of 1962 authorized the formation of regional government agencies for administering federal transportation dollars. Metro had its beginnings as the Metropolitan Service District (MSD). In 1978 the MSD was merged with the Columbia Region Association of Governments (CRAG) to create the first Metro area regional governmental entity. Currently, Metro jurisdictional boundaries encompass the three Portland metropolitan counties of Multnomah, Washington, and Clackamas.

The Metro Council consists of a president, who is elected regional, and six councilors, who are elected by district every four years in nonpartisan races. Metro operates with a budget of approximately \$484,000,000 per year.

Over time, the role of Metro has evolved from transportation planning oversight to include management of the region's land use planning, including the urban growth boundary, the region's waste management system, acquisition and operation of regional parks and natural areas, and oversight for the Oregon Zoo, Oregon Convention Center, Portland's Centers for the Arts, and the Portland Expo Center.

Several years ago, the council began the study of housing issues in the tri-county area as part of their role in land use, transportation planning, and economic development. As part of their regional strategic planning process, Metro engaged in public opinion surveys and research projects which yielded publications that described a need for affordable housing in the area. These reports are included in our bibliography. Housing is a relatively new focus for Metro.

Metro Testimony on Technical Aspects of the Bond Measure

Three Metro staff appeared before the committee to give background and technical information about the bond measure. The staff presented a brief history of the work of Metro leading up to the proposed bond measure. They stated Metro's responsibility for managing the urban growth for the next 20 to 50 years, as well as their responsibility for economic development, led the Council to look at housing affordability as well as accessibility of housing units within the Metro jurisdiction. They presented polling data showing that 54% of people polled were in favor of a \$500 million bond. In response to stakeholder proposed target number of units, Metro decided to increase the bond request to raise \$652.8 million to align proposed cost and targeted number of units.

A January 2016 publication by Metro titled "Opportunities and Challenges for Equitable Housing" is included in the bibliography and presents a good outline of background information on the housing need including statistics on housing units, income tables and future need assessments. This report noted that more than 67,000 renters in the three-county region pay more than half their incomes toward housing costs and, historically, 95 percent of public investment in affordable homes in the region has been confined to Portland city limits. The report also detailed Metro's prior studies regarding the growing housing affordability crisis and efforts to address the same.

Local Housing Authorities

The committee met with the directors of the three housing authorities that represent Multnomah, Washington, and Clackamas counties. Along with Metro, these organizations would be responsible for implementing the affordable housing plans supported by bond resources, in accordance with county and city housing plans. As representatives of public housing authorities, they are not allowed to state a position in support or opposition to the measure but provided the committee with an overview of their current responsibilities and ongoing programs as well as their impression of their organization's readiness to implement development activities, should the bond measure pass.

All three of the witnesses confirmed for the committee the considerable need for increased affordable housing units in each of their counties. They stated that they are only able to serve between $\frac{1}{3}$ to $\frac{1}{4}$ of the need in their areas. Factors the agencies face include:

- A divestment by the federal government in affordable rental construction programs over the past 30 years. Most of the money has shifted to vouchers. Vouchers don't increase the supply of low income housing units.
- Inability to use Low Income Housing Tax Credits and other developer incentives for financing because the Oregon constitution requires all Oregon governments to fully own bond-funded properties.
- High cost revenue bonds increase the cost of financing for projects, limiting the number of projects. General obligation bond funding sources would be cheaper finance options.
- The compliance costs increase with each financing type utilized on a project; a project today will have between 6 and 10 financing sources, each with its own complex compliance requirements.
- The long process of finding funding streams makes it very hard to move fast in the private market to acquire potential sites for development
- Even when families receive a Section 8 voucher, they must find housing that meets the cost requirements as well as physical conditions (bedroom occupancies, lead testing, etc.) required by the federal program. The directors confirmed that families can and do lose their vouchers because they are unable to find properties fitting the requirements within the allowable time.

It was stated that passage of the bond measure will increase each agency's ability to positively impact need in their communities, specifically in the lowest income tiers at 30% average median income. General obligation-based bonds would be a cheaper financing vehicle with less compliance and regulatory costs. This in turn would free up more expensive revenue-based bond financing for projects that could serve higher median family income brackets more able to pay higher rent costs and still be within the 30% of income towards housing guideline.

When asked about their individual projects and readiness, all three described projects that are in the planning stages nearing shovel-readiness. The agencies could break ground as early as next year on 300 to 500 new units.

Discussion followed about wrap-around services that each of these entities presently provides to residents. While the ballot measure addresses only housing, each of the individuals felt that bond funds would free up some of their discretionary funds to expand resident services such as

financial counseling, employment, behavioral health supports, etc. Additionally, it was noted that ongoing maintenance especially for aging properties is costly and a challenge to finance in order maintain currently existing housing units.

The committee asked each organization to address how their agency approaches equity and inclusion in their programs and future planning. All three agencies involve local communities of color in the planning stages of their projects but agreed that they could do better jobs. During the execution or building phases of their projects, each agreed more engagement with minority owned small businesses and contractors is necessary and a valuable pathway to build more equity into their institutions.

When asked about their understanding of how the bonds would be administered, two of the agencies indicated concern that there could be extra work to get Metro approval for projects. It is not clear how the funding for specific projects will get administered or how long the process will take. However, they have all received grants from Metro in the past and found Metro communication to be clear and timely. All three were ‘optimistic’ that the process would be clear and straightforward.

Lessons Learned from Portland Housing Bond

The committee sought to identify lessons learned from the planning and implementation of the City of Portland Housing Bond which will provide \$500 million to develop affordable housing units within city boundaries. Two primary lessons learned included:

1. The Portland bond planning process occurred on an accelerated time line and failed to adequately engage the community (residents, renters, communities of color, business, developers, etc.) in understanding the perceived need (number of bedrooms, preferred location of housing projects, transportation to work and services, etc.), and how bond proceeds would be implemented. A change in mayoral leadership resulted in more time needed to evaluate the housing bond strategies and regain momentum towards implementation.
2. The Portland bond experience highlighted the need for a constitutional amendment to create more flexibility in housing development finance and operations. Currently, the city is not allowed to contract with non-profit or for profit developers or housing operators because of the constitutional requirement that bond supported projects must be managed by governmental entities over the project’s life span. This has several impacts: it reduces the ability of the city to leverage additional finance streams to stretch public dollars more efficiently and slows down bringing new units on line due to the limitations of city development capacity.

In response to these lessons, Metro took a more deliberate path to engage residents and community members across the spectrum as well as stakeholders including elected officials, developers, public finance experts, community development corporations, business, and other interested parties. Metro issued planning and community engagement grants to lay the groundwork and study the conditions of affordable housing across the region to develop the ballot measure proposal in alignment with need and willingness to be the cost burden.

Additionally, the Oregon legislature referred to voters a constitutional amendment to allow bond proceeds to be used to support affordable housing to respond to the issues identified above. The amendment ballot measure is specifically limited to affordable housing only.

APPENDIX E: ACKNOWLEDGEMENTS

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APPENDIX F: ABOUT CITY CLUB

City Club was founded in 1916 by a group of young leaders who felt the city was not responding to the needs of everyday people. Today, we're building on that legacy by bringing together a diverse community of thinkers and doers to spark change across our region. Through trusted research, open dialogue, and advocacy for our best ideas, City Club is working to make Oregon a place where everyone can thrive.

For more information about City Club of Portland or for additional copies of this report, visit pdxcityclub.org, email info@pdxcityclub.org or call 503-228-7231.

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