



**DATE:** July 21, 2016  
**TO:** Board of Commissioners  
**FROM:** Faye Brown, Interim Executive Director  
**SUBJECT:** Report Number 16-41

Authorizing an Intergovernmental Agreement with the Portland Housing Bureau to Provide Housing Programs and Support Services to the Portland Housing Bureau and for the Purpose of Operating and Administering the Economic Opportunity Initiative Program

#### **BOARD ACTION REQUESTED**

Adopt Resolution No. 7202.

#### **ACTION DESCRIPTION**

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) will authorize the Executive Director to execute an intergovernmental agreement (IGA) with the Portland Housing Bureau (PHB) for (i) PHB's implementation of housing rehabilitation, finance, and development in urban renewal areas (URAs); (ii) the delivery of support services from PDC to PHB for fiscal year (FY) 2016-17; and (iii) transfer of federal Community Development Block Grant (CDBG) resources from PHB to PDC for the purpose of operating and administering the Economic Opportunity Initiative (EOI) program for FY 2016-17. This authorization marks the first year that all three previously separate IGAs are incorporated into a single IGA with separate provisions. Agency roles and responsibilities are further clarified, specifically around mixed-use/mixed-income projects.

#### **BACKGROUND AND CONTEXT**

The Portland City Council (City Council) unanimously adopted City Ordinance No. 182465 (Ordinance) on January 7, 2009, authorizing the creation of PHB and the transfer of all PDC housing functions and Bureau of Housing and Community Development (BHCD) housing and operational functions to PHB. The Ordinance stated that the creation of PHB would strengthen Portland's capacity to meet the housing needs of the current and future residents of the city. It further stated that by transitioning appropriate functions and staff from BHCD and PDC, Portland would enhance its ability to end chronic homelessness, protect its most vulnerable residents, preserve and expand the supply of affordable housing, assure housing stability, promote homeownership, and connect investments in housing to other strategies that support families and schools in vibrant, equitable neighborhoods.

Consistent with the Ordinance, the IGA continues the relationship between PHB and PDC under which PHB has responsibility for the housing activities formerly conducted by PDC, and PDC provides certain URA funds to PHB to support the urban renewal portion of those activities. Through coordination with PHB, the proposed IGA includes new language that clarifies the respective roles and responsibilities of PDC and PHB, specifically:

- PHB is charged with developing a citywide housing policy and delivering programs that increase the supply of affordable housing, preventing and ending homelessness, and increasing homeownership for households of color. (Language from City Council Ordinance No. 184329.)
- PDC is charged with developing and implementing economic development and community development policies and programs that create economic growth and opportunity throughout Portland. PDC catalyzes urban development (i.e. appropriate mix of residential, commercial, industrial, and office) by leveraging public and private resources in furtherance of City of Portland (City)/PDC and community-defined objectives.

The IGA furthermore contains specific provisions that identify under what circumstances PDC or PHB is designated a lead agency for purposes of negotiating with developers, coordinating with other project partners, and organizing public outreach regarding all mixed-use/mixed-income projects. The IGA also outlines specific procedures PDC and PHB will implement to increase overall agency and staff coordination of mixed-used/mixed-income projects.

The provisions regarding urban renewal housing projects (Affordable Housing Set Aside Policy financing) provides an annual budget that PHB will invoice PDC for on a monthly basis for reimbursable project costs, staffing, and related overhead that is tied to the FY 2016-17 Adopted Budget as well as the updated Affordable Housing Set Aside Policy. The total amount included in the FY 2016-17 Adopted Budget and proposed IGA is \$73,853,568. The provisions are consistent with prior IGAs implemented (formally approved annually as the Housing Rehabilitation, Development, and Finance IGA).

The provisions regarding PDC's scope of work for support services (previously approved annually as the Support Services IGA) includes a reduced amount of services PDC will provide to PHB for property management, insurance, and construction and environmental services based on the planned transfer of all such services to PHB by January 1, 2017. All terms related to cost reimbursement and invoicing remain unchanged from prior annual Support Services IGAs entered into between PDC and PHB.

The IGA now incorporates all EOI activities that were originally approved by the PDC Board at its June 8, 2016, meeting. EOI was first implemented in FY 2004-05 by the former BHCD (now PHB) and was transferred to PDC in FY 2009-10, where it has since been managed by PDC's Community Economic Development team in the Urban Development Department. The people-based EOI program has three components (youth workforce development, adult workforce development, and micro and small business development), is aimed at increasing economic vitality of low-income individuals, and focuses on target populations most in need of assistance to achieve economic stability. Participants enrolled in EOI receive up to three years of support.

In addition to the \$2,130,224 in CDBG funds, \$2,181,466 in City General Funds will be provided by the City Budget Office (CBO) through a separate agreement that is also before the PDC Board for consideration on July 21, 2016. Total City funding for EOI is anticipated to be \$4,595,807 and includes \$284,117 in other funds (see the Budget and Financial Information section of this report for additional detail).

PDC will implement the youth and adult workforce development programs primarily through grants to Worksystems, Inc. (WSI), which will implement the two programs in coordination with its other workforce services. WSI will in turn provide sub-grants to non-profits specializing in youth and adult workforce development. Youth workforce development providers were selected through a request for proposals (RFP) issued by WSI in the spring of 2012, and adult workforce development providers were selected through a RFP issued by WSI in the spring of 2013. PDC was involved in the issuance of both RFPs and in the selection of providers. It is anticipated that a limited number of additional contracts for youth and adult workforce development services will be managed directly by PDC.

PDC will implement the micro and small business development program principally through grants to specialized non-profits which deliver or coordinate the delivery of assistance to low-income residents and business owners.

### **COMMUNITY AND PUBLIC BENEFIT**

The IGA, in concert with the housing policy work of PHB, will enhance PHB's ability to meet housing policy goals established by City Council, including goals to address homelessness, facilitate the preservation and development of affordable rental housing, ensure housing stability, and promote homeownership while also working to reduce blight and blighting conditions in the City's URAs. Through this IGA, PHB will employ its best efforts to meet or exceed the City's Minority/Women/Emerging Small Business (MWESB) goals and objectives for MWESB-owned businesses and apprenticeships.

EOI promotes achievement of PDC 2015-2020 Strategic Plan goals for wealth creation, access to high quality jobs, and 21st century networks/partnerships. In FY 2015-16, more than 1,600 individuals have been served through micro and small business development or workforce development programs as of March 31, 2016. Of those served, approximately 71 percent are people of color.

PDC's investments in youth and adult workforce leverage significant investment by WSI. For the youth system, WSI anticipates spending an additional \$2,000,000 in Multnomah and Washington counties. In addition to these investments in intensive 1:1 workforce development services, WSI contracts with a work experience intermediary to develop and match youth to appropriate work experience opportunities and provide coaching to the youth and the employer to achieve successful placements.

Work experiences are essential in learning the demands and expectations of the work environment and exploring careers of interest in a safe and supportive context. In FY 2016-17, WSI anticipates investing approximately \$850,000 in the work experience system.

For adult participants, WSI anticipates providing an additional \$1,000,000 in workforce preparation, training, and employment services through Worksource Portland Metro (WSPM), whose services are set aside for low-income individuals with barriers to employment in Multnomah County. WSPM services are available to address different skill levels, work histories, and career goals and can be accessed by EOI participants to support their career plans.

### **PUBLIC PARTICIPATION AND FEEDBACK**

Projects and programs funded by the IGA were part of PHB's budget development process which engaged citizens and stakeholders throughout the city as well as the Portland Housing Advisory Committee, comprising of approximately 15 volunteers who advise the PHB Director, the Housing Commissioner, and City Council on a range of housing policy and program issues.

As mentioned above, PDC and WSI, in coordination with PHB, issued RFPs for the selection of service providers for the business, youth, and adult workforce development programs. The process of selecting new providers was done in an open and transparent manner and involved significant outreach and input from existing providers and other entities interested in EOI.

### **BUDGET AND FINANCIAL INFORMATION**

#### ***Urban Renewal Housing Projects (Affordable Housing Set Aside)***

The Housing Rehabilitation, Finance, and Development provisions in the IGA provide for the payment of urban renewal resources in an amount not to exceed \$73,853,568 by PDC to PHB for urban renewal housing program implementation in FY 2016-17. This amount takes into account estimates for FY 2015-16 year-end carry-over which is incorporated into the PDC FY 2016-17 Adopted Budget. This IGA is

consistent with the City’s Affordable Housing Set Aside Policy in allocating 45 percent of new tax increment resources through the remaining life of existing URAs.

**Housing Support Services:**

The Housing Support Services provisions in the IGA provide for certain services to be delivered by PDC to PHB in support of PHB’s housing activities. These services are real estate management, loan servicing system support, relocation, and construction and environmental services. Total estimated cost of all services is \$127,000 for FY 2016-17, and reimbursement for these services has been factored into the PDC FY 2016-17 Adopted Budget. Services are in the process of being scaled back and transitioned to PHB. PDC will continue to manage unimproved property held by PHB through December 31, 2016, and provide insurance for two PHB-occupied apartments (Headwaters and Fairfield) through June 30, 2017.

**Economic Opportunity Initiative:**

The FY 2016-17 EOI budget includes \$2,130,224 in CDBG funding and \$2,181,466 in General Funds for total City funding of \$4,312,776. PDC also anticipates using funds from other sources for EOI activities: \$225,000 in Enterprise Zone Community Contribution (E-Zone) funds and \$59,117 in Multnomah County funds. The total EOI program budget therefore is \$4,595,807. The CDBG funds will be provided to PDC through the subrecipient contract with PHB; the General Funds are included in the overall IGA with the CBO that will be considered by the PDC Board in July 2016. The overall budget for EOI with all funding sources is shown in the table below. Funds from both the PHB contract and IGA with CBO will be provided on a reimbursement invoicing basis with the respective City bureau.

**Estimated EOI Budget**

	<b>General Fund</b>	<b>CDBG</b>	<b>E-Zone</b>	<b>Multnomah County</b>	<b>Total</b>
<b>Total Resources</b>	<b>\$2,181,466</b>	<b>\$2,130,224</b>	<b>\$225,000</b>	<b>\$59,117</b>	<b>\$4,595,807</b>
Program Delivery					
Micro & Small Business Development Program	\$853,451	\$502,667	\$100,000		\$1,456,118
Adult Workforce Development	\$309,767	\$786,349	\$125,000		\$1,221,116
Youth Workforce Development	\$257,170	\$841,208		\$59,117	\$1,157,495
Personnel Services	\$360,939				\$360,939
Materials and Services	\$23,100				\$23,100
Indirect	\$377,039				\$377,039

**RISK ASSESSMENT**

PDC will be delegating to PHB the primary responsibility for ensuring that reimbursable expenses are tax increment finance (TIF)-eligible by law, which is necessary to ensure the expeditious and efficient delivery of urban renewal housing services and functions. The risks associated with such delegation are

mitigated under the IGA by (i) PHB's express assumption of responsibility for ensuring TIF eligibility; (ii) certification by PHB and its legal counsel, with each reimbursement invoice, that all the listed expenses are TIF-eligible expenses; and (iii) PHB's indemnification of PDC and the PDC Board in the event any claim is made against PDC or the PDC Board for TIF non-compliance.

EOI is a long-standing City program and has been consistently administered since FY 2004-05. CDBG funds flow to the City from the federal Department of Housing and Urban Development (HUD). In FY 2012-13, HUD conducted a monitoring of the EOI program. HUD's monitoring report recommended changes that have improved the administration and oversight of sub recipients and have resulted in a stronger understanding by PDC of issues related to administration of CDBG funds. The WSI contracts will further require WSI to adhere to federal regulations regarding the use of CDBG funds, to report to PDC quarterly about system accomplishments, challenges and outcomes, and to regularly involve PDC in policy discussions about the youth and adult workforce development system.

### **ALTERNATIVE ACTIONS**

This action supports City Council policy and budget direction approved by City Council and the PDC Board.

The PDC Board could direct PDC staff to continue negotiations with PHB, in which case housing projects, programs, and PDC's support of certain services could be delayed beyond August 1, 2016.

The PDC Board could decline to authorize the EOI portion of the contract; however, an alternative plan for delivering micro and small business development and workforce development services and support for the target population does not exist. City Council would need to either determine another City entity to operate EOI or dissolve it.

### **ATTACHMENTS**

None.