

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 22, 2011

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT: Report Number 11-47
Intergovernmental Agreements with the City of Portland Housing Bureau (PHB)
to Provide Housing Programs and Support Services

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6887

ACTION SUMMARY

This action will authorize the Executive Director to execute an inter-governmental agreement for housing rehabilitation, finance and development and an inter-governmental agreement for the provision of supporting services by PDC for FY 2011-12.

- 1) Exhibit A: Housing Rehabilitation, Finance and Development Agreement: Provides for PHB implementation of urban renewal activities involving housing rehabilitation, finance and development and for PDC's payment of up to \$50,782,871 in urban renewal resources for those activities. PDC payments to PHB are made on an expense reimbursement basis. The agreement requires, as part of the reimbursement process, certification from PHB that the costs incurred are eligible urban renewal expenditures. The agreement also makes PHB responsible for certain other housing activities not financed by PDC.
- 2) Exhibit B: Housing Support Services Agreement: Provides for PDC's delivery of certain services to PHB to support PHB's urban renewal and non-urban renewal housing activities including certain property management services, information technology services, and construction and environmental services.

PUBLIC BENEFIT

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

This action will support the following PDC goals:

- Strong Economic Growth and Competitiveness
- Sustainability and Social Equity
- Healthy Neighborhoods
- A Vibrant Central City
- Effective Stewardship over our Resources and Operations, and Employee Investment

PUBLIC PARTICIPATION AND FEEDBACK

PHB projects and programs funded by PDC under the Housing Rehabilitation, Finance and Development Agreement were part of the Portland Housing Bureau's budget development process which engaged citizens and stakeholders throughout the City and with the PHB's Bureau Advisory Committee.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

The Housing Support Services Agreement was created in compliance with PDC's Full Cost Recovery Policy. As such, PDC will be fully reimbursed for all time and materials incurred in providing the specified services to the Portland Housing Bureau. The overhead rate of \$13.50 is based on the average hourly support cost of facilities and information technology support services.

The Housing Rehabilitation, Finance and Development Agreement establishes a scope of work that is consistent with the City's Housing Policies and PDC's Urban Renewal Plans.

The scope of work also requires PHB to employ its best efforts to meet or exceed the City's MWESB goals and objectives for Emerging Small Businesses, Women and Minority owned-businesses and apprenticeships.

FINANCIAL IMPACT

Implementation of URA Housing:

The Housing Rehabilitation, Finance and Development Agreement (Exhibit A) provides for the payment of urban renewal resources in an amount not to exceed \$50,782,871 by PDC to PHB for urban renewal housing program implementation in FY 2011-12. Of the total urban renewal resources committed by the Housing Rehabilitation, Finance and Development Agreement, approximately \$3 million is allocated for urban renewal related PHB staff and overhead for implementation of urban renewal housing activities in FY 2011-12 (a reduction of approximately \$750,000 from FY 2010-11).

Support Services to be provided by PDC:

The Housing Support Services Agreement (Exhibit B) provides for certain services to be delivered by PDC to PHB. These services are real estate management, loan servicing system support, records access, relocation, and construction and environmental services. Loan servicing support is anticipated to end upon implementation of PHB's new loan servicing system during

the fiscal year. Total estimated cost of all services is approximately \$237,849 for FY 2011-12 and reimbursement for these services has been factored in the proposed FY 2011-12 Adopted Budget.

RISK ASSESSMENT

PDC will be delegating to PHB the primary responsibility for insuring that expenses for which reimbursement is sought from PDC under the Housing Rehabilitation, Finance and Development Agreement are TIF eligible by law. This is deemed practically necessary to insure the expeditious and efficient delivery of urban renewal housing projects and programs. The risks associated with such delegation are mitigated under the Housing Rehabilitation, Finance and Development Agreement by:

- i.) PHB's express assumption of responsibility for insuring TIF eligibility,
- ii.) Certification by PHB staff 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 its Board members in the event any claim is made against PDC or its Board for TIF non-compliance.

WORK LOAD IMPACT

Planned work load of PDC staff assigned to the Support Services IGA and facilitating the management of both IGAs have been programmed to these activities in the proposed FY 2011-12 Adopted Budget. Changes in anticipated workload may require a contract amendment and determination of impacts to other projects and programs based on available staff resources.

ALTERNATIVE ACTIONS

The Board could direct staff to continue negotiations on the IGA with PHB, in which case, housing projects, programs, and PDC's support of certain services could be delayed past July 1, 2011.

CONCURRENCE

This action supports City Council policy and budget direction. The decision to transition all City housing activities from BHCD and PDC to the PHB was recommended by Mayor Adams and Commissioner Fish in January 2009 and unanimously supported by City Council.

BACKGROUND

The City Council unanimously adopted City Ordinance No. 182465 on January 7, 2009, authorizing the creation of the Portland Housing Bureau and the transfer of all PDC Housing functions and Bureau of Housing and Community Development housing and operational functions to the Portland Housing Bureau. The Ordinance stated that the creation of this new Bureau will strengthen Portland's capacity to meet the housing needs of the current and future residents of our City. It further stated that by transitioning appropriate functions and staff from BHCD and PDC, Portland will enhance its ability to end chronic homelessness, protect our most vulnerable residents, preserve and

expand our affordable housing supply, assure housing stability, promote homeownership and connect our investments in housing to other strategies that support families and schools in vibrant, equitable neighborhoods.

On May 1, 2009, Commissioner Fish announced that the transfer of the PDC Housing Department staff and functions to the new PHB would be delayed beyond the original July 1, 2009, target date to enable the City and PDC to work through technical issues necessary for full implementation. Challenges included development and integration of financial, accounting, and loan servicing systems within the City that support the lending and real estate investment functions of the PDC Housing department.

Following further systems coordination and co-location through FY 2009-10, full transfer and integration of the PDC housing function with the Portland Housing Bureau was targeted for July 1, 2010. To support the transfer and integration, PDC and PHB entered into four intergovernmental agreements:

- 1) Housing Rehabilitation, Finance and Development Agreement: transferred responsibility to PHB for housing rehabilitation, finance and development activities in the City of Portland, utilizing both urban renewal and non-urban renewal resources, to PHB. Consistent with the City's Affordable Housing Set Aside Policy, this agreement established the FY 2011-12 budget for the implementation of urban renewal housing activities to be funded through urban renewal resources and provide for payment of those resources to PHB on an expense reimbursement basis. The agreement required, as part of the reimbursement process, certification from PHB that the costs incurred are eligible urban renewal expenditures.
- 2) Assignment and Assumption Agreement: assigned PDC's rights and delegated duties under designated housing related agreements (under which performance has not been completed) to PHB, including but not limited to loan agreements, disposition and development agreements, regulatory agreements, etc. The agreement also transferred PDC's real property assets that are related to housing activity to PHB.
- 3) Housing Support Services Agreement: PDC's delivery of services to PHB to support PHB's urban renewal and non-urban renewal housing activities including certain property management services, information technology services, construction and environmental services, records management, relocation services and prevailing wage services.
- 4) Intergovernmental Agreement for the Transfer of Employees: Transferred PDC employees performing certain housing functions to employment with the City of Portland in accordance with applicable transfer statute.

During FY 2010-11, PDC and PHB worked cooperatively building the FY 2011-12 budget and five-year forecast, including PHB's forecast of projects, priorities and operating costs that needed to move forward in FY 2011-12.