

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: August 13, 2008
TO: Board of Commissioners
FROM: Bruce A. Warner, Executive Director
SUBJECT: Report Number No. 08-108
2008-09 BHCD Contract

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6616

ACTION SUMMARY

This action will authorize a Subrecipient Contract with the Bureau of Housing and Community Development (BHCD) to receive up to \$11,339,622 in federal and city funds for the purpose of administering various housing development programs,

The Board annually reviews and approves this agreement with BHCD. The agreement establishes programmatic and management guidelines as well as the maximum annual reimbursement the Portland Development Commission (PDC) may invoice BHCD for identified city and federal funds. The funds are used for various housing projects, as well as operating support for loan servicing and housing asset management functions associated with the management of the existing portfolio and new projects.

BHCD and PDC have entered into such an agreement for nearly three decades. This contract does not govern the use of PDC's tax increment financing.

PUBLIC BENEFIT

The agreement provides PDC with funds to assist in the elimination of neighborhood blight, to increase the supply of safe and affordable housing for qualified individuals, and to help low and moderate-income individuals become more economically self-sufficient. This is achieved through single-family home rehabilitation, rental housing rehabilitation and new rental construction activities.

Single-family home rehabilitation activities assist Portland families earning less than 80% of median family income in critical home repair needs. A majority of these loans are targeted to households below 50% of median family income.

Rental Housing rehabilitation and new construction activities are generally targeted to serve families earning less than 80% of median family income, with 35% of the funds targeted to families earning less than 30% of median family income and 40% of the funds targeted to families earning between 31% and 50% of median family income unless otherwise directed by City Council.

This action will support the following PDC goals:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help business to create and sustain quality jobs
- Support a vibrant central city (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

Administering funds under this agreement are guided by the 2005-2010 Consolidated Plan and the annual Housing Evaluation Report which is adopted by City Council and the Housing and Community Development Commission. PDC annually conducts a solicitation process to receive project proposals from the community of developers and nonprofit organizations. Projects selected through this process are funded by PDC using BHCD funds identified in the agreement

FINANCIAL IMPACT

The annual BHCD agreement establishes the total amount of city and federal funds that BHCD will reimburse PDC for rental housing rehabilitation, rental housing new construction and administrative activities. The total agreement amount is \$11,339,622 (\$4,684,236 CDBG, \$4,338,500 in HOME, \$657,043 in HOPWA, \$1,178,611 in City General Fund, and \$481,232 in HIF).

The agreement establishes the following financial framework for funding projects that meet programmatic guidelines. PDC will incur expenditures as loans for approved projects are disbursed from the CDBG Fund (Fund 110) or HOME Fund (Fund 185) and, in turn, will submit a monthly billing to seek reimbursement from BHCD. PDC may not seek reimbursement for amounts in excess of the established agreement authority for each program.

The agreement also provides reimbursement to PDC for administration costs, including staff, materials and services and PDC indirect costs through PDC's indirect cost allocation plan. A substantial portion of the administration costs (\$528,160) are for PDC's loan servicing and housing asset management functions. The agreement supports a majority of loan servicing and housing asset management program costs since CDBG and HOME funded loans make up a substantial portion (68%) of PDC's loan portfolio.

PDC's FY 2008-09 Adopted Budget includes sufficient appropriation authority to expend the funds specified in the FY 2008-09 agreement. Technical budget adjustments will be made as needed during PDC's Budget Amendment process to reflect changes to the agreement amounts and any other future amendments.

RISK ASSESSMENT

PDC has been providing these services for BHCD nearly three decades and is well suited to perform these activities. Considering that expertise, the legal, financial and operational risks resulting from this action should be manageable over the term of this contract.

WORK LOAD IMPACT

All costs associated with administering the implementation of the agreement are included in the FY 2008-09 PDC budget. Approximately twelve (12) FTE employees are included in the adopted budget and department work plan to work on BHCD funded projects and programs.

ALTERNATIVE ACTIONS

PDC will be unable to proceed on new BHCD rehabilitation and multi-family rental housing projects if the agreement is not approved and will not have funding to service the existing portfolio. BHCD funded activities represent the primary funding sources for housing activity outside of Urban Renewal Areas.

CONCURRENCE

BHCD and PDC have agreed on the terms of the fiscal year 2008-09 contract.

BACKGROUND

This is the annual contract between PDC and BHCD which authorizes PDC to administer BHCD funds for the purposes of eliminating neighborhood slum and to increase the supply of safe and affordable housing. The maximum amount of reimbursement is \$11,339,622 (\$4,684,236 CDBG, \$4,338,500 in HOME, \$657,043 in HOPWA, \$1,178,611 in City General Fund, and \$481,232 in HIF). BHCD and PDC agree that a structured work plan format with scheduled benchmarks may enhance cooperation and allow the parties to better address concerns and changes within the housing industry. BHCD and PDC are working cooperatively to create such a work plan to increase cooperation and promote efficiencies. Accordingly, the contract form for next year may be significantly different.

CC: K. Kalevor, Interim Housing Director
D. Elott, Interim General Counsel
J. Cody, Chief Financial Officer