



**Washington County
Auditor's Office**

**Affordable Housing Bond Program: Notice of Funding
Availability Generally Well Designed, but Could Result in
Funding Delays**

Final Follow-up Report

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Affordable Housing Bond Program: Notice of Funding Availability Generally Well Designed, but Could Result in Funding Delays

Final Follow-up Report

I. Background and Summary

On November 6, 2018, voters approved Ballot Measure 26-199, which authorized the Metro regional government to issue \$652.8 million in bonds to support regional affordable housing needs. \$116 million was designated for housing in Washington County. In March 2020, the County issued a Notice of Funding Availability (NOFA) offering \$80 million of the \$116 million. The NOFA invited developers to submit proposals for affordable housing projects.

In July 2020, the Washington County Auditor released his report, “Affordable Housing Bond Program: Notice of Funding Availability Generally Well Designed, but Could Result in Funding Delays. The Auditor made two recommendations to incorporate significant roles for culturally specific organizations into proposals submitted in response to the March 2020 and future NOFAs.

Management agreed with the recommendations and planned to implement the first recommendation as part of the evaluation process for the first NOFA. Management planned to implement the second by explicitly expressing a preference in future NOFAs that proposers work with culturally specific organizations on their project design and operations.

We conducted this follow-up review to assess whether management had fully implemented the audit recommendations. We found that management fully implemented the first recommendation and the second is in process.

II. Overview of the Original Audit

Audit Objectives

The Auditor’s Office initiated the Metro Bond Audit to determine whether the County’s Notice of Funding Availability could provide reasonable assurance that proposals submitted to Metro by the County will be approved for funding.

Audit Findings

The audit determined that:

- a. The County's Local Implementation Strategy (LIS) and NOFA identify desired characteristics of affordable housing projects. We found that the County expressed 14 of the 15 desired characteristics in the NOFA at least as strongly as in the LIS. Although success with Metro depended upon the quality of the proposals submitted, we believe the NOFA was designed to ensure that highly rated proposals submitted by Washington County will be approved for funding.
- b. One characteristic in the LIS was not mentioned in the NOFA. In the LIS the County indicated it would prioritize projects sponsored by culturally specific organizations or partnerships in which culturally specific organizations have a meaningful role in project design and operations. This priority was not expressed in the NOFA

Audit Recommendations

The Auditor made two recommendations to incorporate significant roles for culturally specific organizations into proposals submitted in response to the March 2020 and future NOFAs.

III. Status of Audit Recommendations

We conducted this follow-up review to assess the whether the County had implemented the audit recommendations. We found that the County had fully implemented the first recommendation, and the second is in process.

1. As needed and as expeditiously as possible, the County should work to incorporate a significant role for culturally specific organizations into proposals submitted in response to the current NOFA.

Current status – Fully Implemented.

The projects generated from the March 2020 all have culturally specific partners involved in various aspects of the design and operations of the development.

2. In future NOFAs, the Department of Housing Services should explicitly express the County's preference for projects sponsored by culturally specific organizations or in which such organizations have a significant role in project design and operations.

Current status – Not Implemented.

Management agreed with this recommendation and indicated in its response to the original report: "Staff will ensure that future NOFAs explicitly express the County's preference for projects sponsored by culturally specific organizations or in which such organizations have a significant role in project design and operations." In September 2021 management responded: "As the second NOFA is drafted, this preference will be clearly stated," and estimated implementation in the first quarter of 2022.

Management released the second NOFA on August 26, 2022. We reviewed that document and found that, although it doubled the points scored for racial equity compared to the first NOFA, it did not explicitly express the County's preference for "projects sponsored by culturally specific organizations or in which such organizations have a significant role in project design and operations."

Management feels that doubling the points for racial equity ensures that projects sponsored by culturally specific organizations or in which such organization have a significant role in project design and operations will receive preference.

To confirm that management had effectively addressed the identified risk by alternate means would require an audit of projects funded under the second NOFA. The objective of this follow-up is only to determine whether management implemented the recommendation. Management did not make the change it had repeatedly committed to make.

IV. About this Review

In September 2021, we initiated a follow-up review to determine whether management had implemented the recommendations from our July 2020 Audit of the Affordable Housing Bond Program. We asked the Department of Housing Services to describe any actions taken to implement those recommendations and to provide documentation that would support the actions taken. We reviewed the response, reviewed the documentation submitted, and collected additional information to determine whether each recommendation was implemented.

We concluded that a recommendation was:

- **Fully Implemented** if we found that management had completed the recommended actions,
- **In Process** if the County planned to take further action to implement a recommendation.



signed:

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Washington County Auditor