

## FINANCIAL PLANNING DIVISION ANALYSIS FY 2012-13 Budget

### Portland Housing Bureau Analysis by: Claudio Campuzano

#### I. Overview

Budget Summary	Revised FY 2010-11	Revised FY 2011-12	Request Base FY 2012-13	Request Total FY 2012-13	Percent Change
<b>Resources</b>					
Budgeted Beginning Fund Balance	\$3,059,108	\$1,552,446	\$3,992,645	\$3,992,645	157.2%
Charges for Services	273,916	260,800	213,908	213,908	-18.0%
Intergovernmental Revenues	82,984,437	98,154,204	63,386,855	63,386,855	-35.4%
Interagency Revenue	11,500	0	35,129	35,129	NA
Fund Transfers - Revenue	3,423,204	3,855	0	0	-100.0%
Bond and Note Proceeds	7,321,015	8,313,777	12,275,185	12,275,185	47.6%
Miscellaneous Sources	2,949,969	6,753,989	1,011,100	1,011,100	-85.0%
General Fund Discretionary	10,020,258	11,541,515	6,283,634	10,556,243	-8.5%
<b>Total Resources</b>	<b>\$110,043,407</b>	<b>\$126,580,586</b>	<b>\$87,198,456</b>	<b>\$91,471,065</b>	<b>-27.7%</b>
<b>Expenditures</b>					
Personnel Services	\$6,844,233	\$5,903,831	\$5,546,757	\$5,546,757	-6.0%
External Materials and Services	89,893,754	114,089,742	75,576,430	79,849,039	-30.0%
Internal Materials and Services	2,855,867	1,169,005	1,188,298	1,188,298	1.7%
Capital Outlay	0	1,563,882	0	0	-100.0%
Debt Service	1,328,533	1,186,748	1,292,086	1,292,086	8.9%
Fund Transfers - Expense	3,428,204	143,238	881,930	881,930	515.7%
Contingency	3,292,816	2,524,140	2,712,955	2,712,955	7.5%
Unappropriated Fund Balance	2,400,000	0	0	0	NA
<b>Total Requirements</b>	<b>\$110,043,407</b>	<b>\$126,580,586</b>	<b>\$87,198,456</b>	<b>\$91,471,065</b>	<b>-27.7%</b>
<b>Total Bureau FTE</b>	<b>66.00</b>	<b>57.00</b>	<b>56.90</b>	<b>54.90</b>	<b>-3.7%</b>

Percent Change is the change from FY 2011-12 Revised Budget to FY 2012-13 Total Requested Budget.

#### II. Key Issues

##### Declining Resources

In the last two years, FPD has highlighted PHB's decline in available resources over the five-year forecast. In that time, Tax Increment Financing has been the focus. This year, precipitous declines in federal funding, 4-8% General Fund ongoing reductions, and dramatically reduced availability of one-time General Fund are the more significant source of declines. The bureau's five-year forecast shows an overall decline in resources of \$118.0 million in FY 2011-12 Revised budget to \$45.8 million in FY 2016-17. Note that the \$45.8 million figure assumes continuation of the current level of General Fund, including one-time funding. Without this funding, the total resources would be closer to \$41.0 million.

- TIF declines from \$60.3 million in the current year to \$16.1 million at the end of the five-year forecast period. The current year budget includes some very large projects – Veterans Housing in North Macadam URA (\$9.2 million) and the completion of the Bud Clark Commons (\$18.0 million) and Blanchet House (\$4.0 million) in the River District URA, so, to some degree, this drop is overstated. The final year of the forecast is \$3.7 million greater

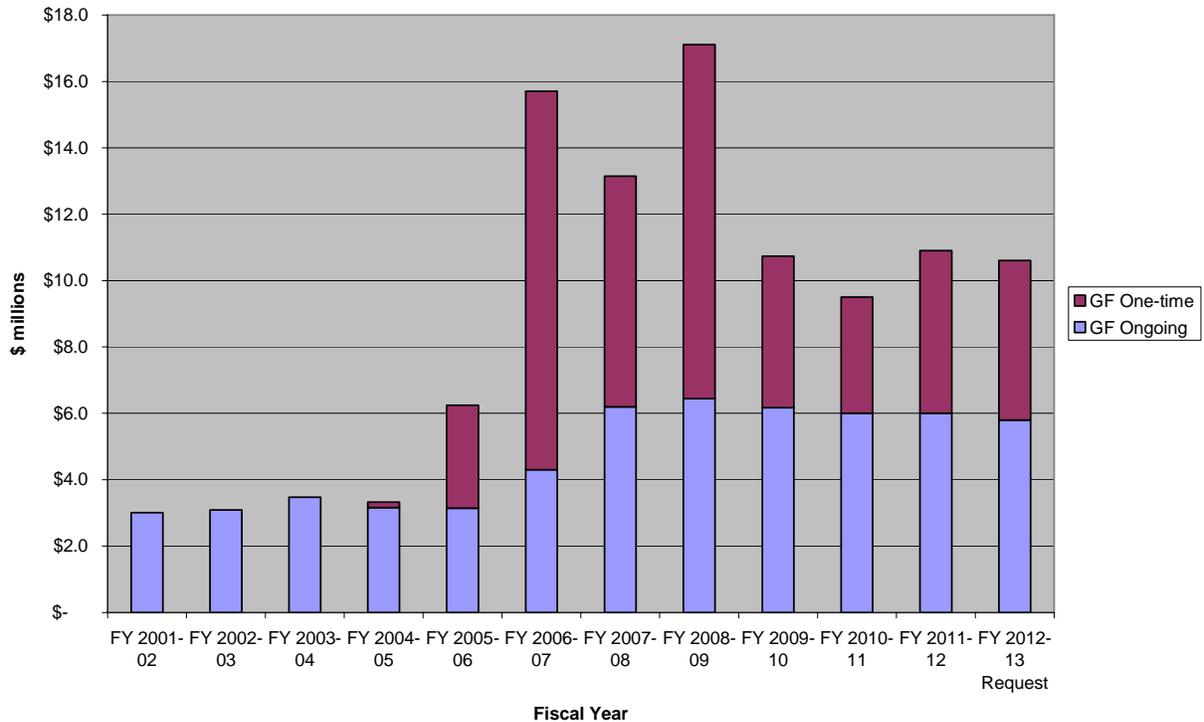
than the last year of the forecast in the FY 2011-12 Five-Year Financial Plan, indicating an improved outlook for resources. However, given the nature of URAs and the fact that many are expired or expiring, this resource cannot be counted on in the long-term without the creation of additional districts or the extension of existing ones.

- The Housing Investment Fund (HIF), a fund set up in 1995 to dedicate resources to meeting the City's housing development goals, still shows a dramatic drop from \$11.3 million in FY 2011-12 revised to \$1.8 million at the end of the forecast. This drop reflects the exhaustion of the Section 108 loan resource and was already included in last year's financial plan. The Section 108 program allows the bureau to pledge future Community Development Block Grant (CDBG) funds to secure financing for projects. In 2009, the bureau was authorized to borrow up to \$15 million through this program. The final \$5.1 million of this authorization is budgeted in FY 2012-13. Thereafter, most revenues in the HIF are expected to be program income of less than \$1 million annually.
- The City's Community Development Block Grant (CDBG) federal entitlement declines from \$9.0 million in the current year to \$7.7 million in FY 2012-13. The forecast assumes this level of funding continues. This decline happens on the heels of a decline in the federal allocation of \$0.5 million coming into FY 2012-13 as well as the sunseting of stimulus funding. Program income has also been declining as the nature of loan portfolio has changed to emphasize more grants and equity gap and cash flow loans. The net effect is a very significant decline in one of the more flexible resources the bureau has for delivering services and unit production.
- The HOME Grant, another federal entitlement, is also significantly reduced going into FY 2012-13, going from \$5.2 million in FY 2010-11 to \$4.0 million in FY 2011-12 to \$2.9 million in FY 2012-13. This resource is limited primarily to construction of affordable housing and other community resources. While not impacting staff or client services dramatically, this reduction will impact the bureau's ability to deliver affordable housing units going forward. There is an administration component as well that shrinks commensurate with the grant, but this will impact the bureau more in the outyears because of carryover of the administration cap from prior years.

### **One-Time General Fund Reliance**

As discussed in detail in the FPD budget review in the last several years, PHB has received a significant amount of one-time General Fund to support ongoing programs. In FY 2011-12, one-time funding constitutes 45% of the total bureau General Fund allocation. See below for a historical perspective:

### Historical General Fund Allocation



Notes: 1. General Fund resources include both direct General Fund allocations and General Fund transfers to the Housing Investment Fund (HIF). One-time resources include Adopted budget amounts and changes at various budget monitoring cycles (excluding carryover). 2. In the FY 2009-10 Budget process, the General Fund portion of the Economic Opportunity program (\$1.5 million) was moved to the Portland Development Commission (PDC). At the same time, \$1 million was added in ongoing General Fund for access center operations.

During this budget process, however, only \$11.6 million is expected to be available in one-time to fund ongoing unfunded programs Citywide. This lack of availability of one-time General Fund, the ongoing General Fund cuts necessary to balance Citywide, and the decline in entitlements will likely result in very significant changes to the overall budget, services, and mix of funding in the bureau. The uncertainty around these funding levels results in great difficulty in developing service delivery scenarios to model the potential impacts of the overall reduction. PHB has built their request around full funding of the ongoing unfunded list; the impacts of reductions to ongoing are subject to change depending on the eventual level of one-time funding allocated. FPD's decision package recommendations have been made primarily to preserve safety net services; while FPD recognizes rent assistance to be a component of the safety net, this program has not been recommended for the full one-time amount as it scales down better than the facility-based programs.

FPD recommends that PHB work with Council to develop and implement a long-term funding strategy for PHB so as to reduce the uncertainty going forward. Planning for a resource that is so insecure is operationally untenable. To the degree that other bureaus have offered more reductions to ongoing than are necessary to balance, Council might consider shifting some of PHB's one-time funded programs to ongoing and sharing the burden of the ongoing unfunded list more equitably among other bureaus. An alternative approach would be for Council to direct FPD to build the ongoing unfunded portion of PHB's budget into the base appropriation level for FY 2013-14. This approach would also reduce the availability of General Fund resources for all other bureaus.

In the absence of a strategic solution to the bureau's reliance on one-time funding, FPD recommends a portion of the ongoing cuts to balance Citywide and a portion of the one-time requests to maintain safety net services. This recommendation is made with the understanding that it only further imbalances the bureau's resources.

**City of Portland**  
 Decision Package Recommendations  
 (Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					FPD Analyst Recommendations				
		FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses	FTE	Gen Fund Ongoing	Gen Fund 1-Time	Other Revenues	Total Expenses
<b>Portland Housing Bureau</b>											
<u>Reductions</u>											
HC_09 - PHB - 4% Reduction	01	0.00	(251,345)	0	0	(251,345)	0.00	(251,345)	0	0	(251,345)
HC_08 - PHB - 6% Reduction	02	0.00	(125,673)	0	0	(125,673)	0.00	(9,000)	0	0	(9,000)
HC_07 - PHB - 8% Reduction	03	0.00	(125,673)	0	0	(125,673)	0.00	(125,673)	0	0	(125,673)
<i>Total Reductions</i>		<i>0.00</i>	<i>(502,691)</i>	<i>0</i>	<i>0</i>	<i>(502,691)</i>	<i>0.00</i>	<i>(386,018)</i>	<i>0</i>	<i>0</i>	<i>(386,018)</i>
<u>Unfunded Ongoing</u>											
HC_01 - PHB - Prevention & Rapid Rehousing	01	0.00	0	1,900,000	0	1,900,000	0.00	0	1,100,000	0	1,100,000
HC_02 - PHB - Homebuyer Support	02	0.00	0	500,000	0	500,000	0.00	0	0	0	0
HC_03 - PHB - Housing Access Services	03	0.00	0	456,300	0	456,300	0.00	0	456,300	0	456,300
HC_04 - PHB - Shelter and Emergency Services	04	0.00	0	1,734,000	0	1,734,000	0.00	0	1,734,000	0	1,734,000
HC_05 - PHB - Bud Clark Commons Operating Suppo	05	0.00	0	185,000	0	185,000	0.00	0	185,000	0	185,000
<i>Total Unfunded Ongoing</i>		<i>0.00</i>	<i>0</i>	<i>4,775,300</i>	<i>0</i>	<i>4,775,300</i>	<i>0.00</i>	<i>0</i>	<i>3,475,300</i>	<i>0</i>	<i>3,475,300</i>
<u>Realignments</u>											
HC_06 - PHB - Position Reductions taken in Base Buc	01	(2.00)	0	0	0	0	(2.00)	0	0	0	0
<i>Total Realignments</i>		<i>(2.00)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(2.00)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Total Portland Housing Bureau</b>		<b>(2.00)</b>	<b>(502,691)</b>	<b>4,775,300</b>	<b>0</b>	<b>4,272,609</b>	<b>(2.00)</b>	<b>(386,018)</b>	<b>3,475,300</b>	<b>0</b>	<b>3,089,282</b>
<hr/>											
<b>Summary by Decision Package Type</b>											
<i>Total Reductions</i>		<i>0.00</i>	<i>(502,691)</i>	<i>0</i>	<i>0</i>	<i>(502,691)</i>	<i>0.00</i>	<i>(386,018)</i>	<i>0</i>	<i>0</i>	<i>(386,018)</i>
<i>Total Unfunded Ongoing</i>		<i>0.00</i>	<i>0</i>	<i>4,775,300</i>	<i>0</i>	<i>4,775,300</i>	<i>0.00</i>	<i>0</i>	<i>3,475,300</i>	<i>0</i>	<i>3,475,300</i>
<i>Total Bureau Adds</i>		<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Total Realignments</i>		<i>(2.00)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>(2.00)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Grand Total</b>		<b>(2.00)</b>	<b>(502,691)</b>	<b>4,775,300</b>	<b>0</b>	<b>4,272,609</b>	<b>(2.00)</b>	<b>(386,018)</b>	<b>3,475,300</b>	<b>0</b>	<b>3,089,282</b>

### III. Decision Package Analysis & Recommendations

#### Reduction Packages

##### ***PHB Reductions/HC\_07, 08, 09, (\$502,690), Bureau Priorities #1,2,3***

As discussed in Key Issues above, it is difficult to identify cuts to the base budget when almost 50% of the bureau's General Fund budget is otherwise uncertain. The reduction scenario proposed by the bureau was developed in conjunction with the non-profit service providers and is based on the assumption that all the requested one-time is allocated. Ultimately, these reductions will depend on the amount of one-time allocated to the bureau.

As part of this series of packages, the bureau estimates that 9.25 FTE at community non-profits will be eliminated. At the 4% level, these staff are expected to be primarily outreach workers and case managers. However, there are several facility-based reductions at the higher cut levels: at the 6% level, there is a reduction that effectively eliminates the winter shelter base budget – roughly 10% of the shelter capacity citywide - and, at the 8% level, there is a reduction in hours at the Bud Clark Commons (BCC). A portion of the winter shelter funding is still requested as one-time, but the cut would reduce the number of beds and individuals served by more than half.

According to PHB, the bureau will not be able to determine specific reductions to days or hours at the BCC. FPD tentatively recommends the reduction in hours of operation at the Commons over the reduction in available winter shelter beds, despite the bureau's ranking of the packages. FPD recommends that this scenario be developed fully to determine the reduction in hours and services offered. Depending on the results of this scenario, the recommendation would be revisited.

The bureau has argued for the reduction in shelter before the BCC reduction as follows: "The day center allows people to get off the street seven days a week, get connected with housing resources, and get on shelter waiting lists. This is a particularly important 'safety net' service during cold, winter months when shelters close at 7a.m. In addition, a safe welcoming place for unsheltered people results in fewer interactions with police, downtown neighbors, etc."

Overall FPD recommends all of the packages less \$116,673 related to winter shelter.

*FPD Recommendation: (\$386,018)*

#### Unfunded Ongoing Packages

##### ***Prevention and Rapid Rehousing/HC\_01, \$1,900,000, Bureau Priority #1***

This package continues the FY 2011-12 level of funding for short-term rent assistance to prevent eviction (estimated 725 households) and place families and individuals in permanent housing directly from the street or shelter (estimated 625 households). The average length of assistance for an eviction prevention case is four months. At an average of \$1,400 per household, this type of assistance can be the least expensive and least disruptive way of assisting the marginally housed; the average annual subsidy is considerably less expensive than the shelter alternative.

Moreover, the stability of a permanent home is often a prerequisite for achieving or maintaining a sustaining income; the logistical complications of street and shelter life can hinder an individual's ability to gain and retain employment or manage childcare.

The prevention and rapid rehousing program is the bureau's top ranked service program (as opposed to development and preservation programs which are the bureau's highest priorities). In the FY 2011-12 review of the PHB budget, FPD recommended returning to the FY 2007-08 level of funding (\$1.1 million). In light of the scarcity of one-time resources, an allocation of \$1.1 million would not be unprecedented.

*FPD Recommendation: \$1,100,000*

***Homebuyer Support/HC\_02, \$500,000, Bureau Priority #2***

This request would continue the level of service provided by the bureau in FY 2011-12. The General Fund support is currently \$250,000 in FY 2011-12 and was allocated specifically for foreclosure prevention services. In order to maintain prior levels of funding, PHB dedicated \$250,000 of HIF fund balance in FY 2011-12 to continue to provide homebuyer classes and counseling and to connect households with homebuyer assistance in the form of mortgage credit certificates and direct financial assistance (for households in URA's with homebuyer programs).

The homebuyer and foreclosure education and counseling program is the bureau's ninth ranked program out of 13. It is the BAC's tenth.

In FY 2011-12, FPD recommended \$250,000 for foreclosure prevention counseling and assistance and continues to prioritize this function above homeownership programs targeted at new homeowners. While house prices and interest rates are at a level that might allow for significant advances in closing the homeownership gap between white and non-white Portlanders, FPD recommends that funding safety net programs take priority. To some degree, foreclosure prevention services constitute a safety net, however, these services are provided – albeit in a different form – in the private and non-profit sector. Given the extreme constraints on one-time funding in the current fiscal year and the need to fund government-provided safety net and public safety functions, FPD does not recommend funding in the FY 2012-13 budget.

*FPD Recommendation: \$0*

***Housing Access Services/HC\_03, \$456,300, Bureau Priority #3***

This package includes information and referral services to provide 12,000 callers of 211 Info assistance in finding housing, food, emergency shelter; to assist landlords with listing new properties in the Housing Connections database; to give callers assistance navigating the database; and to coordinate severe weather shelter response. The package also includes resources to connect individuals to shared housing situations.

Benefits and eligibility services constitute \$200,000 of this package and fund contracts to assist 180 disabled individuals in securing Social Security benefits and 40 individuals with SSI/SSDI benefits. Based on a FY 2011-12 analysis, an average one-time cost per client is \$909; the program helps clients access a total of roughly \$9,000 per person in ongoing annual income. In addition to ongoing income, clients also receive retroactive medical billing. In the first year, 33 clients brought in \$316,000 in retroactive medical billing for 16 different providers, averaging \$9,500 per client. Much of this income results in savings to the City and other providers as clients are less likely to require more expensive services and are more likely to have coverage for medical services.

FPD recommends this continued funding as it provides essential services and connections to vulnerable populations. With regard to the benefits eligibility portion, FPD reiterates a recommendation from FY 2011-12: that PHB work with healthcare providers to fund a portion of

this service since it benefits them considerably through retroactive billings. Potentially the bureau could share a portion of the revenue generated.

*FPD Recommendation: \$456,300*

***Shelter and Emergency Services/HC\_04, \$1,734,000, Bureau Priority #4***

This package would continue long-standing funding for year-round, winter, and severe weather shelter for men and women. A portion of the package funds a pass-through to Multnomah County for youth shelter and transitional housing. As noted in the Key Issues section, the amount of one-time that is eventually added and the amount of ongoing that is eventually cut will determine the overall mix of services and contracts. Below are the impacts identified in the decision package narrative:

- 52 beds for homeless women 365 days per year. These beds help achieve 188 unduplicated women served in emergency shelter per year, 70 women placed into permanent housing, day services for 80 women per day, including lockers, showers, phones, etc.;
- 85 beds of winter shelter for homeless men and women. These beds will help achieve 280 unduplicated men and women served. Twenty-five percent will exit into permanent housing;
- 150-300 beds of severe weather shelter available for up to 15 nights of severe winter weather;
- 600 people served per day through day services for homeless and marginally housed adults and youth (including lockers, showers, storage and hospitality);
- 100 people engaged in services through crisis response and outreach to mentally ill homeless adults and families; and
- 30 beds of short-term youth shelter with supportive services (ages 13 to 25). These spaces will help achieve the following: 250 youth per year will receive short-term shelter and case management; 50 youth will move into permanent housing; 28 transitional and independent housing beds for homeless youth (ages 16 to 25); 70 youth will receive transitional housing; 65% of youth served will move into permanent housing.

These are all safety net functions of the bureau. FPD recommends full funding for this package.

*FPD Recommendation: \$1,734,000*

***Bud Clark Commons Operating Support/HC\_05, \$185,000, Bureau Priority #5***

In FY 2011-12, PHB requested two years of operating support for the Bud Clark Commons. This package represents the second year of that request. This operating subsidy was planned to be phased out by FY 2013-14 as the service provider – Transition Projects, Inc. – secured other funding. In addition to the identified and expected need associated with this package, there are several other factors impacting and potentially magnifying the impact on the BCC. First, the additional funding from other sources that was anticipated has not materialized; second, cuts to PHB's base to address CDBG reductions and increased General Fund base costs have impacted operations; and third, ongoing cuts recommended by FPD in HC\_09 (discussed above) will be a direct impact on operations. Hours – likely weekend hours – will be reduced or eliminated. In light of these other impacts, FPD recommends this funding as true one-time only (i.e. not ongoing unfunded) to bridge the gap.

*FPD Recommendation: \$185,000*

## Realignment Packages

### ***Position Reductions in Base Budget/HC\_06, \$0, (2.00)FTE, Bureau Priority #1***

This package eliminates a Senior Housing Administration Specialist and Housing Compliance Analyst III. These positions were funded through multiple sources. The General Fund portion is used to fund increased interagency costs in the base budget. The CDBG and HOME portions are used to offset declines in those entitlements. FPD recommends this realignment.

*FPD Recommendation: \$0, (2.00) FTE*

## **IV. Performance and Accountability**

### **Program Summary**

The program summary provided by the bureau reflects the bureau's new strategic plan, emphasizing the proposed long-term solutions to the problem of homelessness – production, preservation, and rehabilitation of affordable units. This strategic priority represents the top four programs as ranked by the bureau. The next several programs reflect the bureau's focus on reducing homelessness through prevention, rapid rehousing, and housing supports to put people in permanent homes and provide them with the assistance to stay there. This strategy recognizes the high cost of the alternative – shelter – and the negative personal and social dynamics that result when households become homeless. The next series of priorities represent the bureau's efforts to help low-income individuals own and retain their homes. At the bottom is a mix of program priorities; notably, Shelter and Emergency Services is ranked 12<sup>th</sup> of 13 programs. This low relative ranking of the program represents a commitment by the bureau to its long-term goal of ending homelessness rather than merely treating the symptoms. While understandable in light of the bureau's strategic plan, this low ranking presents a challenge when allocating scarce resources, pitting emergency and safety net services against rent assistance and supportive services. Ultimately, no program can be eliminated to address resource constraints; a balance must be struck. Achieving this balance given the uncertainty of one-time funding is particularly difficult and is one of the main reasons it is difficult to assess the impact of one-time funding levels.

In the FY 2011-12 Requested Budget, PHB's program rankings aligned with the BAC exactly. This was likely the result of the recently completed strategic planning process which aligned bureau and stakeholder perspectives. This year's request has slight discrepancies, but overall the program priorities are similarly aligned. The most notable departure is that the BAC ranked Shelter and Emergency Services 9<sup>th</sup> (versus the bureau's #12 ranking). This, once again, highlights the challenges of prioritizing one aspect of the housing continuum over another.

### **Key Performance Measures**

PHB's performance measures, as outlined in their budget narrative and program summary template, are a reasonably good representation of their lines of business. The main difficulty associated with using them to measure performance is that both the production/preservation metrics as well as the shelter and rent assistance metrics are highly dependent on the population served; needier households are more expensive to serve.