Analysis By: Claudio Campuzano

PORTLAND HOUSING BUREAU

All Funds Budget Summary	Adopted FY 2012-13	Request Base FY 2013-14	Decision Pkgs FY 2013-14	Request Total FY 2013-14	Percent Change
Resources					
Budgeted Beginning Fund Balance	$3,802,639	$580,267	$0	$580,267	-84.7%
Charges for Services	218,924	322,275	0	322,275	47.2%
Intergovernmental Revenues	69,344,609	48,909,440	(1,249,505)	47,659,935	-31.3%
Interagency Revenue	50,939	73,332	0	73,332	44.0%
Bond and Note Proceeds	12,646,698	6,000,000	0	6,000,000	-52.6%
Miscellaneous Sources	5,842,764	4,587,493	0	4,587,493	-21.5%
General Fund Discretionary	10,771,724	9,754,766	1,083,863	10,838,629	0.6%
Total Resources	**$102,678,297**	**$70,227,573**	**($165,642)**	**$70,061,931**	**-31.8%**
Expenditures					
Personnel Services	$5,601,965	$6,133,673	$0	$6,133,673	9.5%
External Materials and Services	91,596,858	58,858,883	(44,113)	58,814,770	-35.8%
Internal Materials and Services	1,128,797	1,131,589	37,662	1,169,251	3.6%
Debt Service	1,292,086	1,291,293	0	1,291,293	-0.1%
Fund Transfers - Expense	873,009	1,087,481	0	1,087,481	24.6%
Contingency	2,185,582	1,724,654	(159,191)	1,565,463	-28.4%
Total Requirements	**$102,678,297**	**$70,227,573**	**($165,642)**	**$70,061,931**	**-31.8%**
Total Full-Time Equivalents	**54.90**	**54.90**	**0.00**	**54.90**	**0.0%**

Percent Change is the change from FY 2012-13 Adopted Budget to FY 2013-14 Total Requested Budget.

Key Issues

Declining and At-Risk Resources

The Portland Housing Bureau (PHB) receives funding from a variety of sources including General Fund, tax increment, federal categorical grants, federal block grants, loan income, charges for services, and interagency revenues. These funding sources have various levels of restriction. But in almost all cases, the major funding sources are declining in the base budget and over the forecast from $91.8 million in the FY 2012-13 Revised Budget to $50.7 million in FY 2017-18. This decline, while anticipated and planned for, continues to be a major challenge for the bureau over the next several years, both operationally and in terms of affordable housing production, asset management, and rehabilitation capacity.

- **Tax Increment Financing:** PHB is the steward of the City's 30% housing set-aside of tax increment financing (TIF) resources. This set-aside is received from the Portland Development Commission. 'Tax increment' refers to taxes on the assessed value over and above the 'frozen base' – the total assessed value within the district at its formation. Each district has a maximum amount of debt that can be issued and a maximum timeframe in which to issue it. As a number of tax increment districts age and become 'dormant' (i.e. no new debt is issued; increment is only used to pay existing debt), as a number of existing districts are impacted by tax compression and lower-than-anticipated growth in assessed values, and as several large projects spend down and are completed, the bureau's forecasted tax increment resources shrink in the short-term then stabilize in the medium-term, going from a $41.2 million budgeted in FY 2012-13 to a forecast $21.5 million in FY 2017-18. As more of the existing districts go dormant, the long-term forecast will be dependent on the newly-created education district and any other districts that are formed. Tax increment is also largely restricted to the development or rehabilitation of physical assets. Caps on the staffing, indirect, and overhead that can be charged are not strict, but it is expected that these administrative charges will stay in roughly the same proportion to project costs.

- **Block Grants:** The City receives several grants as part of a formula – the Community Development Block Grant (CDBG) and the HOME grant are the larger ones and the Housing for People with AIDS (HOPWA) grant and the Emergency Solutions Grant (ESG) are smaller but still significant. As funding at the federal level declines (as it has relatively steadily for the last 10 years), the City receives less and less. In 2003, the CDBG allocation was $12.4 million. In 2012, it has dropped to $7.7 million. With programmed reductions (i.e. 'sequestration') possible, PHB is assuming a further decline to $6.9 million. HOME funding follows a similar pattern, going from $5.1 million in 2003 to $2.9 million in 2012 to $2.6 million in 2013. Currently, the bureau is forecasting a stabilization of these resources in the five-year forecast. Both of these resources are primarily for construction of hard assets, but both also have an administrative cap component – 20% for CDBG and 10% for HOME – that allows the bureau to charge portions of the staff costs and other overhead costs (for both the bureau and subrecipients) to the grants. Additionally, CDBG has a 15% Public Service cap component that allows for spending on certain services, as discussed below.
- **Program Income:** The bureau has a sizeable loan portfolio, primarily in the CDBG and HOME funds as well as the TIF Reimbursement Fund. While a portion of this portfolio is structured to generate program income through repayments, loans are often structured to achieve policy ends over income. These structures include, but are not limited to, equity gap loans and cash flow loans. The policy ends are typically lower operating costs for developers so that they can provide deeper rent subsidies or higher operating allowances on cash flow loans so that operators can provide more onsite supportive services. As a result of aggregate decisions over time, the performance of the portfolio has declined in cash terms. Combined program income from HOME and CDBG has declined from $3.3 million in 2003 to $1.4 million in 2012. This decline is expected to continue through the period of the forecast. Combined program income of $862,000 is forecast for FY 2017-18 in HOME and CDBG. It should be noted that this forecast is conservative in that it does not anticipate any unplanned loan payoffs or restructures. While the bureau has experienced some such payoffs in recent years, the expectation is that this activity has been driven by developers refinancing in the low-interest rate environment and that this trend will diminish.
- **CDBG Public Service Cap:** A portion of the CDBG grant – 15% – can be spent more flexibly on services. The bureau uses a significant portion of this 'public service cap' to fund shelter and emergency services. The uses are covered more fully below. This cap (as well as the administration cap) is calculated based on both the grant award and program income. As both of these sources decline, so does this flexible funding source, putting pressure on the only other more flexible funding source – the General Fund. In addition to the decline in program income, the public service cap is impacted by recent, unanticipated increase in consumption of administration cap

resources as a result of a review by HUD of PDC's subrecipient administrative costs. This has required PHB to utilize a portion of the current year planning cap for those administrative costs.

- **General Fund:** This is the bureau's most flexible resource and, as such, is applied primarily to uses that are not easily accommodated by other sources. These uses include: homelessness activities – shelter, supportive housing, rent assistance, rental access – and homeownership and foreclosure education. In FY 2012-13, roughly 45% of the bureau's General Fund budget is 'one-time'. As part of the FY 2012-13 process, however, that one-time funding was converted to ongoing. In fact, that conversion and others are driving roughly one-third of the reductions that the General Fund is projected to take in FY 2013-14. PHB's requested budget includes funding at 90% of its new, ongoing base with 10% requested add packages, per Council direction.

General Fund Base and CDBG Planning Cap Impacts

Of a $10.24 million General Fund base, $8.78 million (86%) funds contracted services, $0.55 million funds personnel (5.4%), and the remaining $0.91 million (8.9%) funds other operational costs (interagencies, rent, utilities, professional and contracted services, etc.). This mix shifts slightly towards services (88.4%) with all requests since, with the exception of the Office of Management and Finance (OMF) add-back, they all exclusively fund services. The result of this emphasis on contracted services is that any reduction – particularly one as large as the 10% base reduction this fiscal year – will necessarily impact those services.

As noted above, the CDBG public service cap has been impacted by declining CDBG allocation, program income, and disallowed program delivery expenses in PDC's Economic Opportunity Initiative (EOI). Consequently, reductions necessary as a result of the reduced planning cap were weighed along with reductions necessary to reach the 90% General Fund base. Items currently funded with the planning cap include shelter ($0.8 million), supportive housing ($0.2 million), homeowner education and counseling ($0.2 million), rent assistance ($0.1 million), fair housing ($0.1 million), and staff costs ($0.1 million).

Ultimately, the bureau excluded the Clark Center, a 90-bed men's shelter from the planning cap base, but requested it as part of the General Fund add-backs. This choice necessarily resulted in the elimination or reduction of a number of other programs from the base; these programs could not be added back as part of the bureau's 10% add-backs. These include the following:

- A 4% reduction ($27,000) for facility-based permanent supportive housing
- A 5% reduction ($72,190) for General Fund supported shelter other than the Clark Center and women's winter shelter (which was also fully excluded from the base but requested as an add-back in HC_05)
- Elimination of support ($23,500) to a provider of household goods to families and individuals in need
- Elimination of support ($89,000) for a shared housing program
- A 45% reduction of support ($33,272) for a tenant guarantee program. The remaining 55% of this program – $40,000 – is requested as part of package HC_06
- A 23% reduction ($46,649) in foreclosure prevention services
- Elimination of support ($30,000) for an online affordable apartment listing service

CBO recommends accepting the above base reductions and considering the add-backs as requested in the bureau-identified priority order.

Personnel Services Costs

While total bureau staffing levels do not change, the Personnel Services (PS) costs projected by the bureau increase from a budgeted $5.6 million in FY 2012-13 to $6.1 million in FY 2013-14 – an 9.4% increase. This increase is driven by several factors including PERS rate increases ($0.2 million), merit and cost of living adjustments ($0.1 million) and the impact of the last round of collective bargaining ($0.2 million). This increase comes on the heels of a very modest increase from FY 2011-12 to the current year.

The overall PS increase as well as the impacts on the various funding streams have impacted how these staff costs are spread. CDBG, having been significantly impacted by the administration cap reductions, supports $1.2 million of the staff costs in the requested budget, relative to $1.6 million in the FY 2012-13 revised budget. The Housing Investment Fund (HIF) increases by $0.1 million, the General Fund increases by $0.25 million, and the TIF Reimbursement Fund increases by $0.7 million in staff costs. The increase in HIF is not sustained through the financial plan. The General Fund increase is not significantly above FY 2010-11 and FY 2011-12 actuals – the FY 2012-13 Revised Budget represents a $0.15 million reduction. Moreover, the requested FY 2013-14 figure is more in line with the typical PS share by fund.

Since PHB was created in November 2009, the housing function (i.e. PDC/BHCD and now PHB) has eliminated over 20 positions, going from 75 positions in both agencies to 54.9 FTE budgeted in the FY 2013-14 Requested Budget. CBO recommends that as total resources continue to decline over the forecast – primarily TIF and program income in various funds – the bureau continue to strategically manage staffing levels to align with those resource levels to maximize service delivery and affordable housing production and preservation.

Decision Package Analysis & Recommendations

Federal Entitlement Grant Sequestration, HC_01, ($1,249,505)

This package highlights reductions to programs related to anticipated federal grant reductions resulting from 'sequestration'. Programming cuts as part of this package include:

- $610,987 reduction in CDBG-funded contracts, including $322,000 for the Clark Center, $211,491 for the economic opportunity contract with PDC, $97,890 in short-term rent assistance, a 10% reduction ($23,860) of the pass-through to the County for Bridgeview, and a $6,250 reduction to the homeownership education and counseling program. The package also reflects an increase of $50,504 (1%) to the housing development and rehabilitation program.
- $292,039 reduction in HOME-funded contracts, primarily consisting of development opportunity funding.
- $109,072 reduction in HOPWA contracts that fund supportive housing
- $78,216 reduction in the Emergency Solutions Grant-funded portion ($92,000) of the Clark Center; $13,784 is shifted to short-term rent assistance (STRA)

- $159,191 reduction in indirect/administrative costs associated with these grants

As noted in the Key Issues section above, a significant factor driving the service cuts (versus project funding) in this package is the reduction in available public service cap in the CDBG Fund. The total cap reduction from the FY 2012-13 budget is $450,000.

A portion of the overall reduction in this package ($424,650) is requested to transition to General Fund in package HC_04, discussed below.

CBO Recommendation: ($1,249,505)

Budget Note Clarification, HC_02, $327,635 in FY 2014-15, $172,467 ongoing (escalated) thereafter
In the FY 2012-13 Adopted Budget, CBO was directed to add $4.6 million to PHB's Current Appropriation Level to replace the bureau's 'historic reliance on one-time funds.' This package requests that the new $4.6 million ongoing be inflated at the external M&S inflation rate utilized by the City Economist for CAL in FY 2013-14 and continue to be inflated each year thereafter. In order not to impact FY 2013-14, the bureau has requested a one-time retroactive amount in FY 2014-15. The impact on five-year balancing of this approach would be the same as an ongoing request for the 3.5% increase in the current year – a total of $161,000; if approved by Council as ongoing, this amount would be inflated with CAL adjustments going forward.

While CBO does not recommend this increase based on the scarcity of General Fund resources, we do recommend that, should City Council choose to add this funding, it be done so as a current year add of $161,000. This will effectively include it in any balancing scenario – something a budget note would not do – thus ensuring that it does not drive reductions in the FY 2014-15 budget (as the $4.6 million increase and others did as part of this budget).

CBO Recommendation: $0

Keep the Clark Center Open, HC_04, $424,650
As noted above, PHB has identified the Clark Center for elimination as part of CDBG and ESG cuts. With those sources totaling $414,000 and additional General Fund of $124,700, the program in FY 2012-13 is funded at $538,700. In building the base budget, the bureau assumed the non-General Fund cut; therefore the bureau eliminated the $124,700 General Fund portion for the program in the base budget. In order to backfill these reductions, the bureau has, with this package, requested to add back the program with General Fund resources totaling $424,650, still significantly less than the current program. The bureau hopes that some federal funding – Emergency Solutions Grant (ESG) or CDBG – in excess of the current forecast will become available; otherwise PHB will work with the vendor to provide services with the reduced amount.

Since this is roughly $300,000 more than is currently funded with General Fund, the choice to prioritize backfilling the federal funding illustrates the earlier discussion under Key Issues, that several existing programs have been excluded from the base and not requested as add-backs.

The Clark Center is a 90-bed, year-round men's shelter, representing half of the 180 year-round men's beds funded by PHB and about 38% of the capacity citywide. At any given point, given the current capacity, there is a waiting list for these beds. The center is expected to serve 688 individuals in the current year, of which 43% will move to stable housing.

Despite the scarcity of discretionary General Fund resources, CBO recommends this request based on the immediate need of the clients served and the positive impact that sheltering the homeless has on the City's core public safety functions.

CBO Recommendation: $424,650

Preserve the Safety Net, HC_05, $331,050

This package would restore the following programs reduced in the 90% base:

- $265,050 for winter shelter (of $269,000 currently, $279,000 inflation-adjusted), the entirety of PHB's funding for the facility
- $45,000 for winter recuperative care, funding roughly 6% of the provider's existing capacity
- $21,000 for the youth shelter pass-through to Multnomah County, adding back the roughly 10% reduction on the $214,000 current level of support or roughly 5% of the program total, including County funds

The winter shelter portion of the request funds 70 beds for homeless women during the months of November through March. This would eliminate all PHB-funded winter shelter beds for women. City-funded men's shelter beds were eliminated as part of the FY 2012-13 budget. Currently, waiting lists exceed 150 individuals. While the City does not track where people on waiting lists end up, anecdotally, the bureau is aware that many remain on the street or in some other formal or informal shelter arrangement.

A part of the bureau rationale for eliminating this shelter in the base is that, operationally, it has been very challenging to identify and contract for these seasonal, minimal service sites. Consequently, the bureau prioritized year-round shelter which is considerably more efficient to operate and can provide clients with greater connections to services.

The winter recuperative care portion of the package would continue funding a portion of the subrecipient's recuperative care program (RCP). PHB funds support roughly two slots of 34 and serve approximately 10 medically fragile homeless adults in a recuperative facility where they are connected with a medical provider and housing. Stays average from two to six weeks. Individuals served come from the streets and are identified through outreach efforts of RCP staff and other programs as well as referrals from other agencies. Services include medical evaluation upon entry, case management, coordination of medical appointments, assistance in accessing and utilizing the healthcare system, and linkages to supportive services.

The County pass-through request adds back funding for the City's share of youth shelter. The combined program is operated by the County and consists of 30 beds of short-term shelter with supportive services. Given the current program delivery, roughly 230 youth per year receive shelter and case management and 50 will move into permanent housing. The bureau anticipates that the loss of funding by the County would result in a staffing reduction. While the number of beds available would remain the same, the caseload capacity at the shelter would diminish, leading to longer stays and 25 fewer individuals served and five fewer not placed into housing. Based on the lack of discretionary resources, CBO does not recommend funding for this request at this time.

CBO Recommendation: $0

Permanent Housing & Access for Vulnerable Populations, HC_06, $216,300
This package would add back a series of 5%-6% reductions to various programs funded by PHB. In most cases, the reductions to the base would be allocated by the provider to minimize service impacts. Reductions will take the form of some combination of staff reductions or direct assistance (e.g. rent assistance) to clients. The impacts of the reductions have been estimated by the bureau based on past performance of the various programs. Based on those estimates, the package would add back:

- $38,000 to restore one of two mental health outreach workers; this funding represents about 6% of the total mental health outreach budget. The remaining budget consists of rent assistance and services to clients. The bureau believes that these funds would still be fully utilized to serve clients; however, the fewer new clients will be engaged.
- $3,800 to restore transitional housing and support for three individuals in recover from addiction
- $13,350 to restore permanent housing placement and support of five homeless individuals with multiple disabilities
- $37,000 to restore funding to Multnomah County for Youth Transitional Housing, allowing staff to serve 25 more youth
- $81,150 to provide permanent housing placement and supportive services for nine chronically homeless families, the majority of whom are from communities of color
- $3,000 to restore a 10% reduction to the production of a resource guide; this reduction will likely result in smaller print runs or fewer updates.

In addition, the package would restore $40,000 for the Rent Well tenant guarantee program, representing 55% of the FY 2012-13 funding.

Based on the lack of discretionary resources, CBO does not recommend funding for this request at this time.

CBO Recommendation: $0

Stabilize Families and Prevent Foreclosure, HC_07, $74,201
This package would add back a portion of a $122,600 reduction to the $515,000 base. The elements added back include $40,850 for Homebuyer 101 classes provided in a classroom setting. Funding supports vendor staff that conduct marketing, manage enrollment, and teach group homeownership counseling classes. According to PHB, without these classes, many low-income households are intimidated by the process of home-buying or may not realize that they are financially able to purchase a home; both of these issues are barriers to closing the homeownership gap. Without funding, the bureau would fund 20 fewer classes, reaching 670 fewer households.

The remaining $33,351 in the package would restore a portion of the foreclosure prevention program which provides case management, foreclosure prevention counseling, and information and referrals to assist senior homeowners to retain their homes or transition to other affordable housing. It also provides case management to low-income households facing the possibility of losing their homes. A total of 445 households are expected to receive foreclosure prevention services in FY 2012-13. Without this funding, the bureau expects to be able to assist 400 households. The funding would allow them to assist an incremental 45 households. While both delinquency and foreclosure rates have declined in Portland since the height of the recession, both rates remain roughly double their pre-recession levels.

Based on the lack of discretionary resources, CBO does not recommend funding for this request at this time.

CBO Recommendation: $0

OMF IA Add-Backs, HC_03, $37,662
As per budget direction, the Office of Management and Finance (OMF) internal service funds were asked to submit 90% of their current service level (CSL) budgets as their base and add packages to restore funding up to 100% of CSL. Bureaus were directed to match the OMF add-back packages with a single decision package. The table below outlines the total requested add-backs by service provider.

OMF Service	Amount
EBS Services	$ 10,265
Facilities Services	3,602
Risk Management	3,038
Technology Services	18,581
General Fund Services	2,176
Total Impact	37,662

In response to add-backs recommended in the OMF budget analysis, the CBO recommends $1,822 in General Fund discretionary support to fund these packages. A full discussion of all of the OMF packages may be found in the OMF budget analysis.

CBO Recommendation: $1,822

City of Portland

Decision Package Recommendations

(Includes Contingency and Ending Balance)

	Bureau Priority	Bureau Requested					CBO 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
Portland Housing Bureau											
Reductions											
HC_01 - Federal Entitlement Grant Sequestration	01	0.00	0	0	(1,249,505)	(1,249,505)	0.00	0	0	(1,249,505)	(1,249,505)
Total Reductions		*0.00*	*0*	*0*	*(1,249,505)*	*(1,249,505)*	*0.00*	*0*	*0*	*(1,249,505)*	*(1,249,505)*
Unfunded Ongoing											
HC_02 - Budget Note Clarification	01	0.00	0	0	0	0	0.00	0	0	0	0
Total Unfunded Ongoing		*0.00*	*0*	*0*	*0*	*0*	*0.00*	*0*	*0*	*0*	*0*
Bureau Adds											
HC_04 - Keep the Clark Center Open	01	0.00	424,650	0	0	424,650	0.00	424,650	0	0	424,650
HC_05 - Preserve the Safety Net	02	0.00	331,050	0	0	331,050	0.00	0	0	0	0
HC_06 - Perm Housing & Access for Vulnerable Popul	03	0.00	216,300	0	0	216,300	0.00	0	0	0	0
HC_07 - Stabilize Families and Prevent foreclosure	04	0.00	74,201	0	0	74,201	0.00	0	0	0	0
HC_03 - OMF IA Add-Backs	NA	0.00	37,662	0	0	37,662	0.00	1,822	0	0	1,822
Total Bureau Adds		*0.00*	*1,083,863*	*0*	*0*	*1,083,863*	*0.00*	*426,472*	*0*	*0*	*426,472*
Total Portland Housing Bureau		**0.00**	**1,083,863**	**0**	**(1,249,505)**	**(165,642)**	**0.00**	**426,472**	**0**	**(1,249,505)**	**(823,033)**