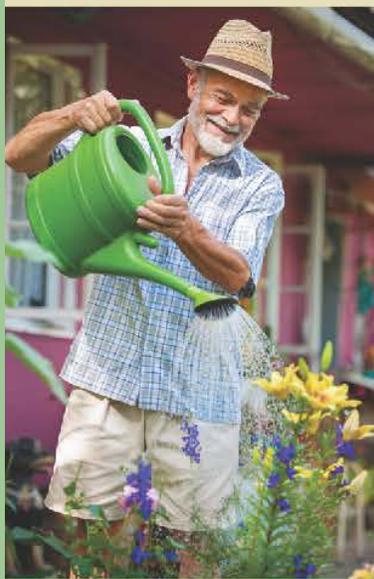




2015 Low-Income Discount Report

Expanding City Utility Discounts in Portland



September, 2015

Contents

Executive Summary	5
Background	6
The Work Group.....	8
Solutions	9
Challenges	11
Conclusion	14

Appendices:

- A. Water Sewer Bill Relief Program Report - 1994
- B. Financial Assistance Programs and Lifeline Rates Report - 1997
- C. Services to Low Income Customers - 2015 (Portland Water Bureau)
- D. Examination of the Bill Discount Pass -Through Model - 2015
(Portland Water Bureau)
- E. Low Income Utility Assistance: History - 2015
(Portland Water Bureau)
- F. Oregon Affordable Housing Tax Credit - Rent Reduction Pass Through
- G. Summary of Affordable Housing Data - 2015
(Portland Water Bureau)
- H. Federal Register: 40 CFR 35 2140 - User Charge System
- I. Bill Discount Oregonian Articles

Executive Summary

In 1995, Portland became one of the first big cities in the nation to offer low-income utility discounts, with a goal of reaching 10,000 households.¹ About 8,000 residents now receive utility discounts from the Portland Water Bureau and the Bureau of Environmental Services. City officials have not yet found a practical way to extend those reductions to more than 40,000 other low-income Portlanders who rent apartments. The City, including a 1997 advisory group,² has explored ways to extend discounts to renters, but without success.

In January of this year, City Commissioner Nick Fish, Commissioner-in-Charge of the Bureau of Environmental Services and the Water Bureau, appointed a work group to find new ways to give low-income renters discounts and to ensure all eligible residents are aware of the benefit. After five meetings, the group produced some answers:

- The City could give eligible renters a discount if they received bills directly, but that would require a water meter for each of their apartments. Multi-family buildings typically have a single water meter, producing a collective bill for all tenants, who then pay full sewer and water costs indirectly through their rent. Without individual meters, the City cannot give them individual bills to discount.
- The City could ask housing agencies that manage regulated buildings to pass the discount on to their tenants. This pass-through option, if successful, could reach at least 13,000 renters who live in subsidized housing.
- Reaching more than 30,000 other low-income renters who pay full market price for their apartments is very difficult because, unlike regulated housing, private landlords do not verify income and there is no practical way to identify them. In the interest of equity, the work group recommends the City dig deeper with more analysis for a solution.
- The City could make more low-income residents of single-family homes aware of the sewer and water discount by forging partnerships with low-income service providers. Earlier this year, the Water Bureau formed a partnership with Home Forward, a housing agency serving governments in Multnomah County, and has already reached out to 300 families that qualify for the discount.

If the City extends discounts to thousands of additional residents, it must then make some difficult policy decisions about how to pay for them. Should the City,

¹ Appendix A: Water-Sewer Bill Relief Program for Portland Low-Income Households - 1994

² Appendix B: Financial Assistance Programs and Lifeline Rates - 1997

for example, lower discounts, tap its general fund, or raise rates for all customers to subsidize the discounts?

Work Group Members

Commissioner Fish appointed nine community members to the work group. They represent a range of housing, advocacy and social justice organizations that support low-income Portlanders. Janice Thompson of the Citizens' Utility Board of Oregon could not attend all meetings and for this reason was not on the work group. She was an observer at several meetings.

Community Members

JoAnn Herrigal	Elders in Action
Sean Hubert	Central City Concern
Deborah Imse	Multi-Family Northwest
Anneliese Koehler	Oregon Food Bank
Tom Lewis	East Portland Neighbors
Mary Li	Multnomah County Department of Human Services
Molly Rogers	Home Forward
Jill Smith	Home Forward
Steve Weiss	Community member/recipient of the bill discount

City Staff

Brad Blake	Portland Water Bureau, Low-Income Discount Program Manager
Kristyn Castro	Portland Water Bureau, Administrative Support
Vicki Grudzinski	Bureau of Environmental Services
Kathy Koch	Portland Water Bureau, Customer Service Director
Sam Murray	Bureau of Environmental Services
Marci Rees	Portland Water Bureau, Customer Service Senior Management Analyst
Sarah Santner	Portland Water Bureau, Water Conservation Program Coordinator
Sonia Schmanski	Office of City Commissioner Nick Fish
David Shaff	Portland Water Bureau, Water Utility Director
Ross Turkus	Work Group Facilitator

Background

Portland first launched its plan to discount City utility bills for its low-income residents in 1995. Since then it has searched for ways to extend these benefits to more people. In addition to discounting bills, the City's Low-Income Utility Assistance Program offers one-time crisis vouchers for emergencies and free repair of leaky toilets, faucets, plumbing, and underground leaks.³

However, some low-income Portlanders are not aware of the utility discount, and the nearly all low-income Portlanders who rent apartments do not receive the discount. Council set a goal of serving 10,000 households when it established the program, but that number has not yet been reached.

Crisis vouchers and free plumbing repair also are given only to low-income residents in single-family homes and not to those renting apartments. Low-income residents who rent apartments cannot receive discounts and crisis vouchers because they don't get individual water bills. The City bases utility charges on water meter readings, and apartment complexes typically have only one meter registering water used collectively by the tenants. Landlords then divide the costs among the residents. Ultimately, residents of multi-family units indirectly pay the full cost of their water and sewer without any discounts, even though they may be eligible if they had a meter.

The Low-Income Utility Assistance Program determines eligibility for residents in houses that *do* have water meters by contracting with Multnomah County to verify applicants' income. The County, in turn, partners with nine community organizations, including Self Enhancement Inc. Community Services, the Native American Youth and Family Center, and Human Solutions. Household members must show identification, verify their residence, and provide proof of income through pay stubs or by filling out a declaration of income.

Current income guidelines are based on 60 percent of the statewide median family income (MFI) – about \$28,000 for a family of two or \$41,000 for a family of four.⁴ Customers who qualify receive a discount equal to about half the total bill of a typical user. This amounts to a quarterly discount of \$130, or \$520 per year.

Customers are asked to reapply every two years in order to make sure they still qualify. The City sends a renewal packet two months before the two-year term is up, and customers can reapply through the mail directly with the City or through a partner agency.

³ Appendix C: Services to Low-Income Customers - 2015

⁴ The City's utilities use the same MFI standard as the federal Low-Income Energy Assistance Plan (LIEAP) and Oregon Energy Assistance Plan (OEAP). The Community Centers that provide income verification for the City's discount program also enroll LIEAP and OEAP participants.

The Work Group

In January of this year, Commissioner Fish appointed a work group to address the following questions:

1. How can the Water Bureau ensure that all currently eligible customers are aware of the discount program?
2. Can the discount program be expanded to include multi-family buildings?

In addressing the questions, the work group reviewed the City's discount program history, looked at utility discount programs in other cities, housing demographic data, regulatory constraints, obstacles to program enrollment, criteria for a successful discount programs, and ways to increase program participation and extend utility discounts.

The work group agreed with “essential and desirable” program criteria⁵ adopted by an earlier study group that reviewed the discount program in 1997.⁶ That group concluded that a discount program should generate minimal rate impacts, be accepted by the public and distribute resources fairly and equitably. It should also be able to adapt to market changes, have high enough participation rates to justify the costs, be easy to administer and be able to measure its success.

The work group found that utility bill discount programs are not uncommon in the United States. However, of the nation's 50 largest cities, 32 do not offer a bill discount at all.

Utilities throughout the country find it a challenge to extend a low-income bill discount to households that do not receive a bill, such as those in multi-family buildings or trailer parks where units share a single meter.⁷ This is the challenge Commissioner Fish asked the work group to analyze in the hope of finding a potential solution.

Other cities have explored various options to ensure that more low-income households receive a utility discount, including the following:

- Offering discounts through the municipal electric bill, which is metered separately for each unit, or where the electric, sewer, and water bills are combined.
- Placing the burden of managing a discount program on the landlord. The landlord is required to contract with a third-party biller to charge for utilities and oversee discounts for qualified residents in multi-family buildings. Leases and copies of bills are required to show that tenants pay for the utility

⁵ Appendix D: Examination of the Bill Discount Pass-Through Model - 2015

⁶ Appendix B: Financial Assistance Programs and Lifeline Rates - 1997

⁷ Appendix E: Low-Income Utility Assistance History - 2015

apart from their rent. The landlord retains documentation to prove to the utility that they have billed and discounted on a regular basis to receive funds.

Solutions

In its research and analysis, the work group focused on meeting the two objectives that grew out of the questions Commissioner Fish asked it to explore. The work group looked at ways the City could ensure all eligible residents are aware of utility discounts and concluded it could meet this objective by creating more partnerships like that between the City and Home Forward. Meeting the second objective of extending the discount program to low-income residents who live in apartment buildings with a single water meter would be more complicated, but may be possible, the group concluded.

Objective One: Ensure everyone who is currently eligible is aware of the discount.

On February 4, 2015, the City signed an intergovernmental agreement with Home Forward, which manages the voucher program for low-income residents with government subsidized Section 8 housing.⁸ Home Forward agreed to ensure that Section 8 residents in single-family homes were offered access to the City's utility discount program.

Since then, 300 eligible customer accounts have been identified and offered the opportunity to participate. So far, 84 customers have signed up for the program, and 37 have renewed their enrollment. Further, with their permission, future Section 8 voucher holders can be automatically enrolled in the City's discount program.

The work group believes this model could be expanded to include other programs that are based on the same income criteria. Applications for low-income services like affordable housing could trigger an automatic invitation to sign up for the City's utility discount.

An automatic invitation like this could, for example, be extended to about 30,000 Multnomah County residents who qualify for Medicaid based on age, disability, and income. It also could be offered to up to 17,000 income-eligible households in the County who receive energy bill assistance through the Low-Income Energy Assistance Program (LIEAP). A percentage of the total households referenced above could be added to the program, as some duplication is

⁸ The federal Section 8 program allows private landlords to rent apartments and homes at fair market rates to qualified low-income tenants. Participating low-income tenants receive a rental subsidy administered by Home Forward. Section 8 is federally funded by the U.S. Department of Housing and Urban Development.

expected among the Medicaid and LIEAP eligible households, and some already receive the discount. Similarly, some of the households reside in multi-family housing without access to the discount.

Objective Two: Expand the discount program to low-income residents of multi-family buildings without their own meter.

Portland has more than 80,000 multi-family rental units. About half of those units are occupied by low-income households that make less than 50 percent of the state median family income, and thus qualify for the City's utility discount program. Of those units occupied by low-income families, about 30,000 are rented at market rates, and at least 13,000 more are subsidized, or regulated.⁹ The Portland Housing Bureau currently has 12,900 regulated multi-family units in its portfolio.

As a first step, the work group focused on finding a way to extend the discount to renters in regulated multi-family housing. This would include government subsidized Section 8 housing, units operated or owned by Home Forward, and apartments provided by nonprofit organizations that rent only to low-income residents. Renters must qualify for regulated housing by meeting certain income criteria. The City could adjust its discount program to use the same income threshold that regulated housing uses so that tenants would automatically meet the discount income criteria.

The City's utilities could offer a discount to renters in regulated apartments by asking the managing housing agency to pass a City discount on to tenants by reducing rent, thus ensuring the utility discount directly benefits the renter. These agencies already have regulatory oversight and eligibility requirements that would enable them to handle this service. They also have procedures for passing through federal low-income and affordable housing tax credits to tenants by discounting their rent.

As a comparison, the work group explored the pass-through approach now used by regulated housing agencies that apply federal and state Low-Income Housing Tax Credits (LIHTC).¹⁰

These agencies will pass a state or federal discount along to their tenants by giving households a dollar for dollar discount on rent. The work group suggests this same model may be used to offset utility costs for low-income renters. The City could give renters in regulated housing the same flat-rate discount or it could try to calculate a discount for each household as a percentage of the water

⁹ Data compiled from 2007-11 ACS-CHAS, Oregon Housing and Community Services, and 2011 Metro Regional Inventory. (See Appendix G Summary of Multi-Family Affordable Housing Data - 2015).

¹⁰ Appendix F: Oregon Affordable Housing Tax Credit Program – *Rent Reduction Pass Through*

it uses. City staff calculated that a flat-rate discount would average \$43.35 a month and could be extended to at least 13,000 more households.

The work group preferred a fixed-rate discount over a percentage-based model. Basing the discount on a percentage of each bill would be more difficult to calculate and manage, as the discount would fluctuate along with quarterly usage.

In the flat-rate approach, all households would receive the same discount regardless of size. The agency managing the building might receive the discount on its total utility bill and then divide that among its eligible tenants. Agencies overseeing regulated housing already identify the incomes of tenants who qualify for affordable housing. The City could use lists of those tenants to discover who would be eligible for the flat-rate discount.

The City must conduct additional analysis to determine whether Portland could carry out a pass-through discount with reasonable administrative costs. The program requirements and impacts of both fixed-rate and percentage-based discount pass-through models are described in Appendix D: Examination of the Bill Discount Pass-Through Model.¹¹

This solution does not reach the majority of low-income residents who do not live in Portland's regulated housing units. The work group raised the question of equity, as well as the potential complexity of administering a program that includes market rate rental units where no structure currently exists to hold landlords accountable for passing through the discount to tenants.

Acknowledging the challenges, the work group suggested the City keep searching for ways to allow low-income renters in market-rate apartments to also have access to the discount program.

A successful discount pass-through program for tenants of regulated housing would still be a dramatic step forward. It could mean that up to 13,000 more customers would receive a break on their City utility bill.

Challenges

Any discount program for residents in multi-family buildings would require a significant administrative commitment of City staff time. The City must design a sophisticated system that can adjust for variations in building management, tenant income levels, regulated housing income criteria and water use. Federal regulations may also complicate this effort.

¹¹ Appendix D includes a PWB Customer Service review of a list of regulated facilities provided by Home Forward that highlights the need for additional feasibility review with a rigorous analysis of administrative costs.

Challenge One: Calculating discount rate is difficult because building types and tenants vary.

Multi-family buildings vary in how they manage storm water, irrigate common grounds and landscaping, and distribute those costs among their tenants. Vacancy rates, which affect calculations for water use per tenant, also vary among multi-family buildings and from month to month. Each of these items must be considered in the calculation of a discount rate.

The profiles of tenants and apartments vary among buildings, too. Families eligible for discounts live in both regulated housing and in market-rate units, sometimes mixed in the same building. Individual apartments in one building may vary in size and number of occupants, from a single person residing in a studio to a large family with multiple rooms. Some multi-family buildings include commercial tenants, such as a restaurant, which use more water than households and are not eligible for this income-based discount.

The City would also have to make adjustments to match its water and sewer discount criteria with those of housing agencies that oversee regulated housing. While the City offers discounts to households with incomes at or below 60 percent of the state median, regulated housing agencies use a range of percentages up to 80 percent of a local average median income, such as that of Multnomah County.

Based on the factors described above, the work group favors a flat-rate discount as opposed to a discount based on a percentage of each bill. A flat rate can be applied to each multi-family unit that qualifies based on a building's rent roll. If the City pressed forward with the flat-rate pass-through discount that the work group favors, it would have to weigh all of these variables in calculating a flat rate that would apply to every household.

In order to establish the flat rate, the City would also have to make a new calculation for average water use in apartments. The current low-income discount program for single family homes is a flat rate discount based on the average level of water use for a single-family home. Average water use in an apartment is likely lower than the average water use in a house so it would not be realistic to use the flat rate applied to houses. To set a flat-rate discount for apartments, the City would need to calculate the average use for an apartment in a multi-family building.

Challenge Two: Obtaining federal approval could prove difficult and costly.

An expansion of the discount program could also be in conflict with federal regulations. Since the Bureau of Environmental Services has been a recipient of EPA funding, Portland's sanitary sewer service is subject to federal guidelines on

how it structures rate discounts.¹²

In 2000, the City sought EPA approval of a discount to non-profit housing providers to off-set a proposed rate increase for customers using high volumes of water.

Ultimately, the request was rejected because the proposed discount did not include a pass-through mechanism that would directly benefit the tenant. Any change to the current discount program would require EPA approval. Obtaining this approval needs to be factored into evaluation of administrative costs.

Challenge Three: Paying for the discount expansion has not been studied.

The work group also looked at ways the City might pay for an expansion of the discount program. Currently, the cost of the discount program is shared by both BES and the Water Bureau, and is budgeted at \$5 million in foregone revenue for 10,000 customers. To expand the discount program to include 13,000 additional customers would increase the foregone revenue by approximately \$7.5 million and increase the total program budget to \$12.5 million. Alternatively, the City could spread its existing discount money over a larger pool of households by reducing the discount. It could also raise rates on all residents to subsidize more discounts.

Another option would be to try a practice used in other cities – offering customers a chance to make elective donations on their utility bills to specific low-income charities or social service agencies. Those agencies could in turn provide utility discounts to low-income renters. Portland General Electric has done this to some degree through an affiliation with HEAT Oregon.¹³ In the past PGE has provided opportunities to its customers to send contributions to HEAT Oregon by including giving envelopes in their customer’s bills. HEAT Oregon in turn funds emergency energy assistance through social service agencies for PGE and other energy utility customers. PGE customers also make mandatory contributions to OEAP (Oregon Energy Assistance Program). OEAP is a year-round assistance program funded by a state-mandated charge added to all PGE customers’ bills.

Additionally, the work group explored setting aside general fund dollars to subsidize an expanded program. City bureaus would donate a set amount of

¹² Appendix H: Code of Federal Regulations 40 C.F.R / 35.2140

¹³ For 25 years, HEAT Oregon, a private, 501(c)(3) nonprofit organization, has been gifting warmth and power to customers struggling to pay their winter utility bills. It’s funded by donations from partnerships with PGE and other utility companies, as well as from private individuals. One-time grants are distributed through community nonprofit organizations. (https://www.portlandgeneral.com/residential/your_account/billing_payment/bill_payment_assistance.aspx)s

money each year to a third-party agency that would administer the funding. The City would need rules to determine how the discount would be administered and need assurance that the discount goes toward rent only, since sewer, storm water, and water costs are typically included in rent.

Conclusion

Portland leaders have wrestled for 20 years with finding ways to extend utility discounts to more low-income residents, but have yet to reach the original goal of 10,000 households. Previous City Commissioners and a 1997 advisory group searched for solutions without success.

This work group has identified promising paths that could allow the City to more than double the 8,000 residents receiving discounts. But hurdles remain in the form of resolving complications and related administrative costs created by federal rules and variations in apartments, tenant family size, income criteria and water use.

This year, the City reached through its partnership with the local housing authority, Home Forward, 300 low-income families to make them aware that they qualify for the discount. Of those 300 families, 84 have signed up for the program, and 37 more have renewed their enrollment.

Working with additional community partners, the City can reach even more low-income households whose income qualifies for a discount. The City could, for example, work with programs serving low-income populations such as those who receive Medicaid or energy assistance.

The bigger challenge is to reach at least some of the eligible residents who rent apartments and lack individual water meters. Without meters, the City cannot give them individual bills to discount. So it must find another way. About half of Portland's more than 80,000 apartments are occupied by low-income households that would qualify for the discount.

The work group concluded the City could potentially, with more analysis, find a way to give discounts to at least 13,000 of those families who live in regulated (government subsidized) housing. City utilities could ask the agencies that manage affordable housing programs to pass a discount on to their tenants. This would be complicated, but feasible, and administrative cost must be considered.

In addition to acknowledging these feasibility issues, the work group also identified equity concerns in that this approach still fails to reach more than 30,000 eligible low-income households who rent apartments at market rates. In reviewing possible expansion paths, the work group recommends the City continues to study and address equity issues.

If the City does successfully extend discounts to thousands of additional

residents, it must also find a way to pay for them; potential funding sources include raising everyone's rates to subsidize the discounts, tapping the City's general fund, lowering discounts, or identifying another source of revenue.

Ultimately, the current work group has identified new ways to give low-income renters discounts, specifically renters in regulated housing. The work group also reviewed the barriers to further expansion and discussed options for ensuring all eligible residents are aware of the benefit. The challenge now passes to the City to delve deeper into the issues identified and increase the number of low-income Portland residents receiving a discount on their City utility bill.