

Analysis By: James M. Carter

PORTLAND HOUSING BUREAU

All Funds Budget Summary	Adopted FY 2014-15	Request Base FY 2015-16	Decision Pkgs FY 2015-16	Request Total FY 2015-16	Percent Change
Resources					
Beginning Fund Balance	\$6,700,561	\$6,102,238	\$0	\$6,102,238	-8.9%
Charges for Services	463,000	508,500	0	508,500	9.8%
Intergovernmental Revenues	70,941,059	71,816,861	0	71,816,861	1.2%
Interagency Revenue	77,162	81,715	0	81,715	5.9%
Fund Transfers - Revenue	1,000,000	26,078	5,000,000	5,026,078	402.6%
Bond and Note Proceeds	7,375,000	0	0	0	-100.0%
Miscellaneous Sources	5,372,502	3,166,636	0	3,166,636	-41.1%
General Fund Discretionary	12,037,327	12,107,968	2,197,296	14,305,264	18.8%
Total Resources	\$103,966,611	\$93,809,996	\$7,197,296	\$101,007,292	-2.8%
Expenditures					
Personnel Services	\$6,089,110	\$6,401,734	\$0	\$6,401,734	5.1%
External Materials and Services	93,881,366	83,731,346	7,197,296	90,928,642	-3.1%
Internal Materials and Services	1,084,014	1,463,369	0	1,463,369	35.0%
Debt Service	1,444,861	1,373,414	0	1,373,414	-4.9%
Fund Transfers - Expense	624,487	746,775	0	746,775	19.6%
Contingency	842,773	93,358	0	93,358	-88.9%
Total Requirements	\$103,966,611	\$93,809,996	\$7,197,296	\$101,007,292	-2.8%
Total Bureau FTE	56.90	56.92	0.00	56.92	0.0%

Percent Change is the change from FY 2014-15 Adopted Budget to FY 2015-16 Total Requested Budget.

Key Issues

Improving Housing Access and Retention for Homeless Households

In Multnomah County, for every 100 households moved from homelessness into permanent housing, transitional housing, or otherwise cycling through City-funded emergency shelters, 33 of those households subsequently return to a City-funded emergency shelter within two years. The Portland Housing Bureau partners with Multnomah County, Home Forward, and community-based organizations to prevent and end homelessness for households with the ultimate goal of helping them secure permanent homes. Providing services to those seeking housing is challenging. Local governments have agreed on a goal that, after 12 months, at least 70% of households that received locally-funded short term rent assistance retain their housing. This is measured by service providers contacting households at regular intervals post-placement. However, some of these households unfortunately fall back into homelessness. The percentage of households moved from homelessness into permanent housing that subsequently return to homelessness is a measure of recidivism. Recidivism is arguably the ultimate outcome measure to gauge system effectiveness in delivering services to the homeless; a national standard for measuring recidivism is the extent to which a person who exits homelessness to permanent housing returns to homelessness within 2 years¹. Housing has revised its calculation for recidivism referenced in the first sentence. Even though this revision does not account for the homeless population cycling through emergency shelters, it nonetheless aligns with national standards which will allow the homeless services system in the Portland-area to be compared to other jurisdictions². The Housing bureau reports that at

year-end FY 2013-14, 5.68% of households moved from homelessness into permanent housing subsequently returned to emergency shelter. For FY 2014-15 year-end, Housing has set a target recidivism rate of n 5% and projects a 5% recidivism rate at FY 2015-16 year-end. Efforts to decrease recidivism are advanced by learning what each individual service provider can do differently to hasten the achievement of positive outcomes³ and how those outcomes compare to national performance standards⁴.

Improving outcomes for homeless residents entails continuous evaluation of service delivery models. Housing bureau staff evaluates service providers through (1) contract monitoring and (2) data quality assessments. Housing reports that historically it has looked at program outputs and has heightened focus on outcome-oriented evaluation. The Housing bureau's contract monitoring function is a fundamental evaluation tool to ensure contract compliance and to assess provider performance.

In addition to internal evaluation undertaken by the bureau through contract monitoring and data quality assessments, process and impact evaluations can hasten the system's efforts to attain desired outcomes. The bureau reports that there have been evaluations conducted by independent, third parties. These evaluations of service providers include:

- Dignity Village (2010)⁵ evaluating contract for transitional camp site
- Transitions to Housing (2003) focusing on short-term rent assistance
- Home Forward (2013)⁶ assessing health outcomes of Bud Clarke Common's residents
- Central City Concern (2006)⁷ focusing on the homeless with co-occurring disorders

The aforementioned third-party evaluations involved a subset of the current homeless service providers under contract with the Housing bureau. For each homeless service provider, there is an opportunity for the City to seek out third-party evaluations to support the bureau's current evaluation tools. Analysis of process and impact evaluations would help to inform budget investments, enhance future contract monitoring, and generally enhance data-driven decision-making. In the absence of third-party evaluation, there is limited data to independently and objectively verify that the hard work of well-intentioned service providers translates into the full range of positive outcomes for homeless adults, youth, and families. The strength of the evidence supporting an intervention (i.e. services delivered to end homelessness) is gauged by the strength of the research designs used in the evaluation process.⁸ The general purpose behind identifying programs based on the strength of their research evidence is to specify which programs have a high probability of making a difference when they are implemented with fidelity (e.g. scattered site permanent supportive housing⁹).

In the past seven years, the City has invested \$51.6 million in General Fund discretionary resources for Housing bureau programs; the vast majority of those resources funded homeless services. In the next seven year period, the General Fund resources to Housing are forecasted to total \$104.0 million (additionally, City federal grant revenues augment General Fund investments in homeless services). Given the City's priority to address homelessness (as reflected in significant historical and forecasted investments), the CBO recommends that Council invests in independent, third-party evaluations in order to gain additional insight on why some services delivered by contracted providers at times do not result in expected outcomes, why other services work, and how each service can be optimized.

Resident Services

Affordable housing developments subsidized by Housing bureau funding may include resources for resident services. Resident services are supports designed to help low-income individuals find and access services that mitigate the risk of disrupted housing.¹⁰ Property-based resident services often are available through referral or on-site with a staff person to help coordinate and deliver services. Affordable housing development proposals include resident services as an operating expense.

The table below provides an example of developments offering resident services:

Approved Projects 2013 - 2015	Year 1 cost of resident services per unit	Services targeting special population
Beech Street Apartments	\$1,641	Drug and alcohol addiction recovery
Bridge Meadows	\$1,111	Adoptive families
Glisan Commons 1	\$250	Workforce
Glisan Commons 2	\$300	Seniors and disabled
Magnolia	\$160	Workforce
Park/Lexington	\$278	Seniors and disabled
Providence House	\$277	Seniors
Stephens Creek	\$984	Family self-sufficiency

Despite the direct financial costs of providing resident services, the public benefit of service-enriched housing is to decrease the likelihood of housing disruptions. Property-level indicators that may be influenced by the delivery of resident services include: turnover, average unit turn costs, vacancy loss (days and lost rent), and evictions.¹¹ Broadly, these indicators are a measure of retention. To date, Housing has not systematically tracked program data for resident services to assess impact. However, Housing presented a data snapshot from December 31, 2012. Of approximately 11,600 tenants in Housing-supported units at that time, Housing data included move-in dates for 90% (or about 10,550). The average length of residency for those tenants was approximately 3.5 years – an indication of households either moving to other stable housing or otherwise experiencing disruption in housing. From these aggregate data, the driving factors for average length of resident tenure are not evident. Further analysis might explain if residents are voluntarily displacing themselves from affordable units and if so for what reasons. Across development projects, resident services vary in intensity, scope, and quality – nonetheless at its core, the objective for resident services is to promote stable housing. Housing has prioritized the recruitment of two vacancies in the Asset Management unit. Additionally, the bureau completed a draft Asset Management five-year plan. Given the City’s priority to enable low-income households to secure sustained affordable housing (as reflected in investments), CBO recommends that Housing hasten the implementation of a data collection and reporting process¹² to assess property-level impact of resident services.

Decision Package Analysis & Recommendations

Preventing Displacement – Home Retention, HC_01, \$1,650,000

At a cost totaling \$1.65 million in one-time General Fund discretionary, the Housing Bureau proposes initiatives in hopes of preventing displacement in North and Northeast Portland. Housing puts forward this package as a complement to a \$20 million investment of Taxing Increment Financing (TIF) resources for affordable housing in the Interstate Corridor Urban Renewal Area (ICURA). Through a public engagement process, Housing has identified community needs whose interventions are not TIF-eligible expenses.

Of the General Fund discretionary resources requested, \$800,000 would fund home repair loans and grants to households whose homes are outside the ICURA. Approximately 22 households would receive home repair loans averaging \$30,000 per household; approximately 30 households would receive grants of up to \$5,000 per household. Most repairs address imminent life and safety concerns such as fixing water heaters or furnaces. Without repair, these homes might be uninhabitable thus homeowners would likely face involuntary displacement from their homes. Based on current outcome goals for home repair assistance programs, Housing expects that at least 80% of recipients (or 40 households) will continue to live in their home for 12 months after receiving assistance. Of note, historical budget data indicates that 32% of budgeted resources (i.e. \$320,545 of \$1,087,953) for Home Repair/Improvement Loans were expensed in ICURA from FY 2009-13.¹³ These budget-to-actual expenditures suggest there may have been challenges that limited capacity to spend down available resources. Notwithstanding, CBO recommends that Council explore the redirection of unallocated TIF contingency to continue support for home repair within the ICURA. Furthermore, at this time CBO recommends that existing resources be exhausted prior to funding this decision package request for additional General Fund discretionary resources.

For the remaining \$850,000 in the decision package, Housing seeks to launch a pilot program that will assist an estimated 50 homeowners with case management services provided by community-based providers. To prevent displacement, services would assist families with issues involving estate planning, predatory lending, proper refinancing, overdue utility bills, and property tax delinquency. A detailed budget and basic program parameters are under development; at this point in time, an estimated \$15,000 per homeowner is anticipated plus a total of \$100,000 budgeted for case management services from CBOs. Under certain circumstances for specific populations, case management services have proven effective for assisting targeted populations facing social service and/or health care challenges. However, with regards to home retention challenges, Housing has not identified evaluations on the effectiveness of this delivery model nor the interventions proposed to address displacement issues. The proposed pilot is intuitive and indisputably well-intentioned; nonetheless, there is low confidence on the potential causal effects in the absence of data on the efficacy of comparable initiatives. The Housing bureau and the bureau budget advisory committee ranked this decision package as the top priority. Moreover, this initiative addresses equity concerns. However, CBO recommends against this package at this time due to unknown details on the program design (e.g. activities, measurable outputs, and intermediate outcomes expected to prevent displacement of the target population). If additional details are provided, CBO will re-evaluate this decision package.

CBO Recommendation: \$0

Opportunity Fund/Land Acquisition, HC_02, \$5,000,000

Through this decision package, Housing proposes a 12.5% increase in its FY 2015-16 Requested Budget investments in the development of new affordable rental homes by adding \$5 million one-time General Fund discretionary. The bureau proposes two investment strategies to mitigate displacement in gentrifying neighborhoods: new construction of affordable housing units and the funding of a land banking initiative.

New construction of affordable housing units is a core service of the bureau. Affordable housing development is primarily funded through TIF, federal Community Development Block Grant (CDBG), and federal HOME grant revenues. Federal resources have more restrictions than General Fund resources, and TIF resources are limited to urban renewal area boundaries. Housing seeks an undetermined amount of General Fund dollars to support citywide development targeting households with incomes 0-60% of Median Family Income (MFI).

An undetermined amount of the decision package request is sought to contribute toward a land banking system to support land acquisition in gentrifying neighborhoods. These General Fund resources would be added to an existing \$3 million dollar capital fund available through the Network for Affordable Housing (NOAH). Housing envisions a revolving pool of funds accessible to borrowers to leverage with private capital. Program income to Housing through loan principal and interest payments would be reinvested into the land bank. Land acquisition loans would have a 5 to 7 year term.

There are numerous case studies detailing land banking strategies implemented by jurisdictions to address gentrification. A primary objective of land banking is the early acquisition of land to ensure that costs do not become prohibitive for affordable housing development. Research suggests that development and construction costs stay relatively consistent over time while land costs more easily fluctuate and appreciate. By controlling land costs, land banks may be better positioned to provide affordable housing and reduce competition with private investors. It is important to highlight that an inventory of undeveloped property zoned for residential uses is a prerequisite for land banking to build affordable housing. Best practices in land bank operations were undertaken in jurisdictions seeking to acquire, hold, and distribute vacant, abandoned, and tax-delinquent properties.¹⁴ Atlanta, Cleveland, Baltimore, Philadelphia, and Flint (Michigan) have been highlighted in research as local jurisdictions targeting vacant and abandoned property for land banking.¹⁵ Furthermore, the role of land banking is not to supplant the open market; it steps in when there is a failure of market conditions and acquires inventory that has been abandoned.¹⁶ The Housing bureau's strategy aims to promote land purchase before market appreciation. Such acquisitions would compete in an open market with developers who might otherwise develop rental properties unaffordable to current residents.

Even though land banking can enable private-public partnerships to curb the negative effects of gentrification, the effective implementation entails the availability of undeveloped property. Despite Housing's identification of neighborhoods experiencing high rates of gentrification¹⁷, limited data has been provided to catalogue a sizeable inventory of available property within these gentrifying neighborhoods to target for new construction. Nonetheless, Housing has identified opportunities for

affordable housing development (either through land banking or other property redevelopment tools). For example, PDC and Housing are working on development concepts for Parcel 3 located in the North Macadam Urban Renewal Area (URA). Additionally, Housing highlights that the bureau is collaborating with PDC on PDC-owned sites in the Lents and Gateway URAs. It should be noted that neighborhoods in these URAs fall within the areas highlighted in the Bureau of Planning and Sustainability 2010 Vulnerability map as having 2+ (out of 4) risk factors for gentrification. As such, these neighborhoods are of interest for interventions to mitigate these risk factors.

Hastening the utilization of available TIF revenue is both an alternative and compliment development strategy to land banking. In the face of 11% year-to-year rent increases, TIF-funded new construction may create affordable housing units ready for occupancy more quickly than the time required for the land banking process to develop units ready for occupancy. In addition to the Lents and Gateway URAs, there are unallocated TIF resources in contingency available for additional affordable housing development in the near-term. CBO recommends the utilization of unallocated TIF contingency to address immediate demands for affordable housing in URA neighborhoods experiencing (or at-risk of experiencing) gentrification. CBO does not recommend the decision package request for General Fund discretionary resources.

CBO Recommendation: \$0

Home for Everyone Coordinating Board, HC_03, \$547,296

Housing requests \$547,296 one-time General Fund as part of ongoing efforts to meet the housing needs for those experiencing homelessness in Portland and Multnomah County. Elected leadership from Portland, Gresham, and Multnomah County have partnered with Home Forward and the Meyer Memorial Trust foundation to form an Executive Committee to implement initiatives to advance the Home For Everyone (HFE) community action plan finalized in 2013. The initial meeting of the HFE executive committee occurred in June 2014. At the time of this review, only one proposal had been brought before the HFE Executive Committee, and the Committee voted to approve a Veterans Action Plan. For FY 2015-16, the City and County committed \$325,000 per year in new resources toward rent assistance and housing-related services for Veterans; it is not yet determined which jurisdiction would cover these costs. This request for one-time funding for multi-year programming would require the City to either commit ongoing resources or otherwise Housing would reprioritize existing resources currently allocated for homeless services. County departments submitted budgets on February 13, 2015; the Housing bureau is unaware of County department budget requests. The HFE executive committee is scheduled to make decisions on funding re-prioritization and new funding at a March 17, 2015 meeting. Additionally, this decision packages requests \$47,296 to cover 6 months of salary and benefits for a limited term initiative director. Housing acknowledges that the initiative's need for a director may extend beyond December 2015, which means that the City may receive requests for additional funding or Housing would reprioritize existing resources to support this position. Aside from the funds requested to support Veteran's rent assistance and the initiative director position, the balance of the decision package funding request is undefined. CBO recommends funding for Veteran's rent assistance (\$50,000 General Fund one-time) and

for the limited-term director position (\$47,296 General Fund one-time). Once the HFE Executive Committee approves additional action plans, CBO will re-evaluate this package.

CBO Recommendation: \$97,296

COLA Adjustment for Homeless Programs, HC_04, \$179,400

Housing seeks to make up for the absence of a cost of living adjustments (COLA) to \$4.6 million of ongoing General Fund funding awarded via budget note in the FY 2013-14 Adopted Budget; the note directed the transition away from serial one-time funding. With regards to federal funds, Housing has not applied a COLA given that federal grants supporting homeless services have decreased over time. Housing has confirmed that the County provides a COLA to its departments, and these departments determine how their sub-recipients spend the COLAs. Prospectively through this package, Housing foresees that sub-recipients would apply COLA to human resources (i.e. personnel costs) and delivery systems. Further, the bureau reports that site-based services (e.g. shelters) are most likely to reduce levels of service in the absence of a COLA. Notwithstanding, Housing acknowledges that it is the provider's discretion on how to apply COLA (or lack thereof) through either changes in financial assistance to clients or staffing costs. Information has not been provided to communicate the past impact to service delivery either through quantitative measurement nor qualitative assessment through provider feedback. CBO does not recommend this package due to the non-submission of expected results per budget guidance.

CBO Recommendation: \$0

Required Cut Package: Short-term Rent Assistance, HC_05, (\$179,400)

To offset the proposed increase in decision package HC_04, Housing puts forth \$179,400 reduction in short term rent assistance. This reduction is estimated to impact 45-90 fewer households receiving short term rent assistance from eviction prevention or housing placement from streets or emergency shelter. As reported by Housing, the estimated impact projects that 45 fewer households will be prevented from becoming homeless (i.e. 2,600 households vs. 2,555 households). CBO does not recommend reductions to short-term rent assistance for the reason that reductions will adversely impact households in need of housing support.

CBO Recommendation: \$0

ENDNOTES

¹ Housing and Urban Development Interim Rule (July 31, 2012) <https://www.federalregister.gov/articles/2012/07/31/>

² Albanese, T. (2010, November 2). Performance Measurement of Homeless Systems. Retrieved February 28, 2015, from https://www.hudexchange.info/resources/documents/PerfMeasurementHomelessSystems_Presentation.pdf

³ [Priorities for Advancing Our Understanding of Homelessness \(US Interagency Council on Homelessness, 2012\)](#)

⁴ [US Housing and Urban Development System Performance Measures \(July 2014\)](#)

⁵ [Evaluation of Dignity Village \(February 2010\), Prepared by Kristina Smock Consulting](#)

⁶ [Integrating Housing & Health: Health Focused Evaluation of Bud Clark Commons \(April 2014\)](#)

⁷ [Estimated Cost savings in Community Engagement Program \(February 2006\)](#)

⁸ Fraser, M. W., Richman, J. M., Galinsky, M. J., & Day, S. H. (2009). Intervention Research: Developing Social Programs: Developing Social Programs. Oxford University Press, USA.

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- ⁹ Somers, J. M., Rezansoff, S. N., Moniruzzaman, A., Palepu, A., & Patterson, M. (2013). Housing first reduces re-offending among formerly homeless adults with mental disorders: results of a randomized controlled trial. PLoS one, 8(9), e72946.
- ¹⁰ Resident Services for Families in Affordable Housing. (2005, March 31). Retrieved February 28, 2015, from <http://residentservices.org/documents/ResidentServicesBackgroundPaperMarch29.pdf>
- ¹¹ [Neighborhood Partnerships Resident Services Demonstration Project \(September 2010\)](#)
- ¹² Outcome Measurement Effort Underway. (n.d.). Retrieved February 23, 2015, from <http://residentservices.org/outcome-measurement.asp>
- ¹³ URA Expenditures by Key Activity. (2015, January 28). Retrieved February 23, 2015, from <http://public.tableausoftware.com/profile/portland.city.budget.office#!/vizhome/PDCurbanrenewalareaspending/Summary>
- ¹⁴ [Revitalizing Foreclosed Properties with Land Banks](#) (US HUD, OPDR – August 2009)
- ¹⁵ [Best Practices in Land Bank Operation](#) (June 2005)
- ¹⁶ [Land Banking as Metropolitan Policy](#) (Alexander 2008)
- ¹⁷ [Bureau of Planning and Sustainability Displacement Map](#)

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											
<i>Adds</i>											
HC_01 - Preventing Displacement - Home Retention	01	0.00	0	1,650,000	0	1,650,000	0.00	0	0	0	0
HC_02 - Opportunity Fund/Land Acquisition	02	0.00	0	5,000,000	0	5,000,000	0.00	0	0	0	0
HC_03 - Home for Everyone Coordinating Board	03	0.00	0	547,296	0	547,296	0.00	0	97,296	0	97,296
HC_04 - COLA Adjustment Addition: Homeless Progra	04	0.00	179,400	0	0	179,400	0.00	0	0	0	0
<i>Total Adds</i>		<i>0.00</i>	<i>179,400</i>	<i>7,197,296</i>	<i>0</i>	<i>7,376,696</i>	<i>0.00</i>	<i>0</i>	<i>97,296</i>	<i>0</i>	<i>97,296</i>
<i>Reductions</i>											
HC_05 - Required Cut Package: Short Term Rent Assi	01	0.00	(179,400)	0	0	(179,400)	0.00	0	0	0	0
<i>Total Reductions</i>		<i>0.00</i>	<i>(179,400)</i>	<i>0</i>	<i>0</i>	<i>(179,400)</i>	<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total Portland Housing Bureau		0.00	0	7,197,296	0	7,197,296	0.00	0	97,296	0	97,296