

Analysis By: Jessica Kinard & Jane Marie Ford

PORTLAND HOUSING BUREAU

All Funds Budget Summary	Adopted FY 2015-16	Request Base FY 2016-17	Decision Pkgs FY 2016-17	Request Total FY 2016-17	Percent Change
Resources					
Budgeted Beginning Fund Balance	\$1,393,337	\$12,452,435	\$0	\$12,452,435	793.7%
Charges for Services	511,437	541,800	0	541,800	5.9%
Intergovernmental Revenues	73,495,104	80,888,301	104,532	80,992,833	10.2%
Interagency Revenue	87,895	100,964	0	100,964	14.9%
Fund Transfers - Revenue	2,524,554	1,200,000	0	1,200,000	-52.5%
Bond and Note Proceeds		14,400,000	0	14,400,000	NA
Miscellaneous Sources	3,105,341	2,909,674	0	2,909,674	-6.3%
General Fund Discretionary	15,580,253	22,397,203	18,208,772	40,605,975	160.6%
Total Resources	\$96,697,921	\$134,890,377	\$18,313,304	\$153,203,681	58.4%
Expenditures					
Personnel Services	\$6,460,632	\$6,872,041	\$104,532	\$6,976,573	8.0%
External Materials and Services	86,546,064	122,131,269	18,208,772	140,340,041	62.2%
Internal Materials and Services	1,463,657	1,504,456	0	1,504,456	2.8%
Debt Service	1,373,414	2,759,769	0	2,759,769	100.9%
Fund Transfers - Expense	762,654	509,842	0	509,842	-33.1%
Contingency	91,500	1,113,000	0	1,113,000	1116.4%
Total Requirements	\$96,697,921	\$134,890,377	\$18,313,304	\$153,203,681	58.4%
Total Bureau FTE	56.92	56.92	1.00	57.92	1.8%

Percent Change is the change from FY 2015-16 Adopted Budget to FY 2016-17 Total Requested Budget.

Key Issues

Solving the Homeless Crisis: Where We've Been and Where We're Going

In 2005, Portland and Multnomah County embarked with its community partners on a 10-year Plan to End Homelessness. At the time, it was estimated that 4,000 people slept either on the streets, in cars, or in shelters across Portland.¹ In the twelve fiscal years since the 10-Year Action Plan was initiated, the City of Portland has spent \$847 million – an average of \$70.6 million per year – on affordable housing production and homeless prevention and support services through the Portland Housing Bureau and other City agencies. Approximately 71% of these funds were spent on housing programs, which play an important role in mitigating economic homelessness. In addition, other agencies have funded significant distinct efforts towards ending homelessness on an annual basis; in 2014 the County cited an additional \$39.7 million in annual discretionary funding for homeless services.² Despite these investments, the 2015 homeless count revealed only a slight decline in the number of sheltered and unsheltered homeless in Portland from the 2005 figures.³ While comparing the two counts isn't an apples to apples comparison –

¹ *Home Again: A 10-Year Plan to End Homelessness in Portland and Multnomah County – Action Report*. Accessed from <https://www.portlandoregon.gov/phb/article/103921> on 2/16/2016.

² *Board Briefing on Homeless Services General and Federal Funding*. Multnomah County Department of County Human Services, presented on 01-28-14. Accessed from <https://multco.us/file/36445/download> on 2/28/2016.

³ The 2015 point in time count estimated 3801 individuals in Multnomah county were homeless. *Point in Time Count of Homelessness in Portland and Multnomah County* (Biannual 2007-2015). Accessed from <https://www.portlandoregon.gov/phb/61362> on 1/30/2015.

the count methodology has changed – the same declaration of housing and homelessness being “in crisis” existed in 2004 as it does today. Many people wonder why, after hundreds of millions of dollars in investments and a coordinated strategy to address homelessness and affordable housing needs, the problem persists; and further, wonder how we can be sure that an increased investment will substantially reduce the number of people experiencing homelessness.

Part of the answer lies in understanding who is homeless today versus in 2004: most of today’s homeless are not the same people that were homeless 10 years ago. The 2015 homeless count revealed that 71% of the currently homeless have been homeless for less than two years.⁴ In the first seven years of the 10 Year Plan to End Homelessness, 12,511 households were placed into permanent homes and 4,569 households were prevented from becoming homeless.⁵ If, during that time period, no new households became homeless and if those placed in housing were able to retain their housing, Portland would have solved homelessness 6 times over.⁶ Although the 10-Year Plan also targeted supportive services and improved housing retention and homeless prevention strategies,⁷ the inflow into homelessness continues to exceed the community’s capacity for placement and support.

A Home for Everyone (AHFE) was founded in 2013 as an interagency coordinating body to address homelessness beyond the 10 Year Plan. In fall 2015, Portland Housing Bureau (PHB) staff, in concert with AHFE, provided analysis and recommendations to City and County leaders that an increased investment of \$30 million would provide the necessary funding to 1) reduce the number of homeless in Multnomah County by 50% by June 2017, and to 2) address all homeless needs through a system that focuses on prevention by 2019.⁸ In response, Multnomah County Chair Deborah Kafoury and Mayor Charlie Hales pledged in October 2015 that they would together provide \$30 million for affordable housing and homeless services. The announcement pledged that the City would commit \$20 million in “new and existing resources”⁹ and the County would commit \$10 million. It was not publicly discussed whether this funding would be one-time or ongoing, nor if the analysis assumed that one-time investments provided to AHFE in the current year would be continued. Portland City Council took action on this pledge by providing the Housing Bureau with an additional \$5 million in ongoing and \$5 million in one-time general fund support in their FY 2016-17 base budget.

Increased investment of this magnitude will require tradeoffs with other City services. In this review, CBO provides a summary of the City’s historical spending on housing and homelessness, as well as analysis and recommendations around the proposed effort to drastically reduce the number of homeless in Portland and Multnomah County.

⁴ *Point in Time Count of Homelessness in Portland and Multnomah County* (Biannual 2007-2015). Accessed from <https://www.portlandoregon.gov/phb/61362> on 1/30/2015.

⁵ *A Home for Everyone: A United Community Plan to End Homelessness for Portland/Multnomah County*. Accessed from <https://multco.us/file/35839/download> on 2/28/2016.

⁶ Using HUD definition of “household” = 1.9 individuals

⁷ PHB’s projects current year retention rates of households placed in permanent housing at 12 months to be 84%, which is seven percentage points above the retention rate just two years ago.

⁸ *Ending homelessness in Multnomah County: What would it take?* Presented by PHB to CBO on 01/13/2016.

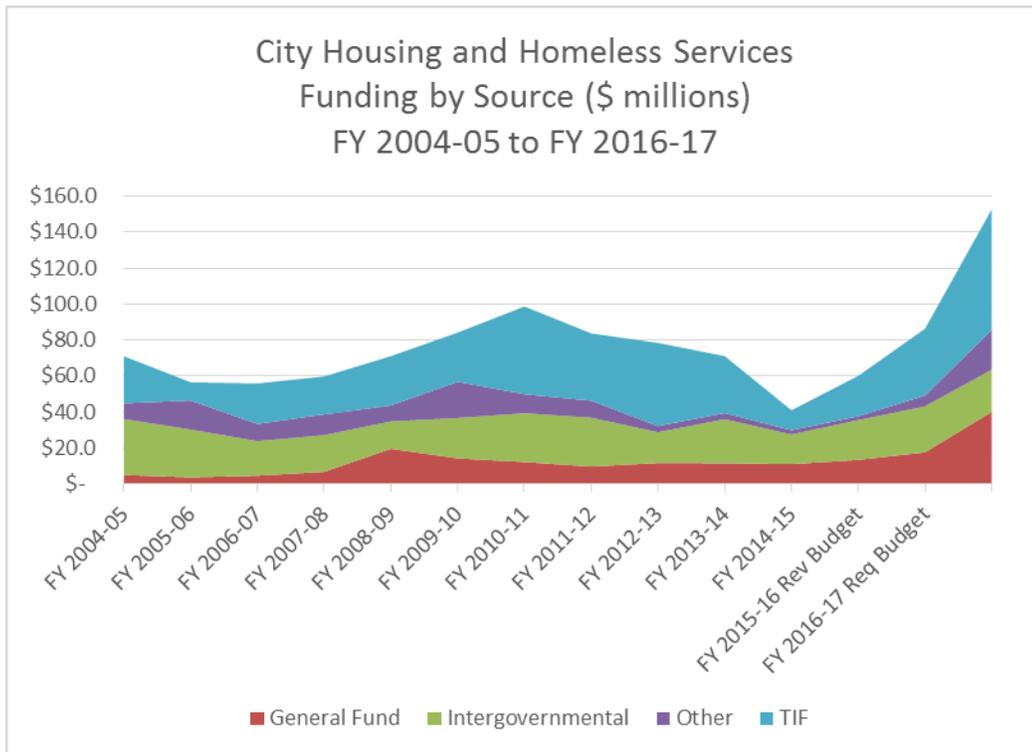
⁹ Mayor Hales Press Release, 9/30/2015. Sourced online: <https://www.portlandoregon.gov/mayor/article/552358>.

City Historical Investments in Housing and Homelessness Services

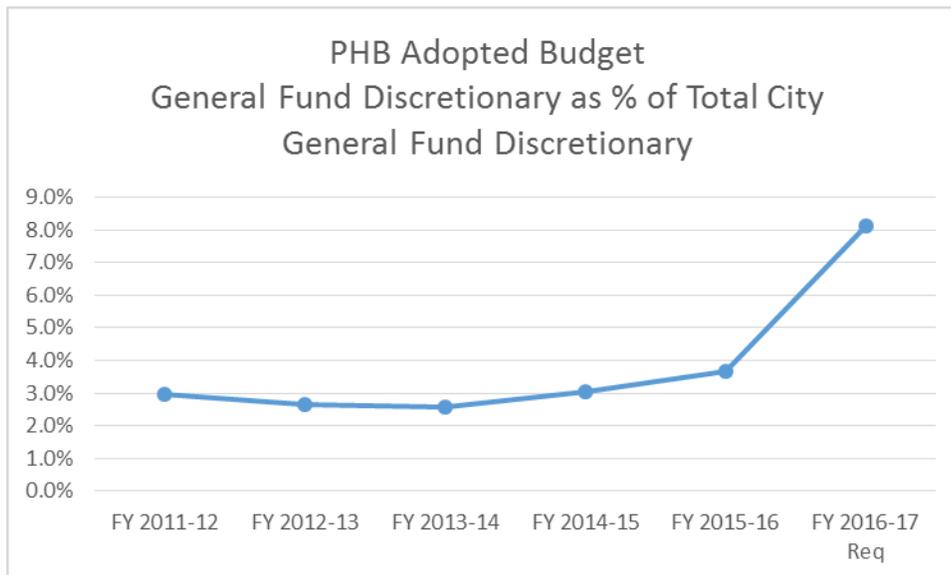
Portland Housing Bureau’s proposed FY 2016-17 budget of \$153 million represents a 116% increase over the bureau’s 12-year average investment and a 77% increase over the current year total budget of \$86 million. Since the inception of the 10 Year Plan to End Homelessness, PHB received \$136 million in General Fund support, averaging \$11.4 million per year. The bureau’s requested FY 2016-17 budget seeks \$40.2 million in General Fund support, which is 254% higher than the 12-year average.



As evidenced in the above graph, the majority of the bureau’s budget comes from non-General Fund resources. The level of funding over the past ten years has fluctuated on an annual basis primarily based on availability of Tax Increment Financing (TIF) and grant revenues, as the below graph illustrates. Since 2004-05, TIF has provided an average of \$28.6 million in affordable housing funding per year. As a funding source over the past 6 years, the TIF Reimbursement Fund represents 41% of total funding sources for the bureau. Notably, during the current fiscal year, Council approved an additional increase of the affordable housing set aside policy to 45%, referred to as the ‘TIF Lift’. The bureau’s FY 2016-17 requested budget includes the result of this policy change with \$67 million in TIF funding, which is an 80% increase over the current year. The bureau may have up to \$30 million in new TIF resources available for affordable housing development in their fall 2016 NOFA as a direct result of the TIF Lift.



In recent history, PHB’s General Fund Discretionary (GFD) support has stayed relatively constant, on an annual basis claiming between 2.6% and 3.0% of the City’s total GFD resources between FY 2011-12 and FY 2014-15. PHB’s current year adopted budget claimed 3.7% of total citywide GFD, and the requested FY 2016-17 budget would dramatically increase that amount, claiming 8.1% of the City’s estimated General Fund Discretionary Resources.



There are three important caveats to the historical cost data presented above. First: the full cost savings that the City, the County, and the regional economy have gained as a result of these investments has not been quantified. Second, this analysis does not include all costs incurred by the City to address homelessness; many City bureaus bear direct costs as a result of housing and homelessness issues that

are more difficult to quantify. Finally, housing and homelessness is a regional issue with many stakeholders, and this analysis focuses solely on the City's investment and role. The County and Home Forward both provide substantial investments not discussed here. It is imperative that services and investments continue to be coordinated to ensure the most effective use of public resources.

Ending Homelessness – What Will it Take?

Despite hundreds of millions of dollars invested to address housing insecurity and homelessness since 2004, the City has declared a State of Housing Emergency. PHB and AHFE maintain that the City and County have invested just enough over the years to keep homelessness from growing, but not enough to permanently bend the curve downwards. Placement and retention data, along with the knowledge that 71% of those experiencing homelessness in 2015 had been homeless for less than two years,¹⁰ support this theory. PHB and AHFE estimate that with \$30 million in additional funding in FY 2016-17, AHFE will be able to decrease by half the unmet housing need among people experiencing homelessness by the end of FY 2016-17. This will be achieved by placing 1,350 additional individuals in permanent supportive housing, sheltering an additional 650 people currently on the streets, and preventing an additional 1,000 people from becoming homeless.

Data available to PHB has enabled the bureau to identify demographic information and needs of the 3,801 people currently experiencing homeless according to the street count.¹¹ The bureau used this information as well as information on current rates of outflow and estimates of inflow to the homeless system to assess the number and type of people that would need services to achieve a 50% reduction in homelessness, and assigned a cost to those services.

CBO agrees with the assessment of need and believes that AHFE has laid out a reasonable plan for achieving the number of placements discussed above if provided the requested resources. However, CBO observes a number of risks to the claim that it will require \$30 million to reduce homelessness by half. These risks include:

1. **The \$30 million AHFE request is actually *at least* a \$73 million request over three years.** When the \$30 million commitment was announced by the Mayor and the County Chair, there was no mention as to whether these funds would be one-time or ongoing, or whether one-time funds committed in the current year also required continued funding in addition to new funding. The PHB budget request assumes that the City will pay for \$10 million in one-time housing development costs plus \$10 million in services costs that will continue until the end of calendar year 2018. In addition, the budget requests the City pay for \$2.76 million in continued FY 2015-16 investments through calendar year 2018. This date is based on the AHFE stated goal to address all homeless needs through a system that focuses on prevention by 2019.¹² This would require the City to identify *at least* \$39 million in total new resources over the next three years, and this assumes that none of the increased funding is required beyond 2018.

¹⁰ *Point in Time Count of Homelessness in Portland and Multnomah County* (Biannual 2007-2015). Accessed from <https://www.portlandoregon.gov/phb/61362> on 1/30/2015.

¹¹ *Ibid.*

¹² *Ending homelessness in Multnomah County: What would it take?* Presented by PHB to CBO on 01/13/2016.

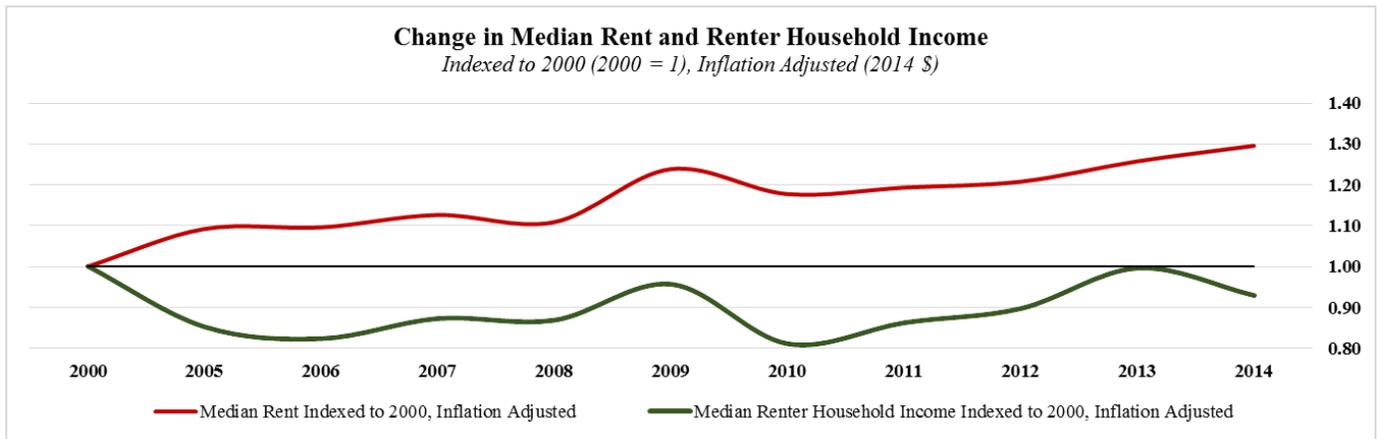
2. **There are additional housing and homeless-related funding requests above the \$30 million proposed by AHFE.** CBO is aware of at least \$29.7 million in distinct City bureau requests related to housing and homeless services in the FY 2016-17 budget. The AHFE Coordinating Board assumes that the requested \$20 million City investment will go towards the services and providers they have identified in their plan to achieve homeless reduction targets. Not all proposals related to bureau requests proposit to achieve the same goals; as Council prioritizes limited funds towards this issue area, Council should be aware of stated impacts of those investments in relation to homeless reduction targets.
3. **Achieving homelessness reduction goals relies on current rates of homeless inflow.** The AHFE modelling that created this request utilized 2015 point-in-time data for the number of people currently experiencing homelessness as well as estimated rates of homeless inflow and outflows derived from point-in-time and service utilization data. Using data from the previous 2013 homeless count, modelling estimated that 4,600 people annually became newly homeless; updated modelling using 2015 data showed an estimated 4,900 people would become newly homeless – a 6.5% increase in inflow.¹³ The impact that this rate increase had on AHFE’s modelling to cut homelessness in half by 2017 was substantial: the one-year estimates of required placements to achieve this goal increased by 50% from 900 to 1,350. Critically, the current \$30 million request assumes the estimates derived from 2015 count data stay constant. However, in the year since the 2015 count was conducted, Portland housing market has led the nation in price increases: according to Standard and Poor’s/Case-Shiller home price index, Portland-area home prices in December of 2015 increased 11.4 percent year-over-year, outpacing even San Francisco and Denver’s increases.¹⁴ PHB estimates that rents have increased by at least 11% over the same timeframe.

Homelessness is a particularly complex issue because it is a condition that people experience as a result of a variety of causes, which require varied and often distinct sets of interventions. According to the 2015 count, the chronically homeless in Portland represent 37% of the sheltered and unsheltered population.¹⁵ This particular segment of the population likely needs long-term supportive services to be sustainably housed. However, the remaining 63% of the sheltered and unsheltered population is what is known as “economically homeless;” meaning that the majority of the people currently experiencing homelessness in Portland simply cannot afford available housing. To the extent that rents continue to increase and/or wages and income of Portlanders decrease, more resources will be needed to achieve the same goal.

¹³ *Ending homelessness in Multnomah County: What would it take?* Presented by PHB to CBO on 01/13/2016.

¹⁴ Oregonian article – need to look at S&P: http://www.oregonlive.com/front-porch/index.ssf/2016/02/portland_homes_have_nations_hi.html

¹⁵ *Point in Time Count of Homelessness in Portland and Multnomah County* (Biannual 2007-2015). Accessed from <https://www.portlandoregon.gov/phb/61362> on 11/30/2015.



The gap between median rent and renter household income in Multnomah County has increased, especially as rents have increased in recent years. Achievement of PHB and AHFE homeless goals assume the current gap does not further widen. Graph source: *Ending homelessness in Multnomah County: What would it take?* Presented by PHB to CBO on 01/13/2016.

CBO believes that this issue of inflow – particularly in expanding economies with limited housing supply like those that Portland and other West Coast cities have been experiencing – presents one of the most critical challenges to decreasing homelessness because it is a problem that is largely driven by market forces, many of which are outside of local government’s control. At the same time, these forces fundamentally determine the magnitude of the problem as more households will become homeless or at risk of becoming homeless as housing prices increase and wages stay stagnant.

The California Legislative Analysts Office recently released study results demonstrating that greater supply of market housing places downward pressure on prices and rents, and that locations with greater housing development experienced a slower growth in rents for poor households.¹⁶ Similarly, the Joint Center for Housing Studies of Harvard University concluded from a national study that - while low-cost rental units deserve particular attention in housing development - “[p]art of the solution [to make progress on the nation’s goals of affordable homes for all] is to persist in efforts to reduce regulatory barriers to construction of rental housing in general.”¹⁷

In addition to new investments in housing and homelessness, CBO recommends that Council consider policies and investments that increase the housing supply at all levels. Not only may this help alleviate the current affordability crisis, but it is a necessity to accommodate expected population growth: the City estimates that approximately 260,000 more people will be moving to Portland over the next 20 years.¹⁸ If housing stock does not increase in kind, the affordability crisis will be further exacerbated.

In December of 2015, the Mayor and Commissioner Saltzman convened a Government Accountability, Transparency, and Results (GATR) session to discuss strategies to streamline the development of

¹⁶ California Legislative Analysts Office Report, *Perspectives on Helping Low-Income Californians Afford Housing*. <http://www.lao.ca.gov/Publications/Report/3345>

¹⁷ p7, Joint Center for Housing Studies of Harvard University. *America’s Rental Housing: Evolving Markets and Needs*. 2013. Accessed from http://www.jchs.harvard.edu/sites/jchs.harvard.edu/files/jchs_americas_rental_housing_2013_1_0.pdf on 3/2/2016.

¹⁸ Accessed from the Bureau of Planning and Sustainability website at <http://www.portlandoregon.gov/bps/article/532949> on 2/26/2016.

affordable housing. GATR sessions are data-driven executive level management meetings focused on specific policy or programmatic areas of interest to the Mayor. A result of this session was the identification of bottlenecks and opportunities for improvement that may speed up the timelines for certain types of housing development projects. Action items included strategies to improve communication between developers, PHB and BDS to limit the need for resubmittal during design and permit review processes; improve project flow through the design review process; and engage developers in problem solving around the affordable housing crisis. CBO believes that, if these strategies prove successful, they should be considered for implementation for all housing development projects to improve the ability of the City to meet overall housing demand and generally push down affordability.

4. **Achieving homelessness reduction goals relies on the definition of homelessness.** AHFE has drafted language that would expand its definition of homelessness to include “an individual or family that is imminently at risk of losing access to, or is unsafely sharing the housing of other persons, due to loss of housing, economic hardship, or a similar reason (e.g. person’s presence is in violation of a lease/rental agreement, housing has been deemed uninhabitable by a government or social service agency, there exists an imminent threat of violence and/or illegal activity, the individual’s or family’s presence violates maximum housing occupancy limits).” This local definition helps to identify those individuals who are most at risk of becoming unsheltered, reinforcing AHFE’s goal of shifting focus to homeless prevention over the next several years.

Utilizing the local definition of homelessness, the 2015 Point-in-Time Count would jump from 3,801 people to an estimated 16,344 individuals.¹⁹ It is not currently clear if the goal of reducing homelessness by half will be updated based on this revised figure, which may significantly impact the resources required to meet the AHFE goal to decrease by half the unmet housing need by 2017.

Summary of CBO Recommendations

The Mayor provided budget guidance for proposals related to the housing emergency, directing bureaus to quantify the expected impact on service delivery outcomes using one or more of the following eight measures.

1. Total number of homeless households placed in permanent housing
2. Number of households prevented from becoming homeless
3. Retention rate of households receiving services at 12 months
4. Percentage of households moved from homelessness into housing that subsequently returned to homelessness in the next 12 months
5. Shelter Bed Occupancy Rate (BOR) and/or Turnover Interval (TOI)
6. Housing units opened that are newly affordable (specify short versus long term units)
7. Preservation of quality housing units occupied by low-income people (specify short versus long term units)
8. Percentage of housing units citywide that are regulated affordable units

¹⁹ *Point in Time Count of Homelessness in Portland and Multnomah County* (Biannual 2007-2015). Accessed from <https://www.portlandoregon.gov/phb/61362> on 1/30/2015.

CBOs review of decision packages incorporates projected impact on these measures and their targets.

Below is a table summarizing all requested General Fund supported packages related to the Housing Emergency and CBO's corresponding recommendations. In addition, CBO has provided a table summarizing requests by service type and corresponding CBO recommendations by service type. These tables include spending proposals for the \$10 million in new General Fund resources provided in PHB's FY 2016-17 base budget, but do not include any other figures from bureau base budgets.

DP # and Package Description	CSO Recommendation	PHB Requests	AHFE Requests	Other Bureau Requests	KPM Target	Impact Towards KPM Target		
	OG	1x	OG	1x	OG	1x		
HC_02 Citywide Rental Housing Development OR OMF Capital for Shelters			10,000,000	10,000,000	13,130,000	Open 182 housing units as newly affordable (KPM 6)	An estimated 100 newly affordable housing units will be built	
HC_03 AHFE Expand Veterans Assistance	287,500	287,500	287,500		1)	Place 711 households in permanent housing (KPM 1)	60 veteran households will be placed with combined City/County investment	
HC_04 AHFE Safety Off the Streets - Shelter	1,712,500	2,462,500	2,462,500	2,462,500	N/A	Place 711 households in permanent housing (KPM 1)	No immediate impact on KPMs. City/County total investment will provide 630 highly vulnerable individuals, including women escaping domestic violence, people of color, and people with SPMI will be provided with shelter.	
HC_05 AHFE Permanent Housing Placements (1350 ppl)	1,662,500	3,277,200	1,662,500	4,487,500	3,100,000	3,300,000	190 individuals or 100 households with a disability or SPMI will be placed in permanent housing.	500 individuals or 263 households from highly vulnerable populations, including communities of color, women with children, and individuals with disabilities or SPMI
HC_06 AHFE Prevention and Diversions	1,100,000	1,100,000	1,100,000	285,000	860,000		10 low-income households	10 low-income households
HC_08 Realign Lents URA Home Repair		1,225,072					Precise KPM impact unknown, 300 low-income homeowners will be served; likely will preserve quality housing units and may prevent homelessness.	Precise KPM impact unknown, 50 low-income senior homeowners in East Portland will be served; likely will preserve quality housing units and may prevent homelessness.
HC_10 New Homeowner Assistance Services	76,400	223,600	300,000					Precise KPM impact unknown, 50 low-income senior homeowners in East Portland will be served; likely will preserve quality housing units and may prevent homelessness.
HC_11 New Homeowner Repair in E. Portland		500,000	500,000					No immediate impact on KPMs. At least 115 women will receive emergency shelter.
HC_13 AHFE Continue FY16 Womens Shelter Year Round		750,000	750,000	750,000				
HC_14 AHFE Continue FY16 Intensive Street Engagement	1,210,300	1,210,300	1,210,300	1,210,300				50 chronically homeless individuals will continue to be served to maintain housing; an additional 15 chronically homeless individuals will be placed.
HC_15 AHFE Continue FY16 Veterans Funding	500,000	500,000	500,000	500,000				660 (95% of) veterans placed in FY 2015-16 will retain housing.
HC_16 AHFE Continue FY16 Landlord Recruitment	300,000	300,000	300,000	300,000				375 households, assuming historical performance
HC_17: HC_09 Realign CDBG for Homeownership/Fair housing		439,628						Quantitative impact on KPMs is unknown as most of services are already provided. Enhancement proposal includes serving some of the 69,000 low-income non-English speaking refugee households.
(HC Adf Base) New Rental Rehab in E. Portland	1,500,000	1,500,000	1,500,000					100 low income units preserved
(HC Adf Base) Realign HOME funding for rental assistance	947,800	947,800	947,800					Quantitative impact on KPMs is unknown; however, package improves the speed and quality of rent assistance services.
(HC Adf Base) Multnomah County Program Realignment	(1,575,000)	1,575,000	(1,575,000)	1,575,000				This is an existing program realignment. No new impact on KPMs.
MF_31 - Short Term Rental Revenue Staff	78,000			78,000				No immediate impact on KPMs. This position will support revenue streams into the HIF to enhance a variety of interventions and KPM outcomes.
MF_35 Coordinated Campsite and Homeless Management				1,733,078				No immediate impact on KPMs. Will provide operations, maintenance, and central management of 7 facilities and 900 shelter beds.
NL_02 - Pilot Engagement Around Housing Emergency					350,000			No immediate impact on KPMs.
PA_01 - Eviction Prevention Services (Gateway Center)	60,000				60,000			42-50 households affected by domestic violence will be prevented from becoming homeless.
PK_03 - Ronger Expansion to Address Homelessness				615,716				No immediate impact on KPMs.
Total by Requesting Body OG v 1x	5,000,000	8,685,800	5,000,000	22,672,800	6,432,800	16,572,750	4,889,294	13,540,000
Total by Requesting Body		13,685,800		27,672,800		23,005,550		18,429,294
Unduplicated Total by Requesting Body		13,685,800		27,672,800		245,250		1,771,618
Grand Total Unduplicated Requests				29,689,668				

Requests and Recommendations by Service Area/ Intervention Type

Service Area	General Fund New Investment		New HIF Investment	Total
	OG	1x		
Requested Funds				
Safety Off the Streets*	745,902	16,380,000	-	17,125,902
Permanent Placements*	1,662,500	6,747,800	-	8,410,300
Prevention and Diversion*	947,800	1,160,000	-	2,107,800
Housing Development and Preservation	1,500,000	10,000,000	14,400,000	25,900,000
Home Repair/Homeownership Assistance	2,464,700	-	-	2,464,700
Other New Investments	693,716	350,000	-	1,043,716
Other Program Realignment	(1,575,000)	1,575,000	-	-
<i>Total** Funding Requests</i>	6,439,618	36,212,800	14,400,000	57,052,418
Total** Requests Above PHB Base Budget	1,439,618	31,212,800	NA	32,652,418
CBO Recommended Funds				
Safety Off the Streets	-	2,500,000	-	2,500,000
Permanent Placements	2,872,800	4,327,200	-	7,200,000
Prevention and Diversion	2,047,800	60,000	-	2,107,800
Housing Development and Preservation	1,500,000	-	14,400,000	15,900,000
Home Repair/Homeownership Assistance	76,400	223,600	-	300,000
Other	78,000	-	-	78,000
Other Program Realignment	(1,575,000)	1,575,000	-	-
<i>Total CBO Recommended Funds</i>	5,000,000	8,685,800	14,400,000	28,085,800
CBO Recommended Funds Above PHB Base	-	3,685,800	NA	3,685,800

*Where there is discrepancy between PHB proposals related to AHFE, and AHFE's updated request for one-time versus ongoing funds, CBO is using PHB proposal figures.

**Requested totals may differ from prior charts to reflect that proposals for use of a particular group of funds may differ in terms of intended purpose of those funds. For example, if the \$10 million for development should be used for affordable housing or for safety off the streets interventions.

Given the concerns noted earlier in this section, the proposed \$30 million investment may not finally “solve” Portland homelessness. Regardless, though, significant numbers of people will be sheltered and housed. The challenge for decision-makers is in assessing the trade-offs of increased investments in housing and homelessness versus other competing demands such as public safety, infrastructure investment, and the increased wages for certain Parks’ employees. In CBO’s review of PHB’s requested budget, the analysis is centered on the most impactful investments to achieve bureau and City goals.

In addition, to counter the risks discussed earlier in this section, CBO recommends that Council consider the following principals when considering new investments and interventions around homelessness:

- Clearly define investment goals and coordinate strategies to achieve goals
- Evaluate investment effectiveness and hold bureaus and providers accountable to the results
- Prioritize and leverage both General Fund and Non General Fund resources, and acknowledge trade-offs to changes in investment

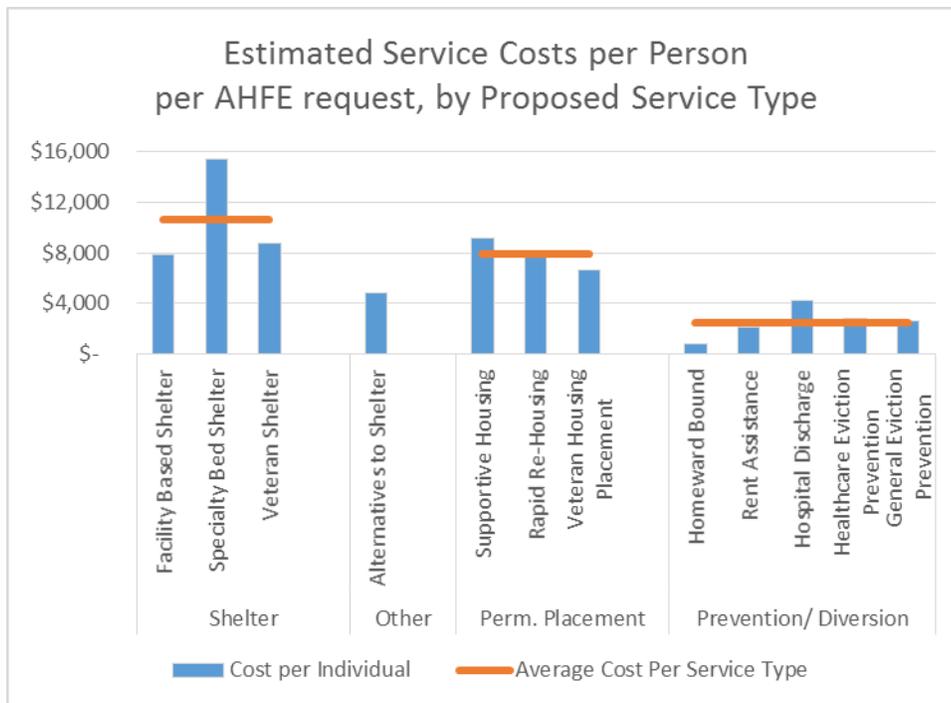
Lead Agency on Homelessness

The bureau is currently undergoing conversations with elected officials and staff at both the County and the City on creating a single “joint” office under County administration to address all homeless services planning and contract administration. It is tentatively discussed that this office will begin operation on July 1, 2016; however, details on the structure remain in development.

Decision Package Analysis & Recommendations

A Home for Everyone (AHFE) Decision Packages and Adjusted Base Packages

The A Home for Everyone (AHFE) proposals fall into one of three service areas: safety off the streets (shelter or shelter alternatives), permanent placements, and prevention and diversion. Below is a chart illustrating the per-person annual cost of each of the newly proposed AHFE interventions, as provided by PHB. This chart is referenced in the decision package analyses below.



AHFE Veterans Assistance: HC_03 & HC_15, \$200,000

DP # and Package Description	PHB Requests		CBO Recommendation	
	OG	1x	OG	1x
HC_03 New AHFE Expand Veterans Assistance (DP)	-	200,000	-	200,000
HC_15 AHFE Expand Veterans Assistance (Adjusted One-Time Base)	-	87,500	-	87,500
HC_15 AHFE Continue Veterans Assistance (Adjusted One-Time Base)	-	500,000	-	500,000
TOTAL	-	787,500	-	787,500

PHB, through the AHFE Coordinating Board, requests the continuation of one-time FY 2015-16 General Fund resources in the amount of \$500,000, as well as new funding in the amount of \$287,500, for shelter and permanent housing placement services related to veterans. This increase of \$287,500 is the City's portion of a total \$575,000 investment requested by AHFE to complete the "house every veteran" initiative. The decision package is for \$200,000 and the remaining \$587,500 exists as a realignment package in the bureau's adjusted base budget. While the request is for one-time funds, the bureau estimates that a total of \$3.4 million in one-time funding related to this package may be required over the next three years.

The \$500,000 in one-time funds will continue placement and support services costs associated with the 695 veterans placed in housing and shelter in FY 2015-16. The new combined City and County investment of \$575,000 will increase the number of veteran shelter beds by 20 (\$175,000) and provide placement assistance for 60 veterans (\$400,000). Portland utilized all of its HUD-Veterans Affairs Supportive Housing (VASH) vouchers in FY 2015-16, but expects to receive at least an additional 50 vouchers for FY 2016-17. AHFE may use a portion of the total \$575,000 for a pilot project subsidizing operating costs for master leasing a 30-unit building that will house VASH-holding Veterans. The annual cost per unit of this project would be \$4,000. The City and County will subsidize approximately another 30 housing vouchers each to help assist with lease-up costs, eviction prevention rent assistance, and short-term rapid rehousing services for veterans who are not eligible for other VA-specific housing programs. General Fund subsidies can leverage approximately \$11,933 in VA/HUD funding to help place more veterans in permanent housing (KPM 1), ensure housing retention (KPM 2), and reduce recidivism (KPM 3).

CBO recommends this request. The City, the County, AHFE and partners made a commitment to "house every veteran" in 2015, which was estimated to require approximately 690 veteran household placements. AHFE delivered on that promise; however, in the process of conducting outreach, AHFE identified an additional 71 veterans as currently unsheltered. This request would house 60 additional veterans, moving the bureau closer to the KPM target of 711 total homeless households placed in permanent housing. This package would also provide 20 low-barrier veteran shelter beds.

Given these targets, it is anticipated that the City will be able to house or shelter all remaining homeless veterans by the end of the next fiscal year. The City, County, and AHFE are pursuing additional federal funding to support these placements on an ongoing basis in the future.

CBO Recommendation: \$200,000

AHFE – Safety off the Streets, HC_04 & HC_13, \$1,885,300

DP # and Package Description	PHB Requests		CBO Recommendation	
	OG	1x	OG	1x
HC_04 New AHFE Safety Off the Streets (DP)	-	1,885,300	-	1,135,300
AHFE Safety off the Streets (Adjusted One-Time Base)	-	577,200		577,200
HC_13 AHFE Continue FY16 Womens Shelter Year Round (Adjusted One-Time Base)	-	750,000	-	750,000
TOTAL	-	3,212,500	-	2,462,500

PHB, through AHFE, requests the continuation of one-time FY 2015-16 funding in the amount of \$750,000 through a realignment package in their adjusted base, as well as new funding in the amount of \$2,462,500, to provide the City's portion of AHFE's "Safety Off the Streets" interventions. While the request is for one-time funds, the bureau notes that a total of \$9.6 million in one-time funding related to this package may be required over the next three years.

The \$750,000 in one-time funds are to maintain a year-round 115-bed women's emergency shelter supported in FY 2015-16. The additional \$2,462,500 represents the City's portion of the total \$5 million AHFE funding request to shelter an additional 630 particularly vulnerable homeless individuals including people of color, women, women escaping domestic violence, and people with severe mental illness. The interventions planned with these funds include facility-based shelter (300 beds at an average cost of \$7,500/year/bed), specialty beds for specific populations such as domestic violence victims (80 beds at an average cost of \$15,000/year/bed) and alternative shelter placements including open-space pop up shelters, car camping, or master leased motel rooms and churches (260 placements at an average cost of \$5,000/year/bed).

Absent more robust on-site support services, this decision package is not expected to impact bureau or City Key Performance Measures (KPMs) aimed at long-term housing stabilization. Although this package does not meet any of the Key Performance Measures to end homelessness, it does provide clear benefits to a subset of the homeless population that is extremely vulnerable, overrepresented and underserved in the general homeless population.²⁰

According to PHB, including housing placement staff and rent assistance opportunities for shelter occupants increases exits from shelter to housing, in turn increasing the utility of a single shelter bed and generating more stable outcomes for the individual. In FY 2014-15, one of the two year-round shelters for women funded by PHB sheltered 662 women over the course of the year and 44% exited to stable housing, of which half exited to permanent housing. In contrast, another shelter for which PHB provides minimal housing resources sheltered 329 women over the course of the year, of which 20% moved to stable housing, of which about 2/3 exited to permanent housing.²¹ CBO recommends that, with this funding, AHFE provide supportive services that will enable successful transitions into stable housing

²⁰ Point in Time Count of Homelessness in Portland and Multnomah County (Biannual 2007-2015). Accessed from <https://www.portlandoregon.gov/phb/61362> on 1/30/2015.

²¹ Data from PHB Staff.

placement from shelter, thus achieving better outcomes and freeing up shelter capacity without having to build and/or create more beds.

CBO recommends \$2,462,500 in total funding, which is equal to the FY 2016-17 request made by AHFE without the continuation of FY 2015-16 one-time funds. As \$1,327,200 of this funding request was budgeted in the bureau’s adjusted base budget, CBO is recommending \$1,135,300 towards the decision package. CBO is recommending the continued funding of the women’s emergency shelter at a cost of \$750,000 through the bureau’s adjusted base budget, as well as the \$577,200 in the safety off the streets funding that was also placed in the bureau’s adjusted base budget. Rather than fund the entire request which includes continuation of FY 2015-16 investments as well as new FY 2016-17 investments, CBO is recommending funds be prioritized for other services along the housing continuum that provide more long-term housing stability and are most cost effective. At an average annual cost of \$10,600 per person, shelter is a relatively expensive intervention compared to other interventions proposed by AHFE.

The AHFE budget for these additional shelter beds do not contain significant capital or start up costs. It is not clear to CBO at this time if AHFE has locations in mind that simply require tenant improvements and lease costs, or if there is an assumption that additional one-time resources will be dedicated to capital financing of shelter. CBO is aware of other funding requests related to shelter, and recommends that PHB work with the Mayor’s Office and other bureaus to ensure that shelter investments are coordinated across the City to maximize the utility of limited available resources.

CBO Recommendation: \$1,135,300

AHFE – Permanent Housing Placement/Rapid Re-Housing, HC_05, HC_14, & HC_16, \$4,487,500

DP # and Package Description	PHB Requests		CBO Recommendation	
	OG	1x	OG	1x
HC_05 New AHFE Permanent Housing Placements (DP)	-	4,487,500	-	3,277,200
AHFE Permanent Housing Placements - Permanent Supportive Housing (Adjusted Ongoing Base)	1,662,500	-	1,662,500	-
HC_14 AHFE Continue FY16 Intensive Street Engagement (Adjusted One-Time Base)	-	1,210,300	1,210,300	-
HC_16 AHFE Continue FY16 Landlord Recruitment (Adjusted One-Time Base)	-	300,000	-	300,000
TOTAL	1,662,500	5,997,800	2,872,800	3,577,200

PHB, through AHFE, is including \$1,510,000 in their adjusted base budget for the continuation of one-time FY 2015-16 funding related to permanent placements; and is requesting new funding in the amount of \$6,150,000 to provide the City’s portion of new permanent placement interventions. The bureau has divided the \$6,150,000 new request into \$1,662,500 in ongoing General Fund resources that have been placed in the bureau’s adjusted base budget, and \$4,487,500 in one-time General Fund resources through decision package HC_05. The bureau notes that a total of \$15 million in one-time funding related to these packages may be required over the next three years.

The bureau base budget includes \$300,000 in one-time funds to continue City support for the landlord recruitment and retention program (LLRP), where contracted personnel engage landlords and offer incentives to tenants to individuals requiring supportive or affordable housing. This program reduces the risk around renting to these tenants, and was extremely successful in FY 2015-16, yielding more than 375 apartment/housing openings which enabled the success of the “house every veteran” initiative.

The budget also includes \$1,210,300 in one-time funds to continue City support for the “Intensive Street Engagement” package funded in FY 2015-16, and consisting of a mobile campsite clean-up crew as well as staff to engage and place 50 chronically homeless individuals. The 50 individuals have been engaged and the bureau expects to complete placements by June. The FY 2016-17 proposal is to continue supporting the existing identified 50 individuals, and place an additional 15 chronically homeless individuals. The estimated cost per individual served with this package is \$18,620. This is significantly more expensive than other proposed AHFE requests; stable housing placement of the hardest to serve, chronically homeless is known to be expensive because of the level of supportive services required. However, it also has been shown to be cost effective, with savings predominantly realized in the healthcare system.²²

The request for \$6,150,000 in new one-time funds will support the City’s portion of the AHFE requested \$12,500,000 total investment to provide permanent housing placement of 1,350 individuals, or 711 households. Sixty of these households will be served by the veterans package discussed earlier. With this new funding, the bureau and AHFE is proposing to provide supportive services at 190 units of permanent supportive housing (PSH), and to provide rapid rehousing services for 1,130 individuals or 595 households. The estimated cost of the PSH is \$17,500/unit/year; \$10,000 of that cost is rent assistance and \$7,500 is supportive services. The estimated cost of rapid rehousing services is \$8,000/person or \$15,000/per household, and includes flexible funding, rent assistance, and supportive services ranging from one-time financial assistance up to 24 months of rental and/or supportive services.

This investment helps the bureau and the City achieve targets established in Key Performance Measures for permanent housing placements, as well as to improve placement retention and reduce homeless recidivism. The total AHFE goal is to decrease the unmet housing need by half by 2017, which the group believes will be achieved through the placement of 1,350 individuals or 711 household placements. CBO notes that the total number of households and individuals served through this funding request appears to exceed the targeted 1,350 placements.

CBO recommends \$6,450,000 towards the full request related to placement services, including \$2,872,800 in ongoing General Fund support and \$3,577,200 in one-time General Fund support. Given the proven success of the landlord engagement and retention program in the current year, CBO is recommending this program continue to be funded with one-time resources. In addition, CBO recommends funding the \$6,150,000 originally requested by AHFE to achieve targeted placement levels;

²² Center for Outcomes Research and Education (CORE), <http://oregon.providence.org/our-services/c/center-for-outcomes-research-and-education-core/research/housing-and-health/>. Also, various studies summarized by the National Alliance to End Homelessness: http://www.endhomelessness.org/pages/cost_of_homelessness.

however, due to limited availability of General Fund resources, CBO recommends that the Intensive Street Engagement program be funded through this total \$6,150,000.

CBO recommends that the Intensive Street Engagement package and the permanent supportive housing (PSH) portion of the package be funded with ongoing resources due to the fact that the population engaged by these efforts are those that require the most intensive and long-term services. PHB uses the number of unsheltered and sheltered chronically homeless individuals as an estimate of need for PSH, which was 1,033 in 2015 not counting individuals in transitional housing. This package supports an additional 190 PSH units, which leaves a significant gap in estimated unit need. If the cost of these additional units continue at the same \$17,500/unit annual cost, and there are limited options for successful exits from PSH, the required additional ongoing investment to meet this need could exceed \$14 million. CBO notes that as both PSH and rapid rehousing interventions often require rent subsidies, these services will become more expensive as market rate rent increases. CBO recommends that the bureau continue to investigate ways to increase successful exits from PSH as well as alternative financing sources that incorporate the cost savings produced by these units and services.

CBO Recommendation: \$3,277,200

AHFE – Homelessness Prevention & Diversion, HC_06, \$1,100,000

DP # and Package Description	PHB Requests		CBO Recommendation	
	OG	1x	OG	1x
HC_06 New AHFE Homeless Prevention & Diversion	-	1,100,000	1,100,000	-

PHB, through AHFE, requests \$1,100,000 in one-time funds to provide the City’s portion of “Prevention and Diversion” interventions. The bureau notes that a total of \$2.7 million in one-time funding related to this package may be required over the next three years.

The combined City and County prevention and diversion request totals \$2,500,000 million to provide rental assistance, hospital discharge planning, eviction prevention for seriously disabled individuals, general eviction prevention services, and transportation assistance to locations where an individual has a stable support network. Service cost and type varies widely; the average estimated cost is \$2,500/person. In PHB’s existing prevention portfolio, most assistance lasts about two months. Approximately 60% of the total AHFE investment will be focused on serving individuals with disabilities and/or severe and persistent mental illness (SPMI) needs, and another approximately 20% will target individuals who identify as African American or Native Hawaiian/Pacific Islander.

CBO recommends this request. PHB estimates that the City portion of this investment will prevent or divert at least 500 additional people or 263 households from becoming homeless in FY 2016-17, helping achieve targets listed in KPM 3. As noted in the key issues section, mitigating inflow into homelessness is critical to solving homelessness and is a relatively cost efficient intervention. Given the growing gap between median income and median rent in Portland, CBO anticipates these services will be needed on

an ongoing basis and recommends this package be funded through ongoing General Fund support. In addition, CBO is recommending funding for PHB decision packages related to low-income homeowner assistance and the preservation of affordable rental housing units; both packages may help prevent homelessness and are discussed in more detail in the bureau requests section below.

CBO Recommendation: \$1,100,000

Bureau Decision Packages and Adjusted Base Packages

Program Design & Development Coordinator, HC_01, \$104,532, 1.00 FTE

PHB proposes allocating \$104,532 in ongoing Interstate Urban Renewal Area and grant funds to support a Policy and Program Development Coordinator. The City and State are currently considering policy changes related to inclusionary zoning, incentive zoning, linkage fees, preference policies, and other issues that would have a range of potential impacts on affordable housing development.

This decision package will have an indirect impact on increasing the number of housing units opened that are newly affordable (KPM 6) and the percentage of housing units citywide that are regulated affordable units (KPM 8).

CBO recommends this request. The City's Comprehensive Plan estimates that the City will need to build at least an additional 10,000 affordable housing units just to maintain current rates of regulated affordable housing stock (7.5%) as population grows over the next 20 years.²³ The bureau estimated in 2015 that meeting this goal would require an additional \$538 million, or \$27 million per year, to meet this target number of new unit development.²⁴ As a result of the "TIF Lift" and the dedication of short term rental revenue to the Housing Investment Fund, the bureau has secured an additional estimated \$90.5 million towards closing this revenue gap. However, the bureau's primary source of affordable housing development – Tax Increment Financing through Urban Renewal Districts (URAs) – will be steadily declining as the current URAs expire over the next 20 years. In addition, relying on TIF funds restricts the geographic location of regulated affordable housing, while demand spans the entire City.

It is clear that another source of reliable revenue will be needed if the City wishes to maintain current rates of regulated affordable housing stock in this growth scenario. New development costs vary, but as presented to Council last fall, the average City cost of building a new regulated affordable housing unit is \$100,000.²⁵ There are alternative ways to secure affordable housing and CBO recommends that the bureau continue to investigate and invest in these alternative methods to the extent they are cost effective. While there may always be a need for regulated affordable housing for the lowest income Portlanders, the availability of affordable market rate housing is critical to meeting the needs of the

²³ Per Eric Engstrom, Bureau of Planning and Sustainability

²⁴ Per cost estimates provided by Housing Director Kurt Creager to Council during the Comprehensive Plan Housing Element Work Session on 10/8/2015.

²⁵ Per cost estimates provided by Housing Director Kurt Creager to Council during the Comprehensive Plan Housing Element Work Session on 10/8/2015.

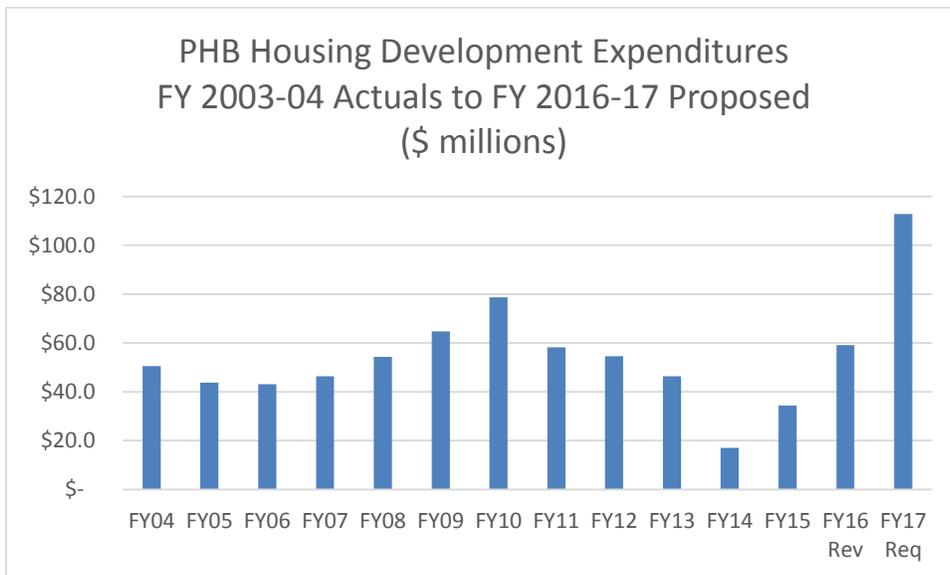
majority of Portlanders and alleviating pressure on regulated affordable housing stock. CBO recommends that Council look for opportunities to increase and streamline the development of all housing stock to meet demand and alleviate the pressure on the regulated affordable housing system.

CBO Recommendation: \$104,532, 1.00 FTE

Citywide Rental Housing Development, HC_02, \$10,000,000

The requested \$10,000,000 in one-time General Fund discretionary funding would create approximately 100 new long-term (60-year) affordable housing units, increasing the number of housing units opened that are newly affordable (KPM 6) and the percentage of housing units citywide that are regulated affordable units (KPM 8). CBO presumes that this request is related to the AHFE request for \$10 million in housing development funding as a portion of the total \$30 million request, but that commitment has not been made explicit by the bureau.

The bureau’s requested FY 2016-17 budget contains \$112.8 million in total funding for housing development, which is nearly double the current year allocation and is 43% greater than the historical peak expenditures of \$78.7 million in FY 2009-10.



In the current year, the bureau released an unprecedented level of funding in their Notice of Funding Availability with over \$64 million. With the current year NOFA, the bureau states that they are testing the capacity of the system - which relies on the individual capacity of several distinct parties including developers, the State, the bureau, and other financing sources - to support and process large numbers of projects. The bureau’s FY 2016-17 requested budget already contains a large increase in development-related funding through the \$14.4 million securitization of the short-term rental revenue in the Housing Investment Fund (HIF) and up to \$30 million in “TIF Lift” funding that may be available to place in the 2016 NOFA. In addition, the bureau is requesting to realign the General Fund \$2.6 million in programs currently funded with TIF, CDBG, and HOME grant funds, freeing up the \$2.6 million to potentially also

increase available development funds. CBO is recommending \$947,800 of this realignment, as discussed in more detail in subsequent packages below.

CBO does not recommend the \$10 million Citywide rental housing development request. It is unclear to CBO if the system has the capacity to process development above and beyond current efforts and funding sources. PHB highlights that, while TIF resources limit development to Urban Renewal Areas, General Fund support enables the bureau to address affordable housing needs across the City. However, CBO notes that the \$14.4 million in HIF dollars, as well as the \$0.9 million realignment of HOME dollars, are also funds that can be used for development across the City.

The allocation of these HIF and HOME funds, as well as the \$30 million in TIF Lift resources, represent policy decisions made by Council and PHB after the \$10 million commitment was made to AHFE to fund additional housing development. These allocations divert resources away from other service areas and have real costs to the City. CBO finds that the PHB budget exceeds the \$10 million development commitment without approval of this package. Finally, CBO does not recommend this request because of limited available General Fund resources for competing requests.

Furthermore, CBO notes that while continuing to ensure adequate availability of affordable housing is critical to solving homelessness, it often takes many years for units to come online after the funds are committed; thus the benefits from an increased investment today in housing development will not be realized for some time. To the extent that this process can be shortened, the bureau will be much more successful in ensuring current investments are maximized to address current needs.

CBO Recommendation: \$0

New Homeowner Repair in East Portland, HC_11

Through a realignment in their new \$5 million ongoing base, the bureau includes \$500,000 to provide home repair grants to 50 low-income senior homeowners living outside of the Lents URA boundary who are not currently eligible for TIF homeowner repair funding. Census data shows that more than 3,000 low income homeowners over the age of 70 live in East Portland outside of URA boundaries. The bureau notes that many of these homeowners may be particularly vulnerable to displacement and in need of home repair loans. This decision package might support efforts to prevent homelessness (KPM 3) by enabling older homeowners to remain stably and safely housed.

CBO recommends eliminating this package from the bureau's base budget to enable the funding of other priorities. While CBO agrees with the value of and need for this service, the City received \$96 million in funding requests for priorities across the City, as well as over \$37 million in housing-related requests. Many of the proposed investments for housing and homeless services also serve vulnerable and underserved populations, and CBO does not believe that this program is a higher priority than others that are going unfunded. We agree that there is substantial risk of involuntary displacement in East Portland and other neighborhoods, and therefore we recommend the bureau maintain the \$300,000 budgeted in their adjusted base for homeowner assistance services to address this challenge as discussed below.

CBO Recommendation: (\$500,000)

New Homeowner Assistance Services, HC_10

Through a realignment in their new \$5 million ongoing base, the bureau includes \$300,000 to provide homeowner assistance and retention services to over 300 homeowners. As neighborhood revitalization moves outward from the Urban Core, the bureau has identified an increased risk of involuntary displacement of low-income homeowners. Services will include legal aid, estate planning services, outreach and education around predatory real estate and lending practices, and facilitating connections to existing community resources. This decision package might support efforts to prevent homelessness (KPM 3) by enabling low-income homeowners to remain housed.

CBO recommends retaining this new investment in the bureau's adjusted base. In addition to countering involuntary displacement, this proposal will also help low-income individuals and families retain and build asset wealth, a key contributor to addressing issues related to inter-generational poverty. In addition, this is a relatively cost-effective investment at an estimated per-household cost of \$1,000.

CBO noticed a slight discrepancy (\$400) between what was loaded in the bureau's base budget for this program and for HC_12 – Fair Housing Program Enhancements. As a result, CBO has reduced this package by \$400 to balance to the stated total.

CBO Recommendation: (\$400)

Realign Lents URA Funding for Existing Home Repair and Existing Homebuyer Subsidies, HC_08

Through a realignment in their new \$5 million ongoing base, the bureau proposes shifting \$1,225,072 in current Lents URA allocations for home repair and homebuyer subsidy programs onto the General Fund, allowing PHB to serve current and potential homeowners outside of the Lents URA boundary. The net effect of this switch is twofold: programming will exist outside of Lents, and the TIF resources previously dedicated to home repair and low income homeownership programming will be available either to continue those programs in Lents or to provide additional housing development, as determined through conversations between PHB and Lents community members. This funding could address KPM 6 by providing additional rental units. In addition, PHB has stated that the General Fund homebuyer assistance resources would fund down payment assistance for clients currently in regulated affordable housing, thus providing new unit capacity within the existing affordable housing system. The average cost of a homeownership loan in FY 2014-15 was \$37,000. As a "rule of thumb," the cost to the City of building a new affordable housing unit is \$100,000; thus, this strategy may provide a cost-effective method of increasing the City's affordable housing stock without having to build new units.

However, due to the limited availability of General Fund resources and the magnitude of requests related to the housing and homeless crisis, CBO recommends eliminating this package from the bureau's base budget to enable the funding of other priorities.

CBO Recommendation: (\$1,225,072)

Realign CDBG Funds for Homeownership Programs Administration, HC_09

Through a realignment in their new \$5 million ongoing base, the bureau proposes shifting \$285,000 in Community Development Block Grant (CDBG) funds to the General Fund for the administration of homeownership programs. According to the bureau, homeownership programs funded with CDBG frequently experience barriers for the efficient use of resources: homeowners using CDBG for down payment assistance must have all painted surfaces inspected and in good condition prior to closing, which in the current real estate market is a deterrent to sellers, rendering buyers less competitive; and low-income homeowners living in a flood plain cannot be assisted with these resources if they do not have flood insurance. Both home repair and homeownership programs using CDBG require completion of a lengthy and complicated environmental review process before funds can be committed to a specific process.

CBO recommends eliminating this package from the bureau's base budget to enable the funding of other priorities. While CBO agrees that the program could be more efficiently delivered with General Fund resources, this request does not clearly help the bureau and the City meet established housing emergency KPMs.

CBO Recommendation: (\$285,000)

Realign CDBG Funds and Enhance Programming for Fair Housing Program Administration, HC_17, HC_12

Through a realignment in their new \$5 million ongoing base, the bureau proposes shifting \$113,000 in fair housing programming from being funded by the CDBG federal grant to the General Fund, and also increases the General Fund program support by \$41,628. These investments will support audit testing to uncover issues of housing discrimination, litigation in cases of alleged discrimination, and provide renter advocacy resources especially to underserved populations.

The program enhancements would primarily include \$35,000 for the Safe Housing Project to organize non-English speaking residents in substandard private-market housing to collectively request needed repairs without risking losing their housing. PHB estimates that at least 69,000 non-English speaking households in Multnomah County have a housing cost burden of over 50%. Non-English speaking refugee households are especially vulnerable; because their housing assistance is short term, they do not know their housing rights, and/or they cannot effectively communicate their needs. At the bureau's past two HUD Consolidated Plan hearings, members of refugee groups have attended – not to comment on the Plan, but in search of housing services.

Due to the limited availability of General Fund resources and the magnitude of requests related to the housing and homelessness crisis, CBO recommends eliminating this package from the bureau's base budget to enable the funding of other priorities. CBO recognizes the value and need related to the proposed program enhancement both from a homeless prevention lens and from an equity lens, and

recommends that the bureau prioritize using a portion of existing resources for homeless prevention or renter assistance to serve this priority population.

CBO Recommendation: (\$154,628)

New Rental Unit Rehabilitation (no package)

Through a realignment in their new \$5 million ongoing base, the bureau proposes investing \$1,500,000 in ongoing General Fund resources to provide code upgrades and short-term regulated affordability for 100 rental units in East Portland. The Bureau of Development Services (BDS) has identified 400 multi-family private market rental properties, containing 2,000 units that have outstanding code violations that present fire/life/safety or health/sanitation issues in East Portland.

This investment would provide conditional grants to landlords of rental properties in East Portland with outstanding code violations and with tenants below 60% MFI to fix the code violations. Landlords must agree to maintain the units as affordable for 10 years, as well as provide reporting and property maintenance. If the landlord violates the agreement, they must pay back the grant.

This investment would address 10 properties and an estimated 100 rental units, improving livability for tenants and providing unit affordability for 10 years. The average cost per unit of this investment is \$15,000, or \$1,500 per unit per year of affordability. In comparison, the average cost to the City of an affordable housing unit is \$100,000 for 60 years of affordability²⁶, or \$1,666 per year, and in some cases may not include the full necessary costs associated with addressing ongoing maintenance or unit preservation over the full 60 year term.

CBO is concerned that this program presents a moral hazard: there is no way to be certain that the public funds will be spent on upgrades that would have otherwise been completed without increasing rents on low-income tenants. However, given that rents on average in Portland are rising at a rate of 11%,²⁷ it is very likely that, if unregulated, rents at these properties will be increasing in ensuing months and years. This investment would enhance the City's portfolio of regulated affordable housing units.

CBO recommends retaining this investment in the bureau's ongoing General Fund base. This investment would create 100 units of short-term regulated affordable housing (KPM 6) and also have a long-term impact on maintaining the percentage of housing units citywide that are regulated affordable units (KPM 8). In addition, this investment improves livability and may prevent involuntary displacement. Finally, this is a cost-effective investment in affordable housing and creates regulated affordable units much more quickly than new development, an important factor in addressing the current crisis. CBO further recommends that the bureau prioritize these funds for multi-family properties that include tenants at or below 30% MFI and/or have 2 to 3 bedroom units. Serving the lowest income and providing larger family

²⁶ Per cost estimates provided by Housing Director Kurt Creager to Council during the Comprehensive Plan Housing Element Work Session on 10/8/2015.

²⁷ PHB, through the CoStar Multifamily Residential Market data set, estimates that rents have increased by at least 11% during 2015.

units are what is most needed in Portland's affordable housing stock, but are the most difficult to finance through new development.

CBO Recommendation: \$0

Realign HOME Funds for Tenant-Based Rent Assistance (no package)

Through a realignment in their new \$5 million ongoing base, the bureau proposes shifting \$947,800 in Federal HOME grant funds for tenant based rent assistance (TBRA) to the General Fund. These grants are a key component in successfully supporting individuals out of homelessness and preventing homelessness. However, by using the HOME grant for this purpose, the bureau must process compliance reporting for each of the approximately 100 individuals receiving assistance. This has the negative impact of requiring clients who are homeless to remain so for longer periods of time while providers document eligibility; clients who are receiving homelessness prevention assistance must sometimes move in order to receive assistance; and PHB and Home Forward must dedicate significant staff time to processing, monitoring, and reporting on individual client files.

In addition, the bureau notes that completion of documentation requirements generally takes weeks, and clients frequently lose housing opportunities during the intervening time, as landlords have very little incentive to hold units vacant, especially in the current rental market.

CBO notes that the impact of this proposal is to increase available funding for affordable housing development by \$947,800, and that these funds may be used for development outside of URAs. While CBO has expressed concerns about the capacity in the housing development system to fully utilize additional funds next year, the impact on facilitating the placement of homeless individuals as well as creating more capacity for bureau staff presents a compelling argument for this investment. Thus, CBO recommends maintaining this investment in the bureau's adjusted base budget. This investment may positively affect placement, retention, and homeless prevention KPMs.

CBO Recommendation: \$0

Other Bureau Decision Packages

The following packages were requested by other bureaus in relation to the Housing and Homeless crisis. Please see the requesting bureau review for information on these packages. Of these, CBO is recommending \$78,000 for a Revenue Taxation Specialist IV that will be working on short term rental revenue streams that are now being dedicated to the Housing Investment Fund, as well as \$60,000 to provide eviction prevention services for 42-50 survivor of domestic violence households.

- Support Revenue Collection, MF_31, \$78,000 – Recommended
- Facilities Division – Coordinated Campsite and Homelessness Management, MF_35, \$500,000 – Not Recommended
- Pilot Engagement Around Housing Emergency, NI_02, \$350,000 – Not Recommended
- Eviction Prevention Services, PA_01, \$60,000 – Recommended
- Ranger Expansion to Address Homelessness, PK_03, \$615,716, 8.00 FTE – Not Recommended

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											
<u>Adds</u>											
HC_03 - AHFE - Expanded Veterans Assistance	01	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
HC_04 - AHFE - Safety Off The Streets	02	0.00	0	1,885,300	0	1,885,300	0.00	0	1,135,300	0	1,135,300
HC_05 - AHFE - Perm Housing Placement - Rapid Re-	03	0.00	0	4,487,500	0	4,487,500	0.00	0	3,277,200	0	3,277,200
HC_06 - AHFE - Homelessness Prevention & Diversioi	04	0.00	0	1,100,000	0	1,100,000	0.00	1,100,000	0	0	1,100,000
HC_02 - Citywide Rental Housing Development	05	0.00	0	10,000,000	0	10,000,000	0.00	0	0	0	0
HC_01 - Program Design & Development Coordinator	06	1.00	0	0	104,532	104,532	1.00	0	0	104,532	104,532
HC_14 - Intensive Street Engagement (15-16)	NA	0.00	0	0	0	0	0.00	1,210,300	(1,210,300)	0	0
<i>Total Adds</i>		<i>1.00</i>	<i>0</i>	<i>17,672,800</i>	<i>104,532</i>	<i>17,777,332</i>	<i>1.00</i>	<i>2,310,300</i>	<i>3,402,200</i>	<i>104,532</i>	<i>5,817,032</i>
<u>Reductions</u>											
HC_08 - Shift Lents URA Home Rep/Ownership Proga	NA	0.00	0	0	0	0	0.00	(1,225,072)	0	0	(1,225,072)
HC_09 - Shift CDBG for Homeownership to GF	NA	0.00	0	0	0	0	0.00	(285,000)	0	0	(285,000)
HC_10 - East Portland Homeownership Assistance (Ne	NA	0.00	0	0	0	0	0.00	(223,600)	223,600	0	0
HC_11 - East Portland Home Repair (New)	NA	0.00	0	0	0	0	0.00	(500,000)	0	0	(500,000)
HC_12 - Fair Housing Program Enhancements (New)	NA	0.00	0	0	0	0	0.00	(41,628)	0	0	(41,628)
HC_17 - Shift CDBG for Fair Housing to GF	NA	0.00	0	0	0	0	0.00	(113,000)	0	0	(113,000)
<i>Total Reductions</i>		<i>0.00</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.00</i>	<i>(2,388,300)</i>	<i>223,600</i>	<i>0</i>	<i>(2,164,700)</i>
<u>Realignments</u>											
HC_07 - AHFE - Lead Agency Placeholder	01	0.00	0	0	0	0	0.00	0	0	0	0
HC_13 - Women's Winter Shelter (15-16)	NA	0.00	0	0	0	0	0.00	0	0	0	0
HC_15 - Veteran's Rent Assistance (15-16)	NA	0.00	0	0	0	0	0.00	0	0	0	0
HC_16 - Landlord Recruitment (15-16)	NA	0.00	0	0	0	0	0.00	0	0	0	0
<i>Total Realignments</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>
Total Portland Housing Bureau		1.00	0	17,672,800	104,532	17,777,332	1.00	(78,000)	3,625,800	104,532	3,652,332