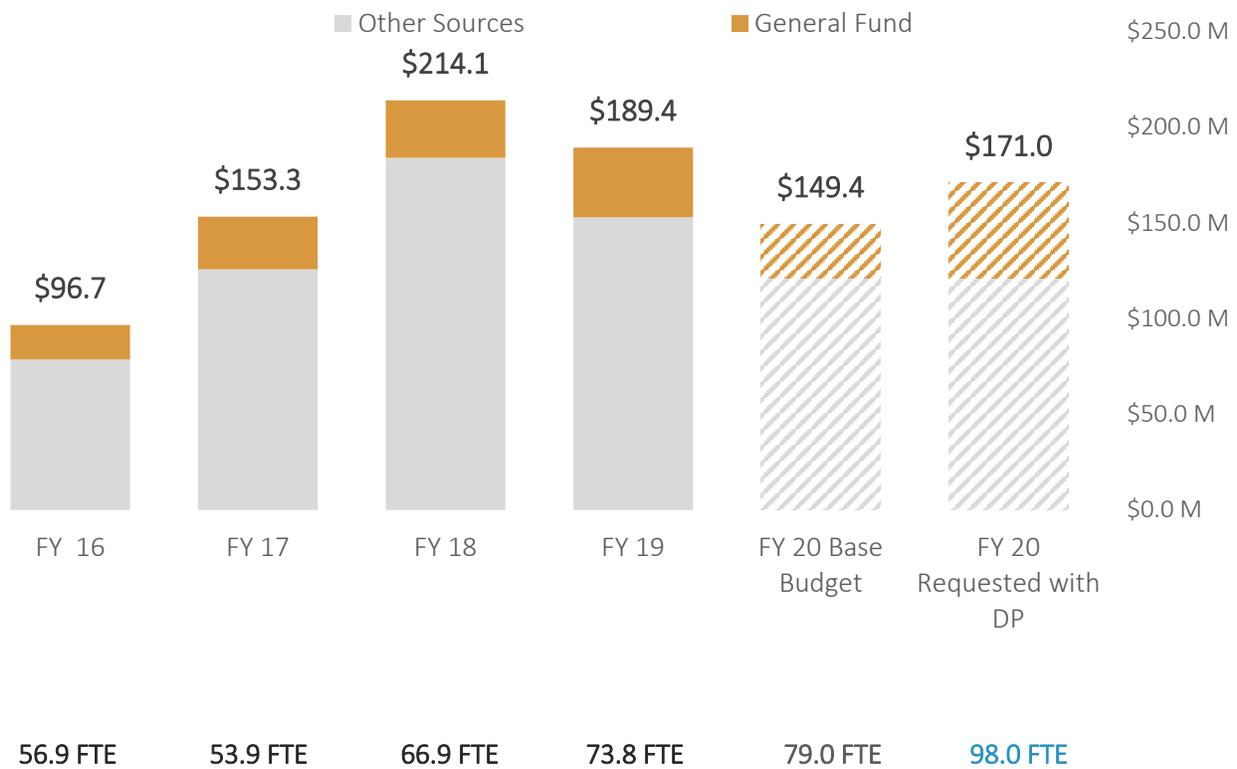




Portland Housing Bureau

Analysis by Jane Marie Ford

Adopted Budget Revenues - 5-Year Lookback



INTRODUCTION

Council recently voted to extend the State of Housing Emergency through April 2021. At that time, Portland will have been in a state of emergency for more than five years.

The primary legal function of the state of emergency is to waive portions of the zoning code to allow for actions and uses not currently permitted. The most recent ordinance takes steps to identify what should be permanently codified, including day storage units, temporary housing,

shelters, and alternative shelter siting, and expedited review of certain affordable housing projects.

The state of emergency has also spurred unprecedented investments and interventions addressing unmet housing need in the City of Portland. As CBO has discussed in prior analysis, the intent has evolved over time from a narrower focus on unsheltered homelessness to a much broader view of the housing spectrum, including affordable housing development, rental services, and home repair.¹

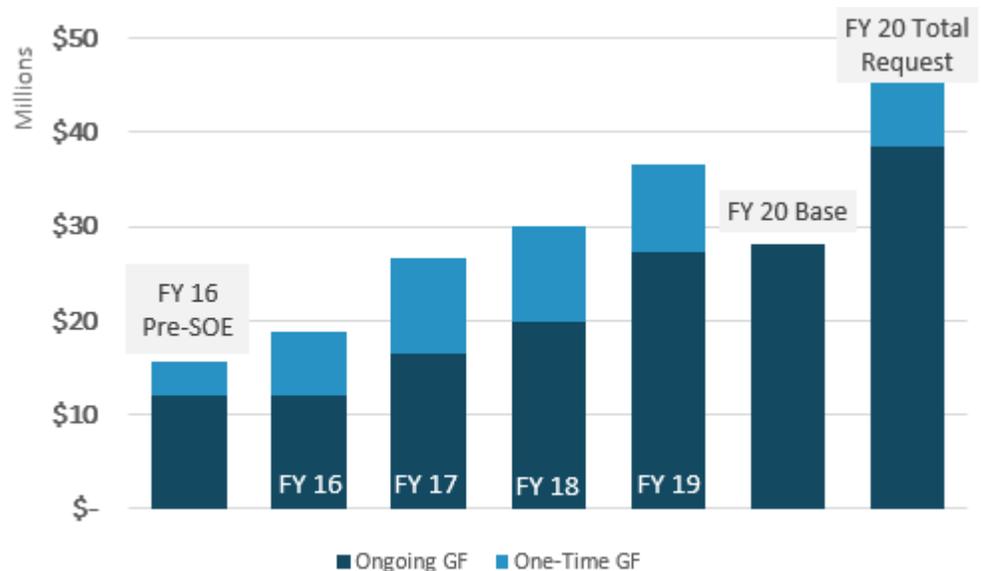
Council’s challenge in FY 2019-20 is to determine the ongoing sustainable funding allocations the City will commit along the continuum, prioritizing funding for target populations and services with proven outcomes, and to work toward securing commitments from other entities.

BASE BUDGET KEY ISSUES

Service Expansion

The expansion of services during the State of Housing Emergency, including homeless services, rental services, and low-income home repair, has primarily been supported with General Fund resources.

In total, Council has increased its annual General Fund allocation for housing and homeless services by 134% - \$20.9 million - since declaring a State of Housing Emergency. This includes an increase of over \$15.1 million in ongoing General Fund resources by allocating new General Fund revenue, increasing the Business License Tax, and reallocating resources through cuts in other programs across the City. The significant majority of this funding (91%) has been for homeless



The increase in General Fund allocated to the Portland Housing Bureau includes a significant portion of one-time resources; there are several requests in FY 2019-20 to continue funding or convert to ongoing resources.

¹ Prior Year Performance Report, FY 2017-18. Available at <https://www.portlandoregon.gov/cbo/article/700405>.

services.

During this same time period, Council allocated an additional \$36.2 million in one-time General Fund resources – the equivalent of approximately one-third of the bureau’s total General Fund allocation.² This reflects: Council’s desire to be responsive to immediate community needs; the significant one-time General Fund resources that have been available in the economic expansion; pilot programs designed to test new service models; evolving service goals; and finally, an expectation that services would ramp down over time and shift toward prevention as outlined in the original A Home for Everyone modeling.

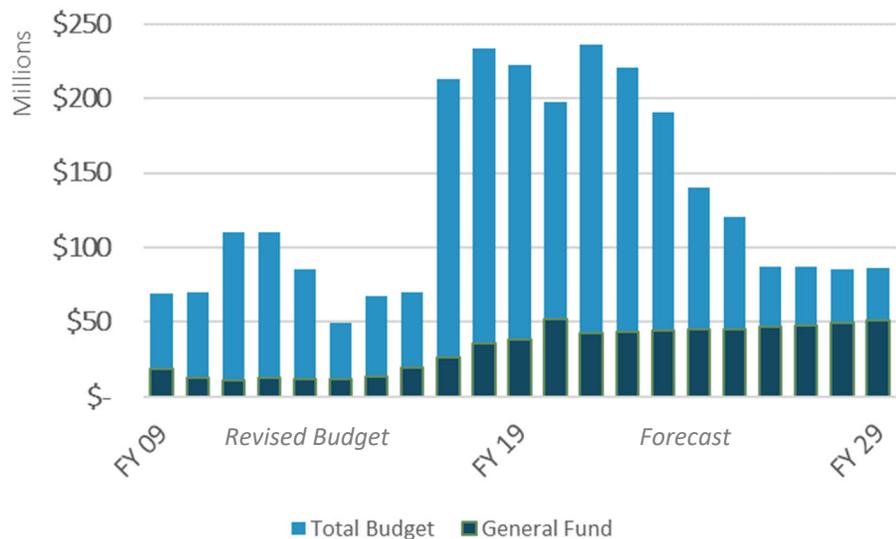
Council has directed the Portland Housing Bureau (PHB or Housing Bureau) and the Joint Office of Homeless Services (JOHS or Joint Office) to submit a total of 11 decision packages in the FY 2019-20 Requested Budget, including several that continue one-time investments or convert one-time funding to ongoing. CBO has provided further analysis on these decision points, tradeoffs, and outcomes below.

Affordable Housing Development

In addition to new General Fund resources, the bureau’s current funding peak illustrated in the graph at right is primarily due to new resources for affordable housing development. This includes an increase in the amount of Tax Increment Financing from Urban Renewal Areas set aside for affordable housing, two affordable housing bonds, the Construction Excise Tax, Inclusionary Housing fees, and property revenue from units currently owned by the bureau.

However, PHB’s fiscal future continues to shift as policies change and new resources materialize. Last year, the bureau anticipated that resources would decline sharply over the next few years, with a final drop in FY 2024-25. In its FY 2019-20 forecast, the bureau still anticipates this drop, but preceded by another rise and a more gradual descent due to two ballot measures that passed in November 2018.³

A 20-year look at the bureau’s budget illustrating the “peaks and valleys” of PHB’s budget story.



² Calculated as a percentage of the bureau’s total Revised General Fund Budget from FY 16 through the current year FY 19 Revised Budget. Numbers in the chart reflect the Revised Budget unless otherwise noted.

³ Both CBO and the bureau have written for many years about the so-called “TIF Cliff,” the projected drop in Tax Increment Financing (TIF) resources created by the expiration of Urban Renewal Areas (URAs). This was originally projected to begin back

The collective impact of these changes not only increases the bureau's five-year forecast, but allows the City to utilize public and private funding partnerships previously not available. This will therefore reduce the City's per-unit investment and increase the number of publicly-financed units that can be supported through current resources.

The bureau is still assessing how this will affect implementation of new and existing bond resources. Looking at housing development more broadly, PHB has noted that another priority for FY 2019-20 is to continue evaluating implementation of the Inclusionary Housing Program. CBO recommends that the City continue to evaluate how the strategies employed to build and operate housing units through both public and private entities a) align with the greatest housing needs and b) impact housing development at all levels of affordability.

NOTABLE CHANGES

Portland Housing Bureau

Staffing Changes

PHB created a total of five new FTE within its base budget, three of which are limited-term. Position allocations are generally split among several funds, reflecting the integrated nature of the bureau's work. In total, the biggest impact is to the Tax Increment Financing Reimbursement Fund (\$252,056), particularly the Interstate Urban Renewal Area. This is consistent with the bureau's priority to continue supporting implementation of the N/NE Neighborhood Housing Strategy. The bureau is also allocating bond resources (\$80,367) and realigning General Fund (\$145,464) to support additional staff work, including the position discussed below.

East Portland Initiative

The bureau is reallocating approximately \$600,000 total in ongoing General Fund resources in its base budget for a new initiative intended to increase affordable housing and stabilize households in East Portland. These resources were part of funding originally allocated for the Rental Rehabilitation program that was never implemented for a variety of reasons, including updated data analysis indicating that fewer properties would benefit from the grants than originally estimated, lack of interest from landlords, and the absence of mandatory inspections and enforcement of outstanding code violations. Instead, funding was reallocated for programs addressing similar goals, including home repair grants to low-income homeowners and the new Rental Services Office.

PHB is now proposing to develop a new program that would include one FTE and \$450,000 to \$500,000 in grants in FY 2019-20 and FY 2020-21 for planning and feasibility studies, community development initiatives providing stabilization and anti-displacement services, and building

in FY 2012-13 but has continued to move forward over time as a) PHB has increased both the number and value of other funding sources and b) Council increased the amount of TIF revenue set-aside for affordable housing development. Absent new funding streams, the bureau's drop in affordable housing development resources projected just beyond the five-year forecast would significantly change the bureau's budget, programming, and focus.

organizational capacity to include historically underrepresented and underserved communities in planning and development. CBO recognizes that this proposal aligns with the East Portland Action Plan and supports Citywide goals to promote equity and address historical underfunding in East Portland. This program is also proposed as a “match” for related efforts outlined in response to a Direction to Develop for Coordinated Community Development. As discussed further below, CBO has not recommended funding for this Coordinated Community Development package given limited General Fund resources in FY 2019-20, but does recommend that coordination between planning, housing, transportation, and economic development be prioritized within bureau operations.

CBO also notes that the resources proposed to create a new East Portland Initiative may be used on a one-time basis to continue the existing high-priority work of the Rental Services Office given limited General Fund resources available in FY 2019-20.

Joint Office of Homeless Services

Staffing Changes

The Joint Office is creating a total of five new FTE in its base budget, four of which are being reallocated from existing City and County General Fund, and one funded through a newly awarded HUD Continuum of Care grant. The Joint Office expects that these realignments will have a neutral to positive impact on service levels and outcomes, as the changes are designed to address challenges reported by providers, bolster JOHS management and monitoring of contracts, and increase capacity to coordinate across systems.

Increasing Quality of Adult Shelter & Services

Another notable shift includes the closure of temporary shelters and opening of two new permanent 24/7 adult shelters scheduled for calendar year 2019. Shelter construction was funded by significant one-time capital investments from the City and County. One shelter will focus on providing services for women and couples, prioritizing women, people with disabilities, and veterans. The second shelter will be referral-based and focus on serving chronically homeless adults previously living in encampments. These shelters are expected to significantly improve service quality, but will require an estimated \$500,000 in additional operating expenditures that will be requested from the City and County. (A Direction to Develop for \$250,000 has since been issued from the Mayor’s Office that will be submitted to CBO for review on February 28th.) This change presents an opportunity to evaluate outcome data for placements out of higher service shelters compared to the current baseline.

DIRECTIONS TO DEVELOP

In FY 2019-20 Budget Development, the current total combined General Fund request from the

Portland Housing Bureau and Joint Office of Homeless Services is \$17.3 million,⁴ \$8.0 million of which is to maintain current year one-time funding and/or service levels. Even if Council were to allocate all new forecasted General Fund resources just to this work, there would not be sufficient funding available based on the latest figures.

The Directions to Develop issued by Council address different points along the housing continuum, acknowledging the balance and connection between interventions for different needs and populations. The City served more people than ever across the housing spectrum in FY 2017-18 and is generally on track to exceed those numbers in FY 2018-19.⁵

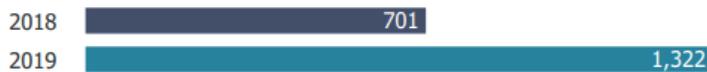
⁴ The total requested General Fund resources shown in the table at the end of this document (\$21.6 million) includes costs that are duplicated across several rental services packages. CBO understands that there are \$17.3 million in unduplicated requests.

⁵ Image source: PHB Data Window, FY 2017-18. <https://www.portlandoregon.gov/phb/article/694104>

Service Area ■ Affordable Multifamily Housing ■ Homeownership Access & Retention ■ Rental Services Office ■ Homeless Services

Measure	FY 17-18 Actual Q1 - Q4	Annual Target	Measure	FY 17-18 Actual Q1 - Q4	Annual Target
Affordable housing units preserved	191	150	Renter clients provided information/referrals	2602	2000
Newly opened affordable rental units	552	500	Renter clients provided direct services	793	465
Households receiving Down Payment Assistance Loans (DPAL)	29	26	Individuals prevented from becoming homeless*	7458	5020
Households receiving Home Repair Loans	56	50	Homeless individuals placed in permanent housing	5591	4317
Households receiving Home Repair Grants	665	550	Households receiving homebuyer education & counseling	1169	975

Affordable rental housing units in the development pipeline



Inclusionary housing (IH) affordable housing units in the development pipeline

Apartments	261
Condos	2

This image, from PHB’s “Data Window,” shows that performance measures and service levels have exceeded annual targets – significantly, in most cases. Current year numbers show continued positive trends for homeless services, renter services, low-income home repair, and affordable housing development.

But even as service levels have dramatically increased, need continues to exceed projections. As CBO noted in the most recent [Prior Year Performance Report](#), this gap is underscored by waitlists for housing placements, rental assistance, home repair dollars, and legal aid. There are outstanding questions about the extent to which this may reflect need that is or was:

- Previously underestimated or not eligible for services
- Influenced by pressures outside of Multnomah County
- Linked to broader cost-of-living, including transportation, childcare, and polarized wages
- Requiring additional support and/or a longer length of service
- Not served effectively through the current service mix, capacity, or providers
- Linked to the persistent affordable housing gap, primarily for units affordable at 0-50% of Area Median Income and funded with support services

This is by no means an exhaustive list, but highlights that the answers to Portland’s housing challenges require partnerships with other public and private entities that influence the downstream service needs. CBO notes this in the context of the significant number of Citywide General Fund requests compared to limited resources. CBO has only recommended funding for programs or costs that are critical to the financial sustainability of the City, and if not funded, the City will incur direct and specific additional costs. This includes costs that meet a funding requirement of a legal mandate and cannot be absorbed within bureau current appropriations.

CBO is further recommending several decision packages for Council to consider funding depending on the resources available, based on impacts to historically under-served communities, outcomes that are supported by data and evidence, address Council priorities or other Council-approved planning documents, and are likely to have meaningful impact on advancing core City services, goals, and performance metrics.

HOMELESS SERVICES

Joint Office of Homeless Services – One-Time Service Funding

DP 7681, \$6,945,350, 0.00 FTE

Direction Language

Since the creation of the Joint Office of Homeless Services (JOHS) in FY 2016-17, the City has contributed a total of approximately \$29.2 million in one-time General Fund resources, based on the original premise of temporarily ramping up service capacity and then shifting toward prevention after June 2017. The City and JOHS have served record numbers of individuals and households through homeless services and related services along the affordable housing spectrum over the past three fiscal years. However, outcome measures do not necessarily reflect a decline in unmet housing need, and waitlists highlight continued demand for services that outpace available resources. Through the Portland Housing Bureau, the Joint Office is requesting one-time resources commensurate with FY 2018-19 one-time General Fund homeless services funding plus inflation.

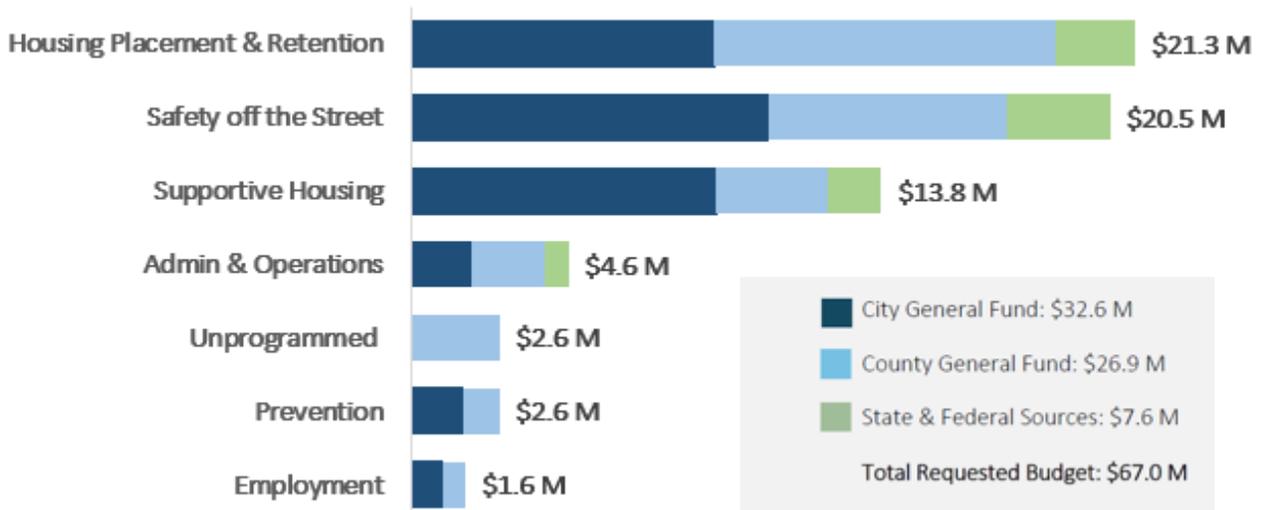
CBO Analysis

The City’s FY 2019-20 ongoing General Fund allocation to the Joint Office is \$24.9 million. The resources requested in this decision package would continue the City’s current year one-time General Fund contribution, for a total FY 2019-20 General Fund allocation of \$31.9 million. This includes preserving the following funded capacity:

- 150 year-round emergency shelter beds (approximately 10% of system capacity);
- 120 permanent housing placements (approximately 2% of the total system capacity);
- 28 youth transitional housing units with 24/7 services

- 50 supportive housing units
- 775 combined diversion and employment assistance
- A multi-disciplinary outreach team that provides housing placement services and rent assistance

In total, this package represents 11% of the Joint Office’s Requested Budget across all funding sources.⁶



As the City faces slower growth in revenues, CBO recommends Council consider the following strategies as we attempt to stabilize the local homeless services system:

Understanding Inflow and Outcomes

Under the expansion of services, there has been significant focus on ramping up capacity to meet new service level targets. There is a need to pivot toward understanding the experience of individuals and families entering into the system and what happens after receiving services.

For example, the Joint Office is currently working to understand what is behind a decrease in verified retention rates for those placed in permanent housing – down to 59% in FY 2017-18 and declining further to 55% in the current fiscal year. The original A Home for Everyone modeling to reduce unmet housing need relied on 85% of households remaining housed. The Joint Office notes that the decline in verified retention appears to be primarily driven by a drop in the number of households with which providers are able to make contact; of those successfully contacted, retention rates are approximately 90%. But as a total, the number of unverified contacts significantly drops overall retention rates; it is unknown how many simply could not be reached versus are no longer in housing.

To understand these numbers, the JOHS is first using a process improvement lens to review

⁶ This includes recently issued Directions to Develop that are not represented in the City’s Requested Budget.

provider practices and identify barriers in the follow-up process that might be contributing to a reduction in contacts. The next step is to focus on qualitative and quantitative data reported by providers, in the Homeless Management Information System (HMIS), and elsewhere to understand outcomes. Are there meaningful differences in retention and return to homelessness based on the type of placement, what additional services are included, by what providers, for which populations? What does intake data from shelters and other providers highlight about households' needs and experiences?⁷

Looking Upstream

CBO recommends continuing to analyze connections to other systems and jurisdictions. There are currently several state-level efforts in progress that the City should champion, including continued support for statewide HMIS implementation, integration health system data through Coordinated Care Organizations, and analysis of discharge data from hospitals and the criminal justice system to identify opportunities to better serve individuals transitioning into housing. As discussed above, this analysis will help to highlight the costs being transferred from other systems to local jurisdictions managing the downstream housing and homelessness needs.

This information will help to guide implementation of local and regional supportive housing plans. The City and County together committed to add 2,000 new units of supportive housing over a ten-year period. While 517 new units have come online, securing ongoing operation and service dollars remains a significant outstanding liability – an estimated \$43-\$47 million required annually with a currently unknown funding gap.⁸ Partnerships across jurisdictions and sectors are required to bring this plan to scale. Some of this work has been outlined through the recently completed Tri-County Equitable Housing Strategy to Expand Supportive Housing for People Experiencing Chronic Homelessness. This report notes that the counties are more likely to secure statewide and regional resources by working together rather than through siloed individual approaches.

Summary and Recommendation

Council has clearly made funding homeless services a priority. The Joint Office and its providers have demonstrated the ability to meet and exceed service targets, with a focus on reducing historical disparities in service levels and outcomes. Allocating continued one-time resources will continue to match record service levels. CBO has also highlighted the need to shift toward a more robust evaluation of the outcomes of those investments to understand how services are helping individuals and households in the long-term.

⁷ There have been ongoing discussions on how to collect both quantitative and qualitative data to supplement what is currently provided through formal systems. The Center for Social Innovation SPARC (Supporting Partnerships for Anti-Racist Communities) project on racism and homelessness will be providing analysis from its work in Portland in the coming months. See <http://ahomeforeveryone.net/sparc> for more information.

⁸ Analysis provided on the report *Scaling Resources, Doing What Works: A System-Level Path to Producing 2,000 Units of Supportive Housing in Portland and Multnomah County*. September 2018.

Given limited resources, CBO recommends that Council fund this package to the extent that resources are available. CBO further recommends that the City and County secure commitments from other partners that have a vested interest in and impact on the local homeless services, which may include other governments, private partners, and the Visitor Facilities Intergovernmental Agreement negotiations that could result in \$5.0 million for supportive housing.

RENTAL SERVICES

The Rental Services Office (RSO) was established in 2017 and provides data analysis, policy development, and contracting for services related to fair housing and landlord-tenant law. In addition to providing significant direct and indirect services related to outreach, education, and legal assistance, the workload of this office been influenced by policies adopted by Council, including implementing mandatory relocation assistance for renters who experience a no-cause eviction or other specific events. The offices' budget has been funded through a combination of Community Development Block Grant resources and both one-time and ongoing General Fund.

In the first two years of operation, the Rental Services Office has significantly exceeded service targets – in the first quarters of FY 2018-19 alone, the program had achieved 78% of the total annual target for information and referrals and 98% for direct services. Year-to-date actuals show that significant funding is still available; it is not clear to CBO if this is tied to the timing of contracts or whether this represents continued underspending trends from the prior year. CBO recommends that the bureau work with providers to analyze spending data and determine more accurate service cost estimates. This may impact projections for what resources in FY 2019-20 are required to maintain current *service* levels versus current funding levels.

CBO further recommends that PHB partner with providers to review the outcomes of these services, which broadly relate to stabilization, anti-displacement, cost burden, and compliance. What are the short- and long-term outcomes for clients, and do these vary based on type of service, by what providers, for which populations? It may also be useful to follow the experience of individuals and households who access services at different places along the housing continuum.

There is \$1.4 million for rental services in the bureau's FY 2019-20 base budget, which includes both Community Development Block Grant and General Fund resources. In response to eight Directions to develop from three members of Council, the bureau has submitted packages requesting an additional \$13.5 million for the following:

General Fund Discretionary

Decision Package	Ongoing	One-Time	Total
<u>Continuation of Services</u>	509,300	515,000	1,024,300
<u>Increase Staff Capacity</u>	311,318	15,000	326,318
<u>Rental Registration Expansion</u>	750,000	775,000	1,525,000
<u>Convert New Fee-Based Programs to Ongoing</u>	2,782,038	-	2,782,038
<u>Screening Criteria Implementation</u>	427,980	551,520	979,500
<u>Rental License</u>	1,241,338	928,520	2,169,858
<u>Landlord/Tenant Notices</u>	2,113,095	25,000	2,138,095
<u>Universal Evictions Defense</u>	2,550,388	-	2,550,388
Total	\$10,685,457	\$2,810,040	\$13,495,497

Combined, these requests would provide direct services to an estimated 7,500 clients and result in the range of approximately 14,000 and 29,000 direct contacts, as well as additional outreach and noticing to renters, landlords, and/or owners. (For more details, please see Appendix A.) In general, these are low-confidence numbers due to the lack of historical data and outstanding decisions for Council about how certain programs would be implemented.

Given limited General Fund resources available in FY 2019-20, CBO recommends the following:

- The bureau should work with providers to estimate current year spending and determine what may be carried over into FY 2019-20 for continued services.
- As discussed further below, PHB should work with the Revenue Division to develop Rental Registration Fee scenarios for Council consideration.
- To the extent these resources are insufficient to support the bureau and Council’s priorities for FY 2019-20, CBO recommends that the bureau delay implementation of the East Portland Initiative in order to reallocate funding for rental services. This is in alignment with the goal of both programs to promote stabilization and reduce displacement for low-income households.

CBO has provided additional analysis on individual decision packages below, which include a wide array of polices, programs, and services. CBO recommends that Council work with the bureau and Rental Services Commission to clarify long-term goals for the program and identify sustainable ongoing service levels.

Rental Services Continuation

DP 7683, \$1,024,300, 3.00 FTE

Direction Language

The Housing Bureau is directed to request \$800,000 in one-time General Fund to maintain the

Rental Services Office' current service level until a Rental Registration Fee is implemented in FY 2020-21.

CBO Analysis

The bureau has requested a total of \$515,000 in one-time and \$509,300 in ongoing General Fund resources to a) maintain FY 2018-19 funding levels for services, b) allocate ongoing funding to two positions funded on a one-time basis in the current year, and c) add a new program manager to oversee the Rental Services Office. The one-time funding request is based on the expectation that a Rental Registration fee will be implemented to support ongoing administration and services.

However, as noted above and discussed further below, no fee structure has been proposed at this point. CBO recommends that the bureau work with the Revenue Division to develop fee scenarios prior to FY 2019-20 budget adoption. If additional funding is needed prior to fee revenue being available, given limited General Fund resources, CBO recommends that the bureau consider the alternative one-time funding sources noted above to support continued services in FY 2019-20. To the extent that maintaining current service levels in the Rental Services Office is the bureau's highest priority, CBO would recommend that PHB consider the tradeoffs of allocating ongoing General Fund within the bureau's base budget to close this funding gap in FY 2019-20 compared to developing new programming. CBO also notes that the full proposed funding levels for the East Portland Initiative may not be required in FY 2019-20 given the time required to run a grantmaking process. Additionally, the bureau may have one-time carryover from RSO vacancy savings and potential contract underspending based on year-to-date expenditures.

CBO Recommendation: \$0 | 0.00 FTE

Increase Staff Capacity

DP 7824, \$326,318, 3.00 FTE

Direction Language

PHB is directed to request funding to double current Rental Services Office staffing levels to meet current and anticipated future service needs, including implementation of potential additional tenant protection policies.

CBO Analysis

The 3.0 FTE requested in this decision package are duplicative of the staff requested in the Rental Services Continuation package directly above. This includes providing ongoing funding to convert two staff to permanent FTE and adding a new program manager in order to support the offices' current service levels.

CBO notes that the total number of FTE required to staff the Rental Services Office greatly depends on the choices that Council makes related to policies, programs, and regulations, and

encourages continued discussion between PHB and Council to identify the full fiscal impact of Council actions on bureau operations.

CBO Recommendation: \$0 | 0.00 FTE

Rental Registration Expansion

DP 7682, \$1,525,000, 0.00 FTE

Direction Language

In FY 2018-19, PHB worked with the Revenue Division to adapt the existing Business License Tax platform to collect basic information regarding all rental units in the City of Portland. In FY 2019-20, the bureau is directed to procure an independent system that will be able to expand data collection to include additional information about the characteristics of units, such as bedroom size, Americans with Disabilities Act accessibility, and more.

CBO Analysis

The City allocated a total of \$848,000 in FY 2018-19 to implement a Rental Registration system. This included \$648,000 in the Revenue Division for technology and project costs related to adapting the existing Business License Information System (BLIS) platform to include all rental units. An additional \$200,000 was provided to PHB for outreach to landlords about this new requirement.

The Revenue Division is in the process of retiring BLIS, which will be replaced with a new Integrated Tax System (ITS) by 2022. The critical decision point for Council in FY 2019-20 is whether Rental Registration should be included in development of ITS or housed in a separate software solution procured and managed by the Housing Bureau, which is estimated to cost between \$630,000 and \$1.3 million (\$5 to \$10 per unit) and require ongoing maintenance costs between \$600,000 and \$700,000 annually. This does not include the costs incurred by the Revenue Division.

The key reasons driving the proposal to procure a separate system include:

- The current platform only allows the City to collect the address and number of units through rental property owners' tax returns. The bureau would like to expand data collection to help inform policy development. As noted above, this could include details about rental condition, bedroom size, accessibility, and more.
- The bureau would like to offer rental property owners a platform that will save their inventory to be updated each year, which the current system cannot accommodate.

CBO recommends that PHB, the Revenue Division, and the Commissioner-in-Charge clarify whether it is feasible to accommodate rental registration data collection in the new Integrated Tax System (estimated to cost as much as \$30.0 million over three years) before allocating new resources to procure and manage a separate platform. The bureau notes that conversations with

Revenue are in progress and that it should be identified how the cost of the off-the-shelf program for rental registration compares with adding these requirements into the new tax system.

CBO Recommendation: \$0

Convert New Fee-Based Programs to Ongoing

DP 7686, \$2,782,038, 1.00 FTE

Direction Language

PHB and the Revenue Division were directed to propose appropriate fee levels to support two new programs created in FY 2018-19, the Rental Registration system and Accessory Dwelling Unit (ADU) System Development Charge (SDC) Waiver program. The proposal should also include information about different fee scenarios for the Rental Registration Program fee to help fund other services related to housing, homelessness, and/or rental monitoring inspections.

CBO Analysis

The bureaus did not bring forward fee scenarios, as the total costs are dependent upon choices Council is making in FY 2019-20 budget development. The current total estimated cost for rental unit registration system expenses and all Rental Services Office operations is \$3.3 million. PHB's proposed budget to be included in the Rental Registration fee would cover a) all services currently provided by the Rental Services Office, b) all Rental Services Office staff, including the three positions requested in the decision package above, and c) ongoing costs associated with managing a separate Rental Registration system.⁹ The Revenue Division has requested one-time General Fund resources to cover the anticipated cost of continuing to manage Rental Registration through the existing Business License Tax platform (a total of 3.0 FTE given the estimated 126,000 units that would be subject to this requirement).

CBO recommends that PHB and Revenue return to Council with fee scenarios that consider the following:

- The ongoing level of outreach, education, and legal services that will be provided through the Rental Services Office and funded through a Rental Registration fee;
- The ongoing roles and responsibilities of each bureau, as this impacts what costs would be factored into a registration fee;
- Whether Rental Registration will be incorporated into the new Integrated Tax System; and
- Whether the City intends to pursue a mandatory inspection program.¹⁰

Given limited General Fund resources, CBO recommends that the Revenue Division and PHB

⁹ The current Rental Services Office budget includes \$780,211 in Community Development Block Grant (CDBG) resources.

¹⁰ For previous analysis on the role of mandatory inspections and rental registration, please see CBO's FY 2018-19 requested budget analysis at <https://www.portlandoregon.gov/cbo/article/675823>.

bring an action before Council to establish fees for the Rental Registration program prior to the adoption of the FY 2019-20 budget. The fee scenarios should specify what costs are recovered for both bureaus. As noted in CBO's FY 2018-19 budget review, the Quality Rental Housing Workgroup provided analysis and recommendations related to these issues in 2008 after a yearlong process including extensive public outreach and input.

CBO Recommendation: (\$0 ongoing) | (\$0 one-time) | 0.00 FTE

Screening Criteria Implementation

DP 7823, \$979,500, 2.00 FTE

Direction Language

PHB is directed to provide a six-month implementation plan for anticipated proposed new policies related to screening criteria and security deposit regulations. This includes trainings, mailings, website, and staffing to manage anticipated calls and visits.

CBO Analysis

PHB's responding package to the direction requests \$551,520 in one-time and \$427,980 in ongoing General Fund resources to implement this policy, including at least 2.0 FTE, materials for outreach, education, and translation, and contracts with culturally-specific and/or industry associations to help host trainings and information sessions.

These policy changes have not yet been brought before Council. As such, CBO recommends that the bureau continue to work with the Commissioner and City Budget Office to develop more detailed cost estimates to implement the proposed policy so that Council can consider the one-time and ongoing fiscal impact of this decision. CBO also notes that the timing of the proposed policy may impact whether these costs require resources in FY 2018-19, as the Direction to Develop anticipates workload ramping up in Spring 2019.

CBO Recommendation: \$0 | 0.00 FTE

Long-Term Requests – Rental Services

There are three Directions to Develop that were described as “long-term” potential programs for which the bureau was asked to provide a preliminary cost estimate.

Given limited resources and outstanding questions about fee revenue and service outcomes, CBO has provided a summary of the proposal, noted potential key issues, and recommends that the bureau work with Council to refine policy direction based on further analysis, but does not recommend any new funding at this time.

Rental Licensing

DP 7825, \$2,169,858, 5.00 FTE

Direction Language

The City may in the future consider creating a rental licensing program that would use mandatory inspections to ensure safe housing and compliance. The bureau is directed to develop a proposal to implement such a program.

CBO Analysis

PHB notes that rental licensing requirements vary widely across jurisdictions; the most comprehensive approach pairs 1) registration, 2) mandatory inspections, and 3) certification for landlords to be eligible to manage rental units. This decision package only models costs for the third component, which would be a new service requiring landlords to attend a City-sponsored course on local rental laws and best practices, complete an exam demonstrating competency, apply for a license, and periodically renew that license following the same process. The decision package includes \$1,241,338 in ongoing and \$928,520 in one-time General Fund resources to implement this program.

CBO notes that mandatory inspections are typically required in order to implement licensing programs, which would significantly increase the cost of operating this program.¹¹ It may be possible to scale the program based on targeted or “performance-based” rental licensing, which focuses renewals, inspections, and fees for landlords with outstanding code violations or other issues.¹²

Landlord/Tenant Notices

DP 7826, \$2,138,095, 4.00 FTE

Direction Language

This policy would require that tenant notices of any kind a) conform to a specific template and b) are submitted to the City as well as the tenant. The bureau is directed to develop a proposal to implement such a program.

CBO Analysis

It is not clear to CBO whether there are any jurisdictions that currently maintain such a requirement. The City could choose to approach this from an enforcement perspective or as part of efforts to increase education and resources for landlords to help them comply with regulations and best practices. There may be benefits to providing sample language and templates that landlords could choose to use to help ensure that communications with tenants are clear, accessible, translated into the safe harbor languages as required, and in compliance with fair housing law. It is not clear based on the information available at this time what the benefits or desired outcomes would be from enforcing submission and review of all notices, projected to be somewhere between 125,000 and 375,000 annually. The bureau expects that this would require

¹¹ Center for Community Progress. <http://tinyurl.com/y2w4bdu5>.

¹² Bacher, Jessica, Targeted Rental Licensing Programs: A Strategic Overview. American Bar Association Section of State and Local Government Law 2016 Spring Meeting. <http://tinyurl.com/y5obzgsr>.

four FTE.

CBO recommends that the bureau continue to work with Council and the Rental Services Commission to determine the most critical need for developing standard noticing requirements and templates and better assess the return on investment for any enforcement of such regulations.

Universal Evictions Defense

DP 7827, \$2,550,388, 1.00 FTE

Direction Language

This program would expand legal services to cover eviction defense for all tenants. The bureau is directed to develop a proposal to implement a program similar to what has been done in New York City.

CBO Analysis

The cost estimate submitted by the bureau would provide legal representation for all eligible tenants facing a Forcible Entry and Detainer (FED) court case, an average of 7,000 cases annually in Multnomah County. The current proposal does not include any income restrictions, but the bureau recommends providing services to those at or below 60% AMI. PHB's decision package includes one program coordinator and approximately \$2.4 million for contracted legal services.

PHB is currently wrapping up analysis of a legal services eviction pilot funded in FY 2017-18. A full report will be provided later in the Spring. Preliminary results indicate that a large number of participants benefited from a one-time small grant – usually between \$800 and \$1,400 - to pay outstanding rent. The case was resolved, and the tenant was able to move forward without further assistance. The study also highlighted the benefit of “brief” legal counseling, as this can help to resolve cases more quickly. CBO recommends that the bureau and Council use the findings of this pilot to evaluate the most effective service options to reduce evictions. The Rental Services Commission also discussed the potential role of mediation in resolving both evictions and other landlord/tenant conflict.

For additional information on this policy in New York City, please see Appendix B.

INCLUSIONARY HOUSING

Inclusionary Housing Market Analysis

DP 7685, \$150,000, 0.00 FTE

Direction Language

Directs the bureau to conduct a market analysis to provide guidance for recalibration of Inclusionary Housing incentives and requirements to align with current market realities. The cost of an independent, comprehensive market analysis is estimated at \$150,000.

CBO Analysis

Although the bureau has increased the number of FTE allocated to policy and data analysis, PHB notes that the level of economic complexity associated with this work likely requires outside expertise. There is also a desire to engage an independent vendor given the level of scrutiny related to zoning and development.

Given limited General Fund resources, CBO recommends that the bureau prioritize funding within its existing budget. The bureau has also increased the number of FTE allocated for policy and data analysis; in order to reduce contract requirements, CBO suggests considering whether some of this work could be completed in-house or in collaboration with staff in other City bureaus that possess the expertise required to carry out this analysis.

CBO Recommendation: \$0

COMMUNITY PLANNING & DEVELOPMENT

Coordinated Community Planning and Development in East Portland, Southwest Corridor, and Northeast Portland

DP 7719, \$1,000,000, 0.00 FTE

Direction Language

Collectively, Prosper Portland, Portland Bureau of Transportation, Portland Housing Bureau, and the Bureau of Planning and Sustainability were directed to develop a decision package to coordinate community planning and development initiatives in three geographical areas of Portland: East Portland, the Southwest Corridor, and North/Northeast Portland.

CBO Analysis

The three project areas are comprised of independent initiatives tied together with common goals. Currently, partner bureaus are conducting projects in various stages in these communities; however, efforts are not always coordinated regarding communications, community outreach, implementation, or outcomes. The partner bureaus state the goal of this multi-bureau package is to “coordinate communication, improve bureaus’ collective community development practices, clarify roles, and make the impact of our shared equity goals more real.” This request highlights a significant effort to coordinate community development workplans among bureaus to maximize effectiveness and deliver on project goals, especially as related to equitable development outcomes and community benefits. Projects would be coordinated by a team of bureau senior managers who would report to the Planning and Development Directors on project progress.

Many of the projects align with Council project and policy priorities, including ongoing work on the 2009 East Portland Action Plan, implementation of the Southwest Corridor Equitable Housing Strategy and coordination on the I-5 Rose Quarter Improvement Project to ensure its alignment with the City’s N/NE Quadrant Plan and the Albina Vision (a community-based plan for the Rose

Quarter), among other initiatives. Bureaus were directed to work with the Bureau of Revenue and Financial Services to identify a City funding strategy for continuation and stabilization of these efforts, including property and asset management.

Across all bureaus, the requested amount of General Fund one-time resources is \$2.4 million, including:

Prosper Portland: \$723,000 for Prosper Portland to identify specific funding needs and options for future coordinated real estate and infrastructure development in the three project areas, including leveraging of grants and/or the implementation of new Tax Increment Financing (TIF) Districts.

PBOT: \$125,000 to support equity impact methodology development and analysis on its projects in the three communities, including Division Bus-Rapid-Transit, the 2009 East Portland Action Plan, the Southwest Corridor Equitable Housing Strategy, and I-5 Rose Quarter Improvement Project, among others.

PHB: \$1,000,000 to establish a Land Acquisition Fund for affordable housing investments. This would be used as a financing tool to develop and/or preserve “naturally occurring affordable housing,” which are unregulated units currently affordable to families earning approximately 80% of Area Median Income.

BPS: \$520,000 to serve as one of the chief bureau coordinators of this project, in addition to providing services in area planning, land use research and analysis, urban design, zoning map and code amendments, and community engagement on projects in the three communities.

Review of PHB’s Request

The bureau’s five-year forecast shows several million dollars in geographically flexible resources available in FY 2019-20 and FY 2020-21 that have not yet been allocated for specific projects and could be utilized to create a land acquisition fund. This includes the new Metro regional affordable housing bond, which is anticipated to yield \$200 million for the City of Portland. The bureau is also currently updating the Portland Affordable Housing Bond implementation plan based on changes at the state level noted above, which may free up more resources for this purpose if this is a bureau and Council priority.

Recommendation

In general, CBO recommends that formalized, multi-bureau coordination continue irrespective of whether new resources are allocated in FY 2019-20, given the interconnectedness of partner bureau’s efforts and workplans. This is in line with previous CBO recommendations to preserve funding for a Program Coordinator within BPS that would be allocated to this specific role, ensuring that the City’s long-term development objectives are reflected in plans, projects, and investments. Prioritization of bureau coordination on planning and development projects within partner bureaus’ base budgets will ensure this effort is ongoing. Currently, there is insufficient designated outcomes and details regarding the intersection of these separate bureau initiatives

for CBO to recommend allocation of limited available discretionary resources towards this effort.

CBO Recommendation: \$0

SUMMARY OF REQUESTS AND RECOMMENDATIONS

Below is a summary of the Portland Housing Bureau's total budget.

	Adopted FY 2018-19	Request Base (A)	Bureau Decision Packages (B)	CBO Recommended Adjustments (C)	Total Recommended Revised (A+B+C)
Resources					
Beginning Fund Balance	\$ 26,153,481	\$ 15,176,834	\$ -	\$ -	\$ 15,176,834
Taxes	4,972,500	4,100,000	-	-	4,100,000
Charges for Services	5,036,376	6,538,817	-	-	6,538,817
Intergovernmental	83,737,038	74,432,722	-	-	74,432,722
Interagency Revenue	119,320	130,808	-	-	130,808
Fund Transfers - Revenue	1,194,767	1,068,399	-	-	1,068,399
Bond & Note Proceeds	23,436,307	16,350,000	-	-	16,350,000
Miscellaneous	8,623,481	3,483,891	-	-	3,483,891
General Fund Discretionary	36,103,775	28,087,726	21,590,847	(21,590,847)	28,087,726
Total Resources	\$189,377,045	\$149,369,197	\$21,590,847	(\$21,590,847)	\$149,369,197
Requirements					
Personnel	\$ 8,768,660	\$ 9,911,323	\$ 1,769,107	\$ (1,769,107)	\$ 9,911,323
External Materials and Services	150,072,917	133,466,086	18,206,020	(18,206,020)	133,466,086
Internal Materials and Services	2,011,038	2,144,619	1,615,720	(1,615,720)	2,144,619
Capital Outlay	20,838,750	500,000	-	-	500,000
Debt Service	2,592,479	1,468,750	-	-	1,468,750
Fund Transfers - Expense	1,663,251	1,538,104	-	-	1,538,104
Contingency	3,429,950	340,315	-	-	340,315
Total Requirements	\$189,377,045	\$149,369,197	\$21,590,847	(\$21,590,847)	\$149,369,197

APPENDIX A: RENTAL SERVICES OFFICE

Summary of Service Level by Decision Package

	Below 60% AMI Renter Households	All Renter Households	Owners of Rental Property	Landlords Managing Rental Property
<i>Estimated Total Population</i>	<i>55,000 to 60,000</i>	<i>120,000</i>	<i>20,000 to 30,000</i>	<i>Unknown</i>
Continuation of Services <i>Contracted education and legal services; direct mail and in person education and outreach; full-time technical assistance staff; mandatory relocation assistance administrative processing; rental unit registration; policy and planning</i>	2,500 indirect services; 500 direct services	2,700 to 3,000 direct contacts		
Increase Staff Capacity	<i>Staff requested in this decision package are included in the package above.</i>			
Rental Registration Expansion <i>Direct mail and in person education and outreach; registration software platform; registration management</i>	No services during procurement of software system			
Screening/Security Deposit Assistance <i>Direct mail and in person education and outreach; full-time technical assistance staff</i>	2,400 to 4,800 direct contacts			
Landlord Licensing <i>Standards and guidelines for landlords in the City of Portland; direct mail and in person education and outreach; full-time technical assistance staff; testing and licensing software platform; license issuance and management</i>				All landlords needing a license (unknown)
Landlord-Tenant Notices Filing <i>Standardized applications and forms; direct mail and in person education and outreach; full-time technical assistance staff; notice filing software platform; notice collection</i>			6,250 to 18,750 direct contacts	
Universal Defense <i>Eligibility screening; legal counsel; legal services in negotiation and dispute resolution; legal representation at trial; referral to services</i>	7,000 direct services			

APPENDIX B: UNIVERSAL DEFENSE IN NEW YORK CITY

The following is a summary of the case studies noted in the Universal Defense Direction to Develop.

Right to Counsel

In 2017, New York City became the first jurisdiction in the United States to commit to providing access to legal services for all income-eligible tenants facing eviction. The Office of Civil Justice in the New York City Human Resources Administration just released the first annual report for the Universal Access program, which is being phased in over five years.¹³ The report highlighted continued positive trends that pre-date the program, including fewer residential evictions executed by City Marshals and a higher percentage of legal representation for tenants facing eviction.

In the last quarter of FY 2018, 34% of tenants appearing in Housing Court for evictions had legal representation; this figure was 58% for tenants in the first zip codes to be phased into Universal Access.¹⁴ The significant majority of these cases resolved favorably, with 83% of tenants represented by the Office of Civil Justice legal providers allowed to remain in their residence.¹⁵ The report does not provide comparison data for tenants represented by other legal counsel or unrepresented in court.

The Direction to Develop cites a study commissioned by the Right to Counsel NYC Coalition and the New York City Bar Association to provide fiscal analysis on costs and savings associated with the proposed Universal Access legislation (Intro 214-A).¹⁶ The study suggested that the total annual savings to the City could be as high as \$320 million, in contrast with prior fiscal analysis estimating a net cost in the range of \$66 to \$203 million. Some of the key differences between the analyses include changes to the proposed legislation, including increasing the income eligibility threshold, and different assumptions about the number of households that would benefit from the program. Most significantly, the cited study factored in the cost of constructing new affordable housing on a 1:1 ratio with evictions from private rent-regulated units.

Right to Shelter

Due to several key lawsuits in the early 1980s, New York City has a legal obligation to provide shelter to homeless families and single adults, and as of November 2018 housed 63,498

¹³ Office of Civil Justice, New York City Human Resources Administration, Universal Access to Legal Services. Fall 2018. Available at <http://tinyurl.com/y37e66r2>.

¹⁴ Ibid, pg. 4

¹⁵ Ibid, pg. 20

¹⁶ Stout Risius Ross, Inc., The Financial Cost and Benefits of Establishing a Right to Counsel in Eviction Proceedings Under Intro 214-A. Available at <http://tinyurl.com/y5bgzdw2>.

individuals every night in the municipal shelter system.¹⁷ While there is no eligibility process for single adults, based on court orders and other regulations, families must meet specific eligibility criteria in order to be placed into the system. Analysis conducted by the New York City Independent Budget Office (NYCIBO) cited in the study above looked at inflow of families into the shelter system from 2002 to 2012.¹⁸

The analysis found significant increases in domestic violence and eviction as the reason for entry into shelter of the ten-year period. This was consistent with broader Citywide trends, but at a much higher magnitude for families seeking shelter. The NYCIBO combined this information with court data to project the impact of providing low-income tenants with legal representation in Housing Court on reducing shelter entrants – estimated at 28% in the family system and 7% for single adults.¹⁹

¹⁷ Coalition for the Homeless, Homelessness in New York City. Updated February 2019. Available at <http://tinyurl.com/yyyy5rp7>.

¹⁸ New York City Independent Budget Office, The Rising Number of Homeless Families in NYC, 2002-2002. November 2014. Available at <http://tinyurl.com/yxjwqda>.

¹⁹ New York City Independent Budget Office, Testimony of Elizabeth Brown. September 2016. Available at <https://ibo.nyc.ny.us/iboreports/housing-legal-services-testimony-september-2016.pdf>.