

Prior Year Performance Report

Fiscal Year 2018-19



City
Budget
Office

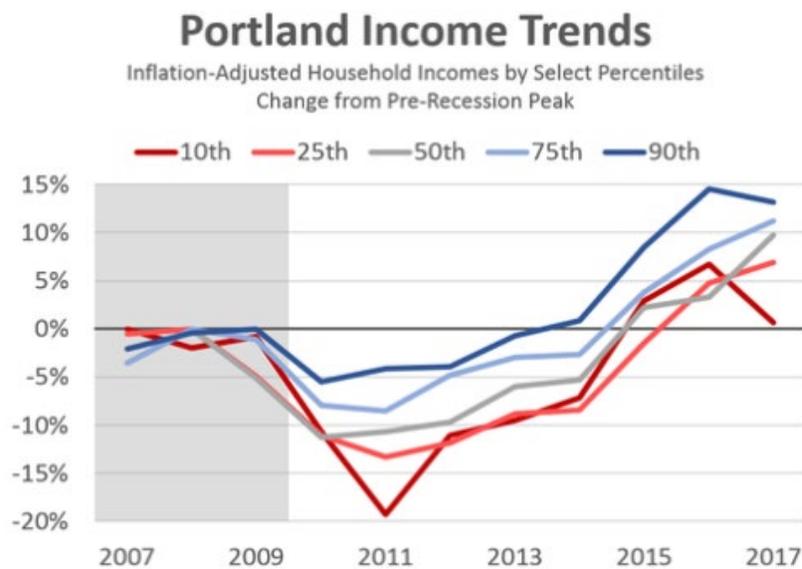
Building Shared Growth for a Changed Portland

Introduction

Portland today is not the same city it was at the beginning of this decade. According to the U.S. Census, the city's population grew by nearly 12% between 2010 and 2018, a growth rate that was 3.4 percentage points higher than the average growth rate for the 100 U.S. cities with the largest populations in 2010.¹ Portland's economy has grown significantly as well over this same time span. The Oregon Office of Economic Analysis found that the Portland metro area's income growth from 2007 to 2018 ranks fourth fastest among the 100 largest metro areas in the country.² This is further evidenced in that Portland has had positive year-over-year growth in employment since 2010.

This growth creates new opportunities for the Portland community, but also poses significant challenges for City government as it seeks to ensure that infrastructure and City services expand to meet the needs of a larger city. The City is responding to these challenges across the service areas covered in all topics of this report, with specific focus on the processes by which it manages development, which affects both the availability and affordability of housing and the ways that housing fits into cohesive neighborhoods.

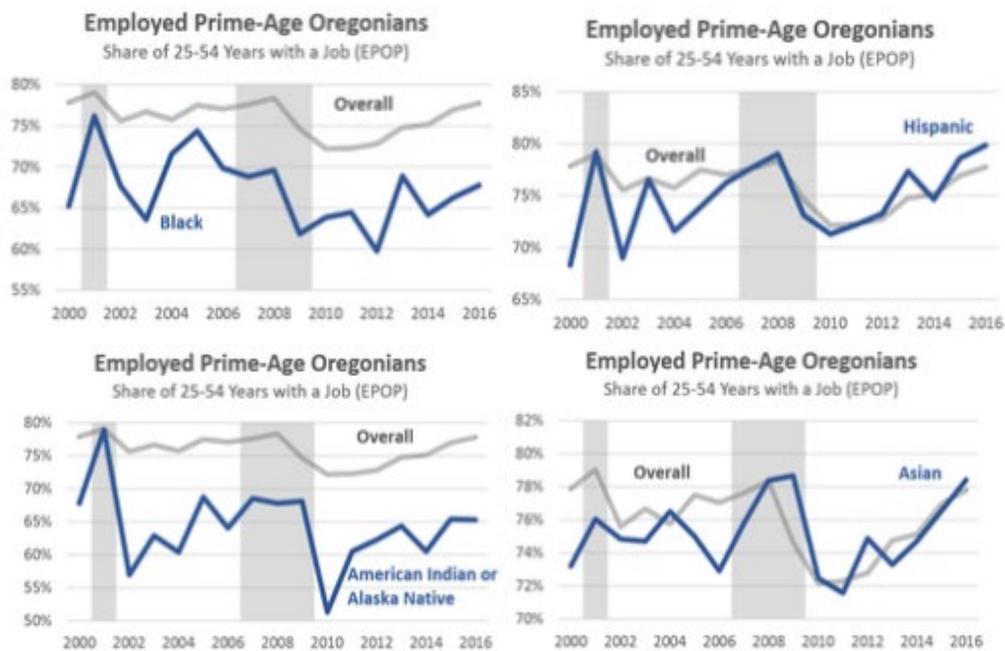
Portland's recent economic growth has not been shared equitably by everyone. Across the metro area, African American and indigenous communities as well as people earning lower incomes have benefitted less than other groups (see charts below). Conversations about housing development and neighborhood access to amenities and opportunities should continue to keep these underlying inequities front and center.



Source: Oregon Office of Economic Analysis

¹ <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF#>

² Josh Lehner, "Urban Oregon Household Income, 2018 Update" (2019). *Oregon Office of Economic Analysis*. <https://oregoneconomicanalysis.com/>



Source: Oregon Office of Economic Analysis

Many observers, including the Office of Economic Analysis and economists at Portland State University, agree that Portland’s economic growth is beginning to slow³ indicating that change is on the horizon for Portland. Though a recession is not officially predicted for the immediate future, economic trends will be different over the next several years than they have been over the past decade. Based on demographic changes alone we should expect slower growth in the near term as baby boomers continue to retire at higher incomes and are replaced in the workforce by younger generations earning less income.

As we continue to adapt to our changing economy, one challenge will be working to close existing disparities rather than allowing slowing economic growth to exacerbate them. The remainder of this section explores some ways the City is responding to this imperative.

Addressing Housing Affordability

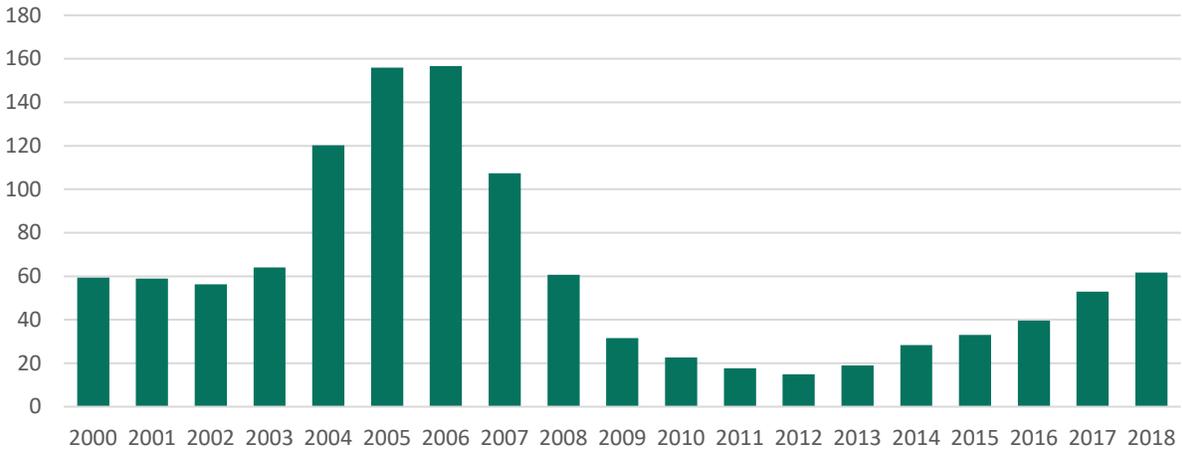
As succinctly noted in a recent publication of The Economist, “Wherever homelessness appears out of control in America...high housing costs almost surely lurk.”⁴ Portland, like cities up and down the West Coast, has experienced recent historic increases in housing costs driven by demand outpacing supply and the rate of new development. Portland’s annual building permit numbers have just started to reach the level needed to accommodate new residents, but not enough to make up for several years of stalled development during the recession.⁵

³ Portland State University, Northwest Economic Research Center and Potiowsky, Thomas, "Portland MSA Economic & Population Outlook April 2018" (2018). *Northwest Economic Research Center Publications and Reports*. 31. https://pdxscholar.library.pdx.edu/nerc_pub/31

⁴ “Homelessness is declining in America – Urban myths.” The Economist. October 17, 2019 (Print edition).

⁵ Data from <https://socds.huduser.gov/permits/index.html>.

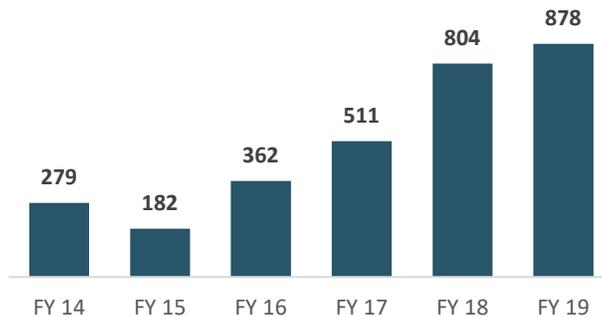
Multnomah County Housing Units Permitted per 100 New Residents (Five Year Average)



Source: U.S. Department of Housing and Urban Development Building Permit database, <https://www.huduser.gov/portal/tmaps/BuildingPermits/BP.html>

Regulated affordable housing continues to come online at record levels, thanks to a significant influx of new resources over the last few years, including increased Tax Increment Financing dollars, the Construction Excise Tax, Inclusionary Housing fee-in-lieu revenue, two forms of short-term rental revenue, and the Portland affordable housing bond. Last year, voters also adopted two important changes that will fund even more units: 1) an additional regional housing bond, sponsored by Metro, and 2) a constitutional change allowing local jurisdictions to gap finance affordable housing units to be developed by third parties, thereby leveraging additional public and private resources.

Housing units opened that are newly affordable



However, the City cannot meet the demand for affordable housing on its own. Previous analysis has estimated that Portland needs to produce an average of over 1,800 affordable

housing units each year through 2035 to meet anticipated growth,⁶ compared to 878 units opened in FY 2018-19. Closing this gap may include some of the following strategies:

- **Continuing to assess the impact of regulations, such as Inclusionary Housing and rental policies, on both new development and the rental market.** The regulatory environment plays a role in incentivizing development, as increasing supply at all income levels helps to relieve pressure on housing costs.⁷ With the recently expanded rental registry, the City may also be able to better assess the impact of policies like mandatory relocation on rental housing stock.
- **Explore locally-based tools like vouchers to buy down housing costs for more households.** The literature points to housing vouchers as a cost-effective tool for stabilizing low-income households and preventing homelessness; however, waitlists for federally-funded Housing Choice Vouchers across the nation are long, and an estimated three out of four eligible households are not receiving assistance.⁸ [Denver, CO](#) is in the midst of a two-year local housing voucher pilot funded through a public-private partnership to support families earning between 40-80% of the area median income (AMI).⁹ This pilot, along with the smaller-scale long-term housing vouchers currently funded through the local Joint Office of Homeless Services, could help inform the feasibility of a similar approach in Portland.
- **Continue to support and assess programs that keep individuals and families in safe and stable housing.** This includes existing Portland Housing Bureau services like the low-income home repair program, which in FY 2018-19 found that 94% of participants remained in their homes one year after receiving services (a higher figure than in the past few fiscal years). The bureau has also added programming for rental services, such as legal aid and education. Reviewing the outcomes of these scaled-up services and pilot programs may provide insights about the most efficient, effective, and equitable strategies for helping renters stay in housing.

The largest affordable housing deficit exists for those earning 0-30% of area median income (AMI). The Mayor and Housing Bureau recently announced nine new projects anticipated to put the City on track to meet, and in some cases exceed, the goals of Portland's affordable housing bond. This includes goals for providing 600 units affordable to households at 30% AMI and 313 units of permanent supportive housing. These units mark progress toward a shared City and County goal of adding 2,000 new supportive housing units by 2028, of

⁶ *City of Portland FY 2015-16 Prior Year Performance Report*, City Budget Office, p. 62.
<https://www.portlandoregon.gov/cbo/article/650874>

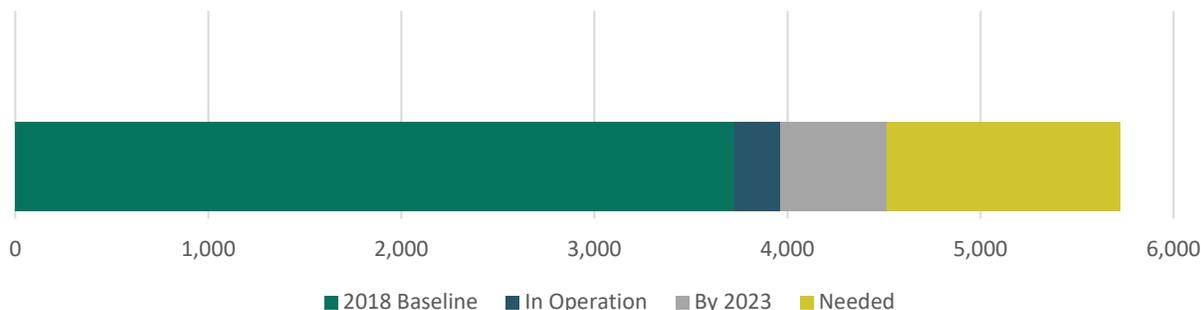
⁷ See EcoNorthwest, March 2019. Homelessness in Oregon: A Review of Trends, Causes, and Policy Options. Prepared for: the Oregon Community Foundation. Available online at <https://oregoncf.org/Templates/media/files/reports/OregonHomelessness.pdf>. See also The Economist article linked above.

⁸ Center on Budget and Policy Priorities. Housing Vouchers Work: Huge Demand, Insufficient Funding for Housing Vouchers Means Long Waits. April 19, 2017. Available at <https://tinyurl.com/y3dtkbpg>.

⁹ See <https://livedenver.org/>.

which 792 are currently in operation or expected to be online by 2023. Another 300 supportive housing units are anticipated to be funded with the capital resources of the Metro affordable housing bond, contingent upon additional services funding being identified to support the units.

Meeting targets would increase Portland's total supportive housing unit count by approximately 46% over the 2018 baseline



Securing sufficient service, operating, and rent subsidy dollars to pair with new units is a critical challenge to achieving supportive housing goals. The cost of these ongoing services was most recently estimated at \$43-\$47 million per year when all 2,000 new units are in operation.¹⁰ The total funding gap remains unknown but is likely significant. In addition to local efforts, there is a broader regional conversation about how to coordinate, govern, and fund the supportive housing need, estimated to be at least 3,121 units.¹¹ A multi-county approach recognizes the shared regional need and impact, and has the potential to better leverage existing resources or secure new funding sources. However, despite development of a tri-county supportive housing strategy, there is currently no clear leader to move forward with coordinating implementation across counties and no long-term funding plan.

There are some promising discussions about the development of a Regional Supportive Housing Impact Fund, proposed as a flexible resource pool funded by healthcare providers, community benefit dollars, philanthropic entities, and the business community.¹² This recognizes the potential savings and benefit that could be experienced by other sectors through increasing supportive housing resources, which reduce a chronically homeless individual's likelihood of utilizing emergency services, jails, and hospitals.

¹⁰ Scaling Smart Resources, Doing What Works: A System-Level Path to Producing 2,000 Units of Supportive Housing in Portland and Multnomah County. Presented to a joint session of the Multnomah County board of commissioners and Portland City Council on September 11, 2018. Available at <https://tinyurl.com/vmqegct>.

¹¹ Tri-County Equitable Housing Strategy to Expand Supportive Housing for People Experiencing Chronic Homelessness. Prepared for Clackamas, Multnomah & Washington Counties by CSH & Context for Action. February 2019. Available at <https://tinyurl.com/wy49cvt>.

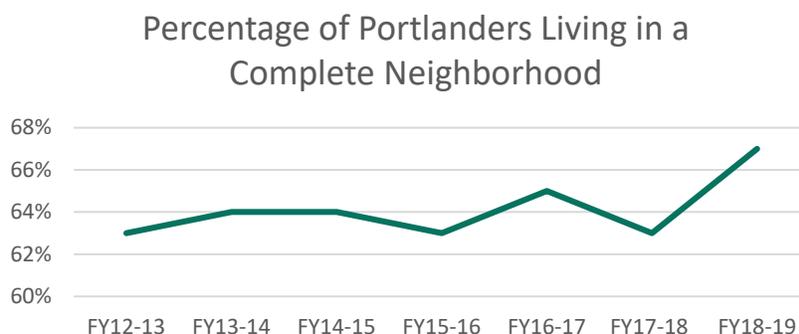
¹² Regional Supportive Housing Impact Fund Strategic Framework. Tri-County Region (Portland Area). April 2019. Available at <http://www.psjhealth.org/-/media/files/providence-st-joseph-health/housing-is-health/regional-supportive-housing-impact-fund--oregon415final.pdf?la=en>.

Measuring Portland’s Complete Neighborhoods, Centers, and Corridors

New housing developments exist within neighborhoods that shape people’s access to amenities, job opportunities, and the supportive networks that make up a community. The Bureau of Planning and Sustainability (BPS) oversees a number of programs that seek to enhance and grow “complete neighborhoods” where residents can easily access the necessities of daily life.

Complete Neighborhood Growth

BPS met its FY 2018-19 targets for one of its key performance metrics, the *percentage of Portlanders living in complete neighborhoods* (67%), which is up four percentage points from FY 2017-18 (see graph below). Complete neighborhoods are defined in the [Portland Plan](#) as neighborhoods that meet certain thresholds on at least five of the following indicators: bicycle access and connectivity, food access, transit access, recreation access, elementary school access, sidewalk density, and commercial services.¹³ The measure of complete neighborhoods is linked to economic prosperity because it examines whether Portlanders have “safe and convenient access to the goods and services needed in daily life” in their neighborhood. Growth of this measure is driven by two factors: 1) construction of new housing units in areas of the City with the amenities described above, and 2) City investment in infrastructure like sidewalks, parks, and transit. Additional drivers such as access to grocery stores and commercial services are influenced by City policies, but with a less direct link.

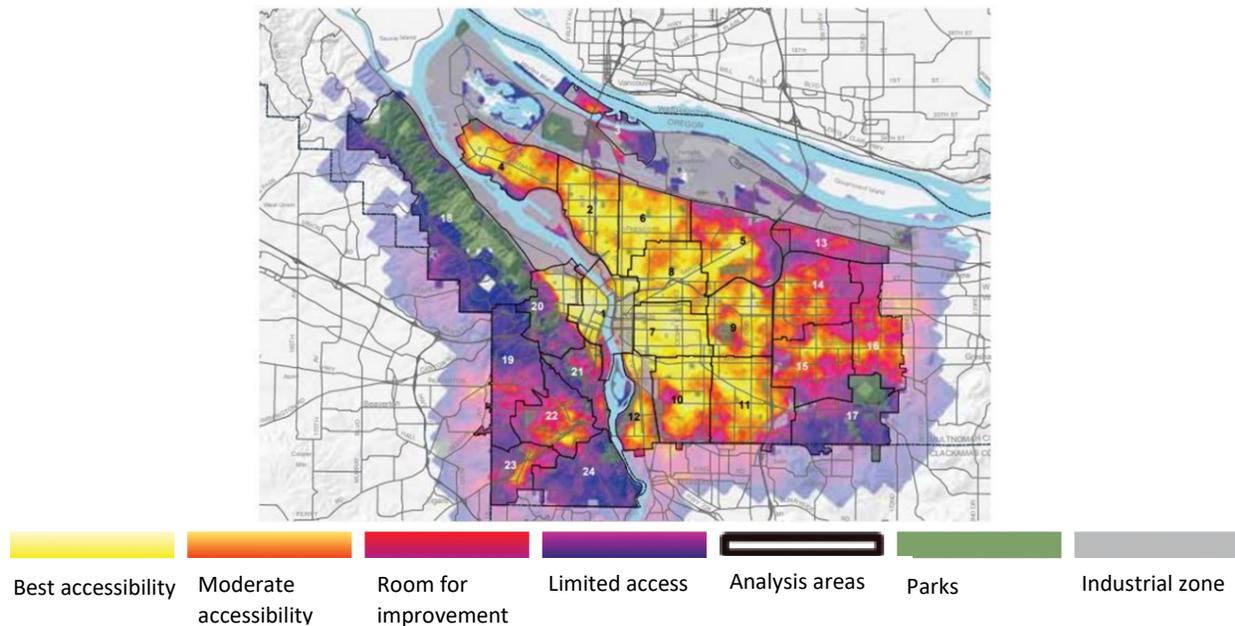


As Portland and the surrounding areas have added housing units (5,648 in Portland in calendar year 2018), this measure has remained relatively constant but is trending upward, suggesting that units are being added in neighborhoods already considered “complete,” which tend to be the close-in and walkable neighborhoods.¹⁴ This targeted development is one strategy for increasing the number of Portlanders in complete neighborhoods; BPS tracked this strategy through a new performance measure created in FY 2018-19, *the percentage of new housing units that are in Centers and Corridors*, for which the bureau met its target at 89% of new housing units.

¹³<https://www.portlandonline.com/portlandplan/index.cfm?c=56527>

¹⁴<https://socds.huduser.gov/permits/index.html?>

Because the complete neighborhoods measure is a percentage of total Portlanders living in complete neighborhoods, the measure changes not only in response to population growth in complete neighborhoods, but also in response to infrastructure investments, such as investments in sidewalks, parks, and transit. Though the measure is trending up over the last year, accelerated and sustained progress will be needed to reach the strategic target of 80% of Portlanders living in complete neighborhoods by 2035. This likely requires making improvements in neighborhoods not already considered complete. According to BPS analysis from 2015, many of these neighborhoods are in East and Southwest Portland.¹⁵



Source: The Portland Plan, page 128

<http://www.portlandonline.com/portlandplan/index.cfm?c=58776>

In FY 2018-19, BPS supported several efforts to either expand housing in complete neighborhoods or create more complete neighborhoods in East and Southwest Portland. These include:

Mixed Use Zones Project Zoning Code

City Council adopted the Mixed Use Zones Project zoning code and map amendments as part of the [Portland 2035 Comprehensive Plan Early Implementation Package](#) in December 2016, and it went into effect in FY 2017-18. The code changes align with the City’s Inclusionary Housing Policy, enacted in 2017, and focus development in key centers and corridors.

82nd Avenue Study: Understanding Barriers to Development

In a joint planning partnership, the Portland Bureau of Transportation (PBOT) and BPS examined barriers to new development in the 82nd Avenue corridor and

¹⁵ <https://www.portlandoregon.gov/bps/article/531170>

identified solutions to improve pedestrian safety as part of [PBOT's 82nd Avenue Plan](#) and BPS' [82nd Avenue Study: Understanding Barriers to Development](#). As part of the project, BPS provided technical assistance to businesses in the corridor. This aspect of the project, funded by a Metro Community Planning and Development Grant, was completed in FY 2018-19.

Southwest Corridor Equitable Housing Strategy

City Council passed the Southwest Corridor Equitable Housing Strategy in October 2018 (Resolution 37389). The Housing Strategy aims to ensure that affordable housing needs are met along the anticipated Southwest Corridor Light Rail Project. BPS received \$50,000 in General Fund resources to support creation of a Southwest Equity Coalition in the FY 2018-19 Fall Supplemental Budget. Project partners for the coalition include Metro, TriMet, the City of Tigard and Meyer Memorial Trust. The coalition is meant to champion the implementation of the equitable housing strategy and Metro's Southwest Equitable Development Strategy. Work has already begun among project partners to implement the strategy, including BPS area planning in the West Portland Town Center and South Portland.

Recommendations for Ensuring Clear and Transparent Reporting on Key Planning Measures

The Complete Neighborhoods measure is a key measure not only for BPS, but for monitoring progress on Citywide priorities. The measurement of complete neighborhoods is especially pertinent as Portland continues to grow and works to address displacement and gentrification risks, such as through the recently funded Anti-Displacement Action Plan. This new plan is funded on a one-time basis in the FY 2019-20 Adopted Budget and the FY 2019-20 Fall Supplemental Budget. To ensure that the City is best using this data to manage these key priorities, CBO offers several recommendations to improve performance reporting:

Frequent Updates to Complete Neighborhoods Geography

BPS notes that the Complete Neighborhood geography used in this performance measure has not been updated in several years, so it does not account for more recent changes in commercial services or infrastructure investments that could alter a neighborhood's "completion" status. CBO recommends updating the methodology of this measure for FY 2020-21 budget development and continuing to update it regularly in the future.

Resume Frequent Reporting

In FY 2014-15, the Complete Neighborhoods measure was identified as one of three Citywide priority areas. At that time, BPS monitored and reported progress to Council on a quarterly basis in order to help guide budget investments. Since neighborhood livability remains a Citywide priority, CBO recommends that BPS resume quarterly collection and reporting of this measure in conjunction with related measures tracked by PBOT, Prosper Portland, and Portland Parks and

Recreation. The complete neighborhoods measure would be appropriate to track in future updates of the Portland Plan.

Neighborhood Change Indices Included in Bureau's Performance Measure Reporting
In its 2019 report, [Guide to Measuring Neighborhood Change to Understand and Prevent Displacement](#), the National Neighborhood Indicators Partnership (NNIP) suggests the development of indices of multiple performance measures to more accurately capture demographic change in neighborhoods.¹⁶ In FY 2018-19, BPS added a performance measure of *the level of community diversity retained or achieved as neighborhoods change or grow*. This is measured by the percentage of people who identify as people of color in the census tracts that are predominantly "complete communities," compared with citywide demographics. Pairing this new measure with other measures related to neighborhood change, such as median home prices and percentage of rent-burdened households, could provide a more holistic way of measuring neighborhood change. A suite of neighborhood change measures could be one element of a broader equity index as discussed in the "Achieving Equitable Outcomes for All Portlanders" section of this report.

¹⁶ See report at

https://www.urban.org/sites/default/files/publication/100135/guide_to_measuring_neighborhood_change_to_understand_and_prevent_displacement.pdf