



**City  
Budget  
Office**

# Portland Housing Bureau

*Analysis by Michelle Rubin*

## SUMMARY

### Required General Fund Reduction

Per the Mayor's FY 2020-21 budget guidance, the Portland Housing Bureau (PHB) was required to make two one-time reductions in the Fall Budget Monitoring Process (BMP) to meet the 5.6% reduction required of all bureaus. This included a reduction of \$39,000 from the bureau's General Fund discretionary resources and \$10,000 from the Housing Investment Fund, which receives a transfer from the General Fund for the City's portion of the Transient Lodging Tax on short-term rentals.

The bureau met the \$39,000 General Fund reduction by drawing upon \$554,890 in funding sitting in bureau contingency, which the bureau was directed to put into a "Rental Registration Reserve" in the FY 2020-21 Adopted Budget. \$484,100 of these resources were initially appropriated for homeownership programming as part of the East Portland Initiative, but as that program has not yet been implemented the resources were reprogrammed in the event Rental Registration Fee income was slowed by economic conditions surrounding the COVID-19 pandemic. In addition, the bureau reserved other savings from interagency adjustments during the FY 2020-21 budget process (\$70,790). However, Rental Registration Fee revenues have not been significantly impacted by the pandemic, so these resources are no longer required for this purpose, and the reduction does not impact current programming or service levels within the bureau.

The \$10,000 reduction from the Housing Investment Fund was also met with contingency resources within the Housing Investment Fund and does not impact bureau programming or service levels.

### Key Decisions for Council

1. Appropriate \$500,000 in General Fund contingency resources to additional rent relief efforts in East Portland and \$15,269 to address bureau equipment and software needs.
  - These resources were part of a total of \$554,890 in General Fund resources the bureau reprogrammed and put into a "Rental Registration Reserve" in the FY 2020-21 Adopted Budget, as discussed above. PHB is requesting to reallocate \$500,000 of these resources to supplement \$32.5 million in existing COVID-19 rent assistance, bringing the total estimated households served from 4,875 households with three months of assistance to 4,950 households. Although recognizing the significant need for rent assistance, CBO recommends that Council consider whether these resources might have a more significant marginal impact if directed for other currently unfunded community needs identified by the Emergency Coordination Center. Alternatively, Council could consider retaining these resources in contingency to mitigate the impact of future cuts given the City's uncertain financial future. Detailed analysis on this request is provided in the "Additional Analysis" section of this memo, below.

- The bureau has requested to utilize \$15,269 of these contingency resources to address equipment and software needs in the continuing remote work environment. This early in the fiscal year, CBO typically recommends that bureaus attempt to absorb these types of requests within existing appropriations and request adjustments in the Spring BMP if needed. In addition, the bureau should have sufficient vacancy savings from the beginning of the current fiscal year, which can be redirected for this purpose as the bureau's vacancies reached 20% before the end of FY 2019-20.

## Budget & Fiscal Monitoring: COVID-19 Revenue Impacts

PHB has received significant additional one-time federal resources in the current fiscal year to address COVID-19 relief efforts, primarily related to rental assistance as discussed further below. PHB's regular funding streams primarily include federal and bond sources that the bureau expects to be minimally affected by the COVID-19 pandemic as it relates to current year programming. However, there are several expected impacts from the COVID-19 pandemic and associated economic downturn that may impact bureau revenue and programming in future fiscal years.

- **Construction Excise Tax (CET) Income:** There is expected to be a significant drop in CET income, which generates revenues for the Inclusionary Housing Fund, as a result of the current economic downturn. This reduction is not expected to impact PHB programming until FY 2023-24, but the bureau made adjustments in the Fall BMP estimating a 45-55% drop in commercial and residential CET tax revenues. This reduces FY 2020-21 expected revenues from \$5.7 million to \$3.5 million. The bureau states these are conservative estimates and expects to have more precise estimates in the spring of 2021.
- There are no net budget impacts associated with this adjustment, as the reduction in tax revenues has been backfilled with Inclusionary Housing Fund beginning fund balance. CBO notes that recent revenue collections for this tax have surpassed budgeted estimates; in FY 2019-20 it forecasted \$5.1 million in tax revenues and collected approximately \$7.0 million.
- **Short Term Rental Taxes and Fees:** Revenues from Short Term Rental Taxes and Fees, one of PHB's dedicated funding streams, is also currently adversely impacted by the COVID-19 pandemic and current economic landscape. The extent and duration of this decline is not yet fully known.
- PHB does not plan to budget Short Term Rental Taxes and Fees for bureau programming until FY 2023-24. Currently, the short-term rental tax income is used primarily for the Portland Housing Bond program cash flow prior to housing development projects close. In its Fall BMP request, PHB is adjusting budgeted interfund loans from the Short Term Rental Tax Fund to the PDX Bond and Metro grants funds in the amount of \$3,098,772 to match the amount in the recent Council Ordinance #190094. This will provide cash flow pending reimbursement of qualified City program delivery costs. The projected reduction in this tax may limit programming options beginning in FY 2023-24. The bureau expects to have more information on estimated impact before FY 2021-22 budget development.

## ADDITIONAL ANALYSIS

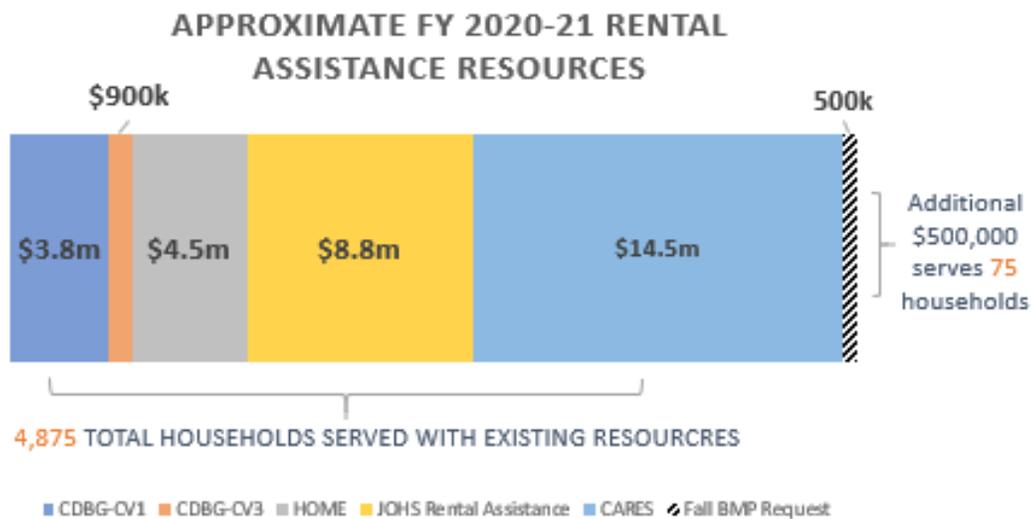
### Reprogram Rental Registration Reserve

As discussed above, the majority of the resources associated with the request were initially appropriated for homeownership programming as part of the East Portland Initiative, but were reprogrammed in the

FY 2020-21 budget development process in the event Rental Registration Fee income fell short of projected estimates due to the COVID-19 pandemic. Current estimates suggest that these General Fund resources are not needed for the Rental Services Office in the current fiscal year, so PHB has proposed to reallocate those funds toward additional rent assistance and to meet internal remote technology needs. Additional analysis on these two aspects of the request are below.

**Additional Rental Assistance**

This request is to appropriate \$500,000 in General Fund contingency resources to rent relief efforts in East Portland. These resources would supplement the existing COVID-19 rent assistance program, serving an estimated additional 75 households with three months of rent assistance. This is in alignment with direction from the Mayor in September 2020; however, since that time, the City received an unexpected 4.5 million in additional federal Community Development Block Grant Funds (CDBG-CV3), of which \$900,000 is expected to be programmed for rental assistance.



Based on information provided to CBO, there is approximately \$32.5 million in existing resources within the bureau directed towards rental assistance efforts during the COVID-19 pandemic (see graph above). A large portion of these resources are from the Coronavirus Aid, Relief, and Economic Security Act (CARES) funding; PHB received \$82.9 in million CARES funds, of which \$14.5 million will support the COVID-19 Rent Relief Program (CVRPRP), which must be spent by the end of the calendar year. Using the same cost assumption methodology, the existing resources allocated for rental assistance will already serve an estimated 4,875 households with three months of assistance, or 4,950 households if Council chooses to reallocate the additional \$500,000 from contingency. This is a significant increase in resources for rental assistance that the City is funding this fiscal year on a condensed timeline with a minimal marginal impact from allocating an additional \$500,000 in contingency resources.

CBO notes the alignment of this request with Council priorities as it seeks to serve the city’s most vulnerable community members and notes that there is a clear need to support Portland renters during this crisis. There are also several evolving factors that may impact this request, including the duration of the pandemic and its economic impacts and the extension of various eviction moratoriums, which could extend the timeline of needed rental assistance. Due to the significant amount of existing resources allocated for rental assistance, City Council could choose to reprioritize these resources to a different urgent and unforeseen priority need within the same population. There are several other critical community needs requested via Special Appropriations in the Fall BMP related to issues such as food

security, hygiene, and household essentials that total approximately 10.4 million. Since the program these resources were initially programmed for (East Portland Initiative) has not started yet, there is no service level tradeoff from reprioritizing these resources. Alternatively, City Council could direct the bureau to retain these resources in contingency to mitigate the impact of potential future cuts to housing and homeless services given the City’s uncertain financial future.

**Internal Remote Technology Needs**

The bureau is also requesting \$15,269 of these General Fund contingency resources to address equipment and software needs in the continuing remote work environment. This includes resources for price overruns on laptops from last fiscal year, softphone installation, and Adobe software licenses. In line with all City bureaus, PHB is continuing to adapt to working in a remote environment and is currently forecasted to exceed its interagency agreement with the Bureau of Technology Services based on current spending and projections. There is continued uncertainty about City working environments over the course of the fiscal year and what costs may be required to ensure effective work environments. Most City bureaus have noted in BMP submissions that they are working to address these needs within existing resources to the extent possible. Given that it is early in the fiscal year, CBO recommends the bureau retain these resources in contingency, but work to absorb this request within its existing budget. The bureau can make adjustments in the Spring Budget Monitoring Process to support this or future needs.

**SUPPLEMENTAL BUDGET CHANGES TO ALL FUNDS**

*PHB’s Fall BMP submission increases bureau appropriations by \$10.8 million but decreases its General Fund allocation by \$32,758. Many changes relate to true ups for affordable housing and homeownership projects that cross fiscal years, totaling \$2,043,295 in net changes. Notable changes also include adjustments to the bureau’s Property and Bond funds and the allocation of new intergovernmental resources.*

	<b>Current Revised Budget</b>	<b>Bureau Requested Changes</b>	<b>CBO Recommended Changes</b>	<b>Total Recommended Revised Budget</b>
<b>Resources</b>				
Beginning Fund Balance	\$ 22,236,093	\$ 3,310,045	\$ -	\$ 25,546,138
Taxes	\$ 5,700,000	\$ (2,225,000)	\$ -	\$ 3,475,000
Charges for Services	\$ 10,163,758	\$ -	\$ -	\$ 10,163,758
Intergovernmental	\$ 164,303,792	\$ 1,466,493	\$ -	\$ 165,770,285
Interagency Revenue	\$ 12,309	\$ 11,250	\$ -	\$ 23,559
Fund Transfers - Revenue	\$ 1,754,327	\$ 1,951,371	\$ -	\$ 3,705,698
Bond & Note Proceeds	\$ 111,811,771	\$ 3,098,722	\$ -	\$ 114,910,493
Miscellaneous	\$ 10,412,404	\$ 3,191,265	\$ -	\$ 13,603,669
Miscellaneous Fund Allocation	\$ 323,000	\$ -	\$ -	\$ 323,000
General Fund Discretionary	\$ 33,492,966	\$ (44,008)	\$ -	\$ 33,448,958
<b>Total Resources</b>	<b>\$360,210,420</b>	<b>\$10,760,138</b>	<b>\$0</b>	<b>\$370,970,558</b>
<b>Requirements</b>				
Personnel	\$ 10,837,631	\$ 8,277	\$ -	\$ 10,845,908
External Materials and Services	\$ 336,641,279	\$ 8,702,097	\$ (515,890)	\$ 344,827,486
Internal Materials and Services	\$ 3,781,370	\$ (115,578)	\$ -	\$ 3,665,792
Debt Service	\$ 4,245,820	\$ 2,718,722	\$ -	\$ 6,964,542
Fund Transfers - Expense	\$ 3,199,377	\$ 197,500	\$ -	\$ 3,396,877
Contingency	\$ 1,504,943	\$ (750,880)	\$ 515,890	\$ 1,269,953
<b>Total Requirements</b>	<b>\$360,210,420</b>	<b>\$10,760,138</b>	<b>\$0</b>	<b>\$370,970,558</b>