

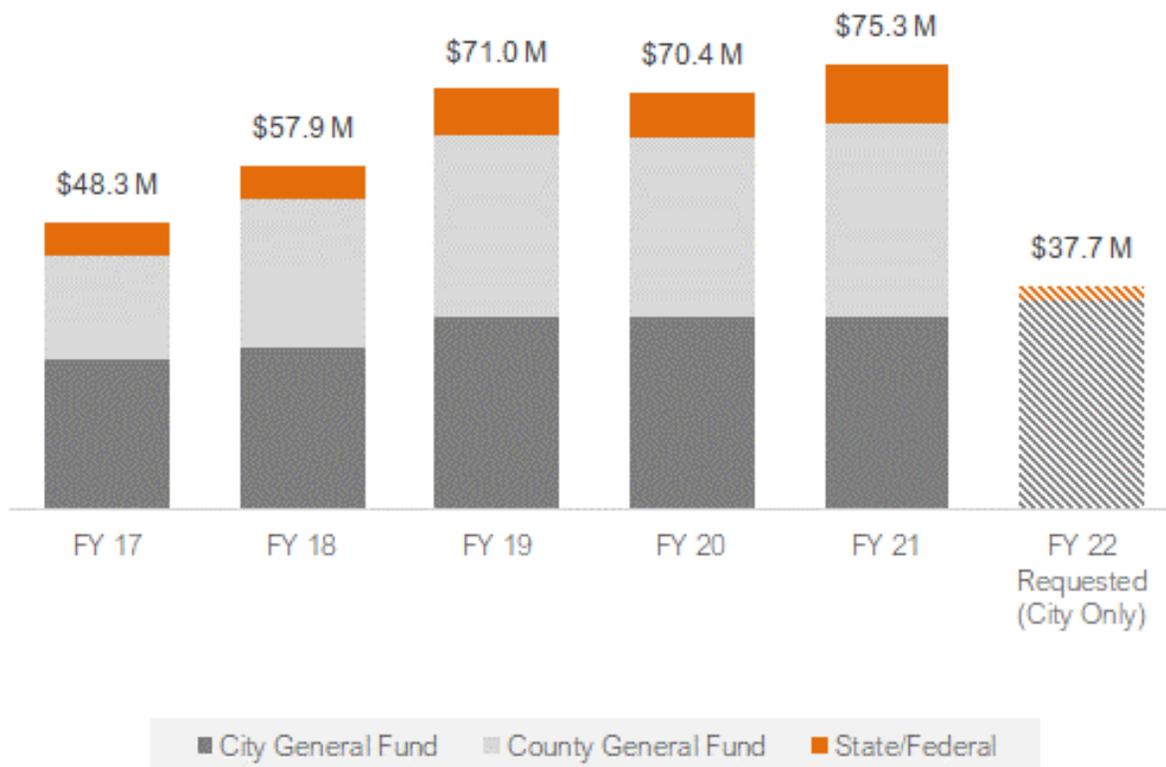


**City  
Budget  
Office**

# Joint Office of Homeless Services

*Analysis by Jane Marie Ford*

## Adopted & Revised Budgets



## INTRODUCTION

FY 2021-22 will be a significant transition year for the Joint Office of Homeless Services (JOHS or Joint Office). The City is currently processing a one-year extension to the original intergovernmental agreement (IGA) that established the Joint Office with Multnomah County in FY 2016-17. Since that time, the regional context has shifted dramatically in terms of housing market conditions, regulations, and funding strategies, most notably with the inclusion of two voter-approved affordable housing bonds and a recently passed Metro tax for supportive housing services.

This regional tax is expected to increase the Joint Office’s budget by an estimated \$52 million in FY 2021-22 and \$100 million annually in future years, introducing a new majority funding partner and layering additional service goals into the existing local system. Implementation of the Metro Supportive Housing Program is expected to take several years to ramp up, including the development of new programming, investments in new service providers, and the addition of new staff capacity at the Joint Office and Portland Housing Bureau. As of the writing of this review, the budget details and timeline for implementation are still being determined.

Simultaneously, the Joint Office will continue to navigate the unique and expanded service needs driven by the COVID-19 pandemic and economic crisis. At this point, it is likely that most of this response will continue to be eligible for federal reimbursement, entitlement funds, and/or stimulus and relief dollars. These resources may be able to offset one-time requests that have been submitted to the City, which is facing a forecasted General Fund deficit of \$20.2 million based on a February forecast update.

- Given existing and likely additional federal funding allocations, new Metro resources, and projected General Fund deficits for both the City and County, CBO has focused on identifying potential strategies for maximizing the utility of all available resources to respond to both the immediate crisis and invest in long-term system expansion.
- Due to the timing of the County’s budget process, information about the total JOHS Requested Budget (all funding sources and requests) will not be available to the City until March 2021. As such, CBO’s decision package analysis focuses only on the requests to the City of Portland and does not include the context of the entire budget for the JOHS. This is a fairly significant limitation to providing comprehensive analysis and recommendations. CBO continues to recommend that the City and County – and now, Metro – collaborate to ensure that the Joint Office’s budget as a whole is structured to meet shared priorities.

## BASE BUDGET & KEY ISSUES

### Reaffirming and Redefining the State of Housing Emergency

Portland City Council first declared a State of Emergency on Housing and Homelessness in October 2015. Since that time, **the City has spent over half a billion dollars on housing and homeless services**<sup>1</sup> through the Portland Housing Bureau and Joint Office of Homeless Services. This represents not only a significant increase in annual General Fund support, but an increase in the amount of Tax Increment Financing from Urban Renewal Areas set aside for affordable housing, the passage of two affordable housing bonds, the Construction Excise Tax, Inclusionary Housing fees, a Rental Registration fee, and the addition of two types of Short-Term Rental revenue. All members of Council have agreed that addressing houselessness – both the immediate crisis and long-term unmet needs – is one of their top three shared priorities for budget and policymaking over the next 12-18 months.<sup>2</sup>

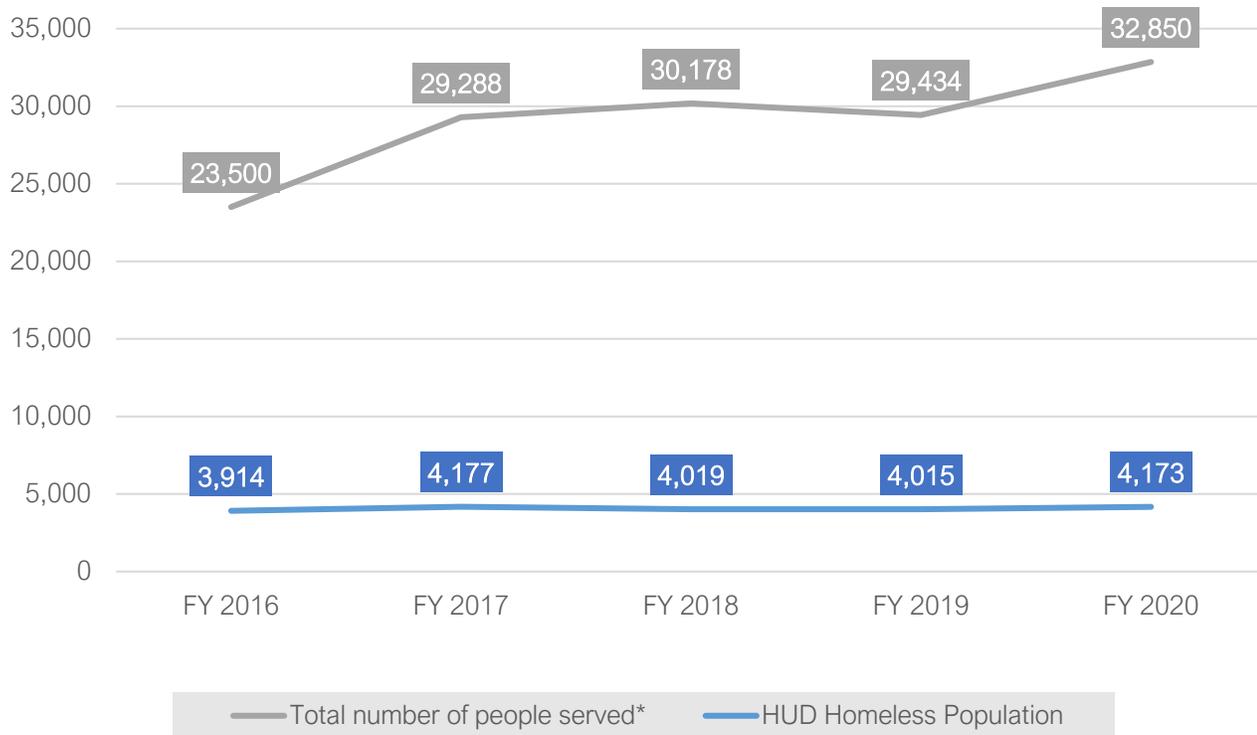
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<sup>1</sup> This includes all actual Bureau Program Expenditures from FY 2015-16 through FY 2019-20.

<sup>2</sup> Per a Council Priorities Work Session on January 21<sup>st</sup>.

## Reducing Unmet Housing Need

The total number of people provided with homeless services annually has increased by 40% since 2016. The HUD-defined houseless population remained relatively steady during that time.



The chart above illustrates the substantial growth in the number of people who are served through prevention, housing placement and retention, shelter, and other wraparound services since FY 2015-16, the year before the Joint Office was established. The relatively unchanged HUD-defined houseless population during that same time frame could be a result of several factors, including increased rates of inflow into homelessness as well as limitations of the HUD point-in-time count methodology and definition of homelessness.

The Point-in-Time Count is a biannual, HUD-required census of those who are living unsheltered, in emergency shelter, or in transitional housing. Many communities delayed the 2021 count due to the COVID-19 pandemic, which has prompted calls to use this as an opportunity to address long-acknowledged limitations of the current process and methodology. For example, the count does not track the experience of individual households over time, changes in methodology make it challenging to compare trends, and the focus on literal homelessness obscures a fuller picture of how many community members are at risk of losing housing at any given time. A Home for Everyone (AHFE) has adopted a broader definition of houselessness that includes households at risk of losing or unsafely sharing housing rather than only focusing on those who are experiencing literal homelessness as measured in the Point-in-Time Count.<sup>3</sup> Under the expanded definition of

<sup>3</sup> The total number of people served uses the Annual Performance Report figures from FY 16 to FY 20 to provide the total unduplicated number of people served. These numbers include clients served in the domestic violence system, which cannot be de-duplicated due to privacy concerns. The HUD Homeless Population shows the Point-in-Time Count numbers; for years

homelessness, this was estimated to be as many as 16,344 people in Multnomah County, including a disproportionate number of families, people of color, and unaccompanied youth under the age of 18.<sup>4</sup>

As such, the local system that has been built over the last five years has served far more people than were envisioned under the original A Home for Everyone model, with an intentional focus on building capacity for culturally specific service providers and reducing disparities in both services and outcomes for communities of color (particularly BIPOC communities). **In the first four years of operation, the Joint Office served an average of 30,438 people each year, over seven times the HUD-defined houseless population in the 2017 Point-in-Time Count.**

Acknowledging the limitations of the HUD count, it is relevant to note that the past few counts have shown an increase in the unsheltered population, the number of people who are chronically homeless, and the number of people who identify as having a disability.<sup>5</sup> Similarly, the percentage of people who were identified as chronically homeless at the point of entry into the homeless services system increased from 17% in FY 2016-17 to 29% in FY 2019-20.<sup>6</sup> While the cause of this increase is likely complex and multi-layered, it does indicate the need to increase efforts to provide sustainable housing solutions for these populations. The Metro Supportive Housing Services Program, discussed in further detail below, is intended to help address primarily the longer-term needs of this population.

In the short-term, Council has expressed the importance of identifying funding options and strategies for providing immediate crisis response for those who are living outside, including providing hygiene stations, safe sleeping options, and access to services. CBO notes that there are not currently any specific proposals on the table for FY 2021-22 Budget Development to address this need, although there are likely multiple federal resources – including FEMA reimbursement – that could be applied. The key next steps are to articulate Council’s desired short-term service goals and outcomes, and to identify the best entity to implement this programming.

### **Shifting to a Regional Approach to Homeless Services**

In May 2020, Metro voters approved a new Supportive Housing Services measure that authorized a regional tax to fund \$250 million annually in wraparound services for people experiencing or at risk of experiencing homelessness. This new revenue will fill a critical gap in funding ongoing services to accompany new affordable housing development and radically shift the balance of homeless services resources in the tri-county area. **A baseline survey of homeless services**

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that do not have a count, the estimate uses the prior year unsheltered number plus the number of people served in emergency shelter and transitional housing.

<sup>4</sup> Based on the 2015 Point-in-Time Count. This is referred to as the “doubled up” number. See also more recent regional analysis from Zapata MA,\* Liu J,\*\* Everett L, Hulseman P, Potiowsky T, & Willingham E. 2019. Governance, Costs, and Revenue Raising to Address and Prevent Homelessness in the Portland Tri-County Region. Portland State University. Available at <https://tinyurl.com/sbe3lan>.

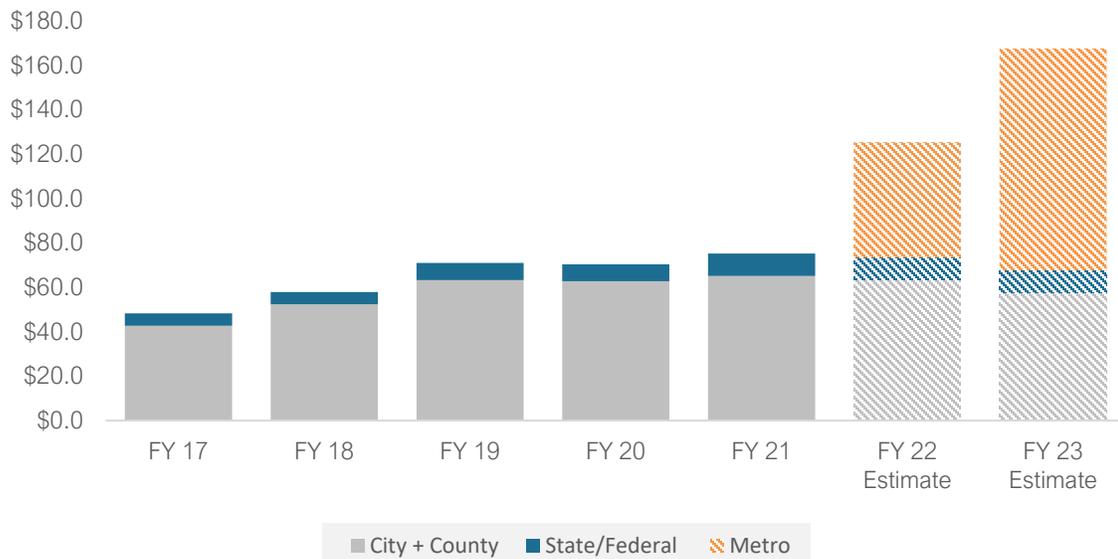
<sup>5</sup> Point-in-Time Count reports are available at <http://ahomeforeveryone.net/streetcount>. It should be noted that, in the most recent count, whether or not an individual was chronically homeless was unknown for 32% of the total population. This was primarily driven by incomplete data and reporting for people in shelters. For the unsheltered population, at least 66.5% were chronically homeless, and potentially as high as 78.3%.

<sup>6</sup> Source: Annual Performance Reports submitted to HUD; data provided by the Portland Housing Bureau.

**funding and service levels found that Multnomah County comprised over 80% of both the total public funding and bed capacity in the region and had by far the most local funding contributions.<sup>7</sup>**

Although Multnomah County has completed its Local Implementation Plan for this new program, Metro’s expectation for robust community engagement means that the funding will only be allocated at a high level in FY 2021-22 while the details of different investments are in development. The local system is already growing to accommodate the large influx of federal relief dollars that have been made available for COVID-19-related shelter expansion and rent support; the challenge and opportunity is to add jurisdictional and provider capacity to respond to the emergency while building out a forward-looking regional system.

When the Metro SHS measure is fully implemented, the budget for the Joint Office of Homeless Services is estimated to be approximately 3.5 times higher than its first year of operation



It is not entirely clear to CBO how the City of Portland, and Council specifically, will be part of that conversation. Although the City does not have direct responsibility for or authority over implementation of these resources, the program will obviously have a significant impact on both the Joint Office’s operations as well as the Portland Housing Bureau’s through its management of supportive housing units. The Local Implementation Plan acknowledges that any program outcomes will be the result of shared investments, which points to the need for all stakeholders to be actively involved in performance management, analysis, and evaluation.

<sup>7</sup> See Appendix M of the Multnomah County Local Implementation Plan, Regional Supportive Housing Services Tri-County Data Scan. Available at <https://tinyurl.com/s7yrwbsx>.

<sup>8</sup> Figures shown in millions. Due to the timing of the County’s Requested Budget, this chart includes estimates based on the Requested Budget to the City, ongoing resources allocated by both the City and County, assumes a flat allocation of state/federal dollars, and an assumed Metro allocation of \$52 million in FY 22 and \$100 million in FY 23. This chart is only intended to illustrate the relative shift in funding composition due to the addition of Metro resources

## Anticipated Outcomes from the Multnomah County Local Implementation Plan for the Metro Supportive Housing Services Program, December 2020

Set a new community goal of 2,235 supportive housing units through a combination of project, sponsor and tenant based rental subsidies, combined with the necessary wrap-around support services;

Reduce street and shelter homelessness, as well as doubled up homelessness, by increasing the number of eligible households who exit homelessness for permanent housing by at least 2,500 households per year once the Measure is fully implemented;

Create specific housing placement goals for unsheltered, doubled-up and individual Communities of Color;

Reduce street and shelter homelessness for people with significant behavioral health issues by increasing the number of people experiencing behavioral health challenges who move into appropriately supported permanent housing;

Reduce the number of people who become homeless by increasing successful preventions, diversions, and housing retention intervention, provided to eligible households, by at least 1,000 households per year once the Measure is fully implemented;

Reduce the number of people who return to the homeless services system within two years after entering permanent housing, by evaluating and continuously improving the quality of rent assistance and support services programming;

Eliminate disparities in access and outcomes for Communities of Color participating in homeless and housing services;

Ensure that each Community of Color accesses and succeeds in Metro funded programs at rates as high or higher than would be expected based on the make-up of the SHS eligible households.

Fully defining and achieving these goals will require digging further into the “why” behind the many data points that are collected through the Joint Office and its providers. Given the addition of a third major funding and policy partner, CBO recommends reconvening an entity similar to the now-disbanded Data Outcomes committee to help provide information and analysis for City, County, and Metro decision-makers. **CBO has previously recommended focusing on understanding inflow and outcomes, more closely examining the experience of individuals and households entering into the system and what happens after receiving services.** This could include but is not limited to:

- Reviewing inflow data to identify opportunities for upstream service connections and improvements;

- Better understanding the outcomes of different types of prevention services, including a review of costs and relative effectiveness;
- Recommendations for reducing the percentage of individuals and households who are not able to be confirmed to be in housing after receiving services;
- Comparing the outcomes for those who do retain housing across different types of interventions, providers, and demographic analysis<sup>9</sup>; and
- Looking at returns to the homeless services system over a longer horizon.

## DECISION PACKAGES

The Joint Office has requested a total of \$8.4 million in one-time General Fund resources above its Current Appropriation Level Target. The Mayor’s Budget guidance exempted the JOHS from submitting a 5% ongoing General Fund constraint.

Careful consideration has been given in evaluating the tradeoffs between the need to close a projected General Fund revenue shortfall while maintaining critical City services and functions. Based on the information currently available, it appears that both of the JOHS funding requests are likely eligible for federal resources in FY 2021-22. As such, CBO has recommended that Council fund continued services and leverage capital investment opportunities through these one-time revenues. Decisions about ongoing funding and service levels should take the new Metro capacity into consideration as the City and County renegotiate the Joint Office IGA that will go into effect on July 1<sup>st</sup>, 2022.

### JOHS Continuation of One-Time Funding

*DP 11387, \$6,338,897, 0.00 FTE*

#### Request Summary

This request represents a continuation of one-time funding that has been historically allocated to the Joint Office for services that include shelter capacity, housing placement, and diversion. The \$6.3 million is 18% of the total FY 2021-22 City JOHS Requested General Fund Budget (excluding capital costs) and is estimated to provide the following:

- 270 year-round emergency shelter beds serving approximately 1,600 people
- Placement of at least 110 people from shelter into permanent housing
- 25 units of youth transitional housing with 24/7 support
- 45 units of supportive housing
- Preventing 675 people from becoming homeless through diversion and employment assistance
- Support for a multidisciplinary outreach team providing housing placement services and rent assistance

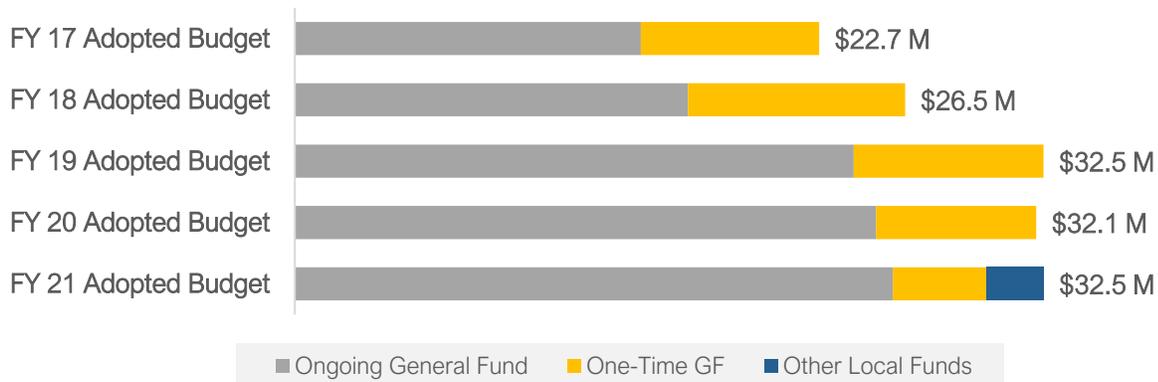
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<sup>9</sup> This dashboard of FY 20 service levels, performance measures, and outcomes includes historical data as well as demographic data by race and ethnicity: <https://tinyurl.com/cr6k97tp>.

## CBO Analysis

Per the terms of the original City-County intergovernmental agreement establishing governance and funding of the Joint Office of Homeless Services, the baseline ongoing funding level for the Office was set at \$15.0 million in General Fund resources from both the City and County in FY 2016-17. At that time, the City also allocated \$7.7 million in one-time General Fund resources with the expectation that this would be a recurring annual contribution for three fiscal years, based on the premise that services would shift toward prevention and ultimately scale down due to reduced unmet housing need.<sup>10</sup> The City has increased its ongoing General Fund funding allocation to around \$26 million – approximately 73% above the baseline funding level – however, much of those resources have gone toward expanding ongoing programming to meet demand for service. The one-time-funded services have been assumed by the Joint Office and the County to be ongoing, and the Joint Office was directed by the Mayor’s Office to request continuation of these resources to preserve established funding and service capacity.

The City has increased its ongoing General Fund contribution to the Joint Office by almost \$11 million over the baseline funding commitment, contributing to service level enhancement while continuing the reliance on serial one-time allocations.



CBO has previously discussed the need to identify a sustainable funding source to reduce reliance on one-time resources, which were available during the economic expansion of the last few years. The City was able to identify a combination of one-time resources to continue supporting these services in FY 2020-21 despite the economic downturn due to the high priority of this service area during the onset of the COVID-19 pandemic. In FY 2021-22, this request would likely be eligible for federal American Rescue Plan under current Plan drafts, including additional resources allocated for emergency rental and utility assistance, Housing Choice vouchers, supportive services, affordable housing, and acquisition of non-congregate shelter. **As such, CBO recommends that Council utilize federal allocations to continue supporting existing service levels.**

<sup>10</sup> This statement is a point of contention between the City and the County. This is CBO’s recollection and assertion.

## JOHS Shelter Capital

*DP 11388, \$2,000,000, 0.00 FTE*

### Request Summary

This is a resubmission of a request from FY 2020-21. While there has been no formal or public commitment made, CBO's understanding is that City and County leaders agreed to contribute \$5.0 million each to support shelter capital development, with the goal of converting temporary shelter capacity into long-term, high-quality sites that will serve both seasonal and year-round needs. To date, the City has invested \$3.0 million. This request includes the balance of the presumed \$5.0 million commitment.

### CBO Analysis

The JOHS has spent approximately \$12.8 million since FY 2017-18 on shelter capital investments, including current year actual and estimated figures. The goal is to “[transform] the adult congregate shelter system into a network of high quality, housing focused, community based and geographically distributed shelter programs.”<sup>11</sup> Although the City and County have significantly expanded investments in affordable and supportive housing, it will take time for those new units to come online. Additionally, like jurisdictions across the country, Portland has been phasing out transitional housing options, which are short-term, service-intensive placements typically for those transitioning from jail, from hospitals, into recovery, or those who recently became homeless. Shelter capacity can help to bridge that service gap and fills an immediate need for those who are unsheltered.<sup>12</sup>

This need is also recognized in the pending Local Implementation Plan for the Metro Supportive Housing Services (SHS) program, which identifies the expansion of safety on the streets and shelter options as one of its priorities. This includes both creating new capacity for those experiencing unsheltered and chronic homelessness as well as the anticipated need for temporary options for individuals and households displaced due to COVID-19 related economic impacts. The planning process to identify specific goals and investments will take place over the next year, although the acquisition of a motel in SW Portland is already underway.

In FY 2021-22, the Joint Office has identified a total funding need of \$16.5 million for the following projects:

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<sup>11</sup> Q&A with the Joint Office of Homeless Services, February 2020.

<sup>12</sup> U.S. Department of Housing & Urban Development Office of Community Planning & Development. January 2020. The 2019 Annual Homeless Assessment Report (AHAR) to Congress. Available at <https://files.hudexchange.info/resources/documents/2019-AHAR-Part-1.pdf>.

	<b>Estimated Budget</b>
<b>Project</b>	
Willamette Center (Seismic Retrofit & Roof Replacement)	\$2,500,000
N Lombard/Denver Renovation	\$4,000,000
Downtown Women’s Shelter (Acquisition)	\$5,000,000
Downtown Women’s Shelter (Renovation)	\$5,000,000
<b>Total Estimated Need</b>	<b>\$16,500,000</b>
<i>County Requested Total (carryover from FY 2019-20)</i>	\$1,500,000
<i>City FY 2021-22 Requested Total</i>	\$2,000,000
<b>Requested FY 2021-22 Funding Deficit</b>	<b>(\$13,000,000)</b>

CBO’s understanding is that major maintenance/renovations at the Willamette Center and N Lombard/Denver project are the most critical costs for the next fiscal year. This leaves a total funding gap of \$4 million for urgent projects, and another \$10 million for the downtown women’s shelter need that has previously been identified. Potential sources could include:

- The Joint Office currently has a balance of \$1.5 million in Emergency Solutions Grant (ESG) funding from 2020 to 2021 that can be used for renovation, including major rehabilitation or conversion, of buildings to serve as emergency shelter.
- An additional \$18 million in ESG resources were allocated to the City of Portland through the CARES Act. It is likely that not all of these resources will be needed for shelter operations before these funds expire in September 2022 and could be used for the renovation costs noted above.
- Under the Federal American Rescue Plan’s current draft language, this request would likely be eligible for both general ARP funding and specific allocations made available through the HOME Investment Partnerships Program. The latter allows for the acquisition of hotels and motels to be converted to non-congregate shelter, affordable housing, or supportive housing.
- In the past, the Joint Office of Homeless Services has been allowed to retain City General Fund underspending to apply resources toward these capital investments. Based on current year-to-date expenditures and the volume of other resources available, it seems likely that there will be some level of underspending that could be carried over to help support these capital investments.
- CBO has previously recommended considering financing options for shelter projects, which could be considered if there are time-sensitive opportunities that are not eligible for any of the funding sources noted above. CBO’s understanding is that the downtown women’s shelter has been contemplated as a congregate site, which may not be an allowable acquisition with COVID-19-related relief dollars. However, the anticipated costs significantly exceed the General Fund request to the City and available balance from the County, so any investment would likely require alternate funding sources to move forward next year.

To date, capital investments have been made based on what “cash” resources have been available for both permanent and temporary shelter projects. **For future projects, CBO recommends that the Joint Office work with jurisdictional partners to develop a five-year capital plan with associated ongoing operations and major maintenance costs.** For new investments, identifying the desired geographical location, capacity, and other characteristics of the project will help to ensure that the region is maximizing different funding streams so that the most flexible resources are preserved for services and program costs that do not have other funding options.

CBO notes that, given the organizational structure of the Joint Office, Council will not necessarily have the opportunity to weigh in on specific real estate transactions as would typically be the case for other City investments. An overall shelter funding strategy with specific priorities and goals for shelter capital development would allow Council to have that discussion, recognizing the need for the JOHS to be nimble in responding to real estate opportunities. This is also important for balancing local and regional funding sources, as Portland, Multnomah County, and Metro have significant overlap but include unique service areas.

CBO acknowledges the importance of building out a quality shelter system and supports the use of one-time federal resources currently available to fund urgent projects and time-sensitive opportunities related to acquisition of motels. Given the availability of alternate funding options, the need to develop a longer-term plan, and the further cuts that would be required to City services to identify a \$2 million contribution, CBO does not recommend the allocation of General Fund resources.

## **SUMMARY OF REQUESTS AND RECOMMENDATIONS**

While CBO has conducted this analysis of the Joint Office of Homeless Services’ FY 2021-22 Requested Budget, the City’s portion of that office’s budget is technically contained in the budget of the Portland Housing Bureau. Please consult CBO’s review of the Housing Bureau’s Requested Budget for a summary table of both the bureau’s and the JOHS’s Requested Budget amounts and CBO’s recommendations.