

Portland's Housing Bond

Date: July 10, 2019

To: Bond Oversight Committee (BOC) Members

From: Jennifer Chang, Senior Policy Coordinator, Portland Housing Bureau

CC: Shannon Callahan, Molly Rogers, Leslie Goodlow, Tanya Wolfersperger, Elizabeth Hilt, Mike Johnson

Re: City Auditors' Office performance audit; upcoming Independent Financial Audit; Proposed Bond Audit and Annual Report Schedule

City Auditors' Office Performance Audit (June 2019)

On June 19, 2019, the City Auditors' Office released a report of Portland's Housing Bond, entitled "Portland Housing Bond: Early implement results mostly encouraging." Highlights and the full report are available online: <https://www.portlandoregon.gov/auditservices/article/632809>.

The report highlights the Bond's progress, thoughtful work and provides concrete recommendations to help PHB continue to improve.

In addition to PHB's formal response, which is included as part of the audit report, we would like to submit the following information to the BOC in response to the audit recommendations:

1. *Emphasize ballot measure commitments in addition to the framework criteria and report on service to those priority communities.*

The city conducted an intensive public process following the Bond measure passage to guide implementation according to community needs and existing housing resources in Portland, which resulted in the creation of the Bond Policy Framework ("Framework"), approved by City Council in October 2017. The populations named in the ballot measure provided the starting point for these discussions. While the Framework names priority populations outside of those listed in the original ballot measure language, this was not intended to override the ballot measure language or preclude those populations from accessing opportunities in favor of the Framework priority communities. Rather, it was to inform outreach, marketing and lease-up activities to ensure the equitable inclusion of communities disproportionately impacted by the housing affordability crisis and who continue to have few, if any, dedicated housing resources and opportunities.

The Framework also recognizes the substantial overlap between its priority communities and those named in the ballot measure. Seniors and persons with disabilities are identified in the Framework within the broader population of “households experiencing homelessness or facing imminent displacement.” The goal to create 300 new supportive housing units by definition will serve households living with a disability. The Framework also emphasizes the importance of leveraging other housing resources, including Veterans Affairs Supportive Housing (VASH) vouchers which provide operating and services support for Veterans. We agree additional efforts will be made in the upcoming years to serve communities listed in both the ballot measure and Framework.

2. *In documenting and communicating bond decisions, provide specific information about the underlying rationale for the decisions.*

Project announcements and other Bond communications have sought to highlight the aspects of each project that served as the basis for selection. In addition, a fact-sheet template was developed for Bond projects to capture the Framework criteria and goals considered in the project’s selection, including the Opportunity Score and Vulnerability Score of the surrounding area; neighborhood demographics; unit mix by bedroom count and income levels, to track progress with all goals under the Bond. The fact sheets also included narrative summarizing the alignment of the project with the Framework priorities. These fact sheets have been distributed with official announcements, advanced stakeholder notifications, as well as at meetings and community events. They also appear on PHB’s website. In light of this feedback from the audit report, however, we recognize this can be made clearer and more explicit for the general public.

Moving forward with PHB’s new approach of soliciting funds to developers to achieve the Bond goals, project selection will be based on the Evaluation Process of the Bond Opportunity Solicitation (BOS.) Applicants will be evaluated based on ability to meet the requirements of the BOS and ability to advance the goals of the Bond. The evaluation process will include a two-fold review of project feasibility and alignment to Bond policies and priorities. These projects will be required to develop fact-sheets that describes how it contributes to the goals of the Bond.

3. Evaluate the effectiveness of the new approach to reaching target populations for bond projects that are not City-owned.

PHB's BOS lays out clear expectations and development requirements for applicants in order to further the goals of the Framework. These include, but are not limited to: creating housing for Bond priority communities; meeting production goals for 0-30% Area Median Income (AMI) units, family-sized units, and supportive housing units; meeting goals for equity in contracting and workforce; demonstrating robust resident and services plans, including outreach, marketing and lease-up to reach priority communities and low barrier screening criteria.

Projects awarded funding through the BOS will be required to enter into a Regulatory Agreement with the city that outlines PHB's reporting and compliance requirements conducted by the bureau's compliance department. These requirements include: annual tenant demographic and income reporting; approval of Affirmative Fair Housing Marketing Plans; and submittal of asset management, resident services and supportive services plans for each project receiving Bond funds. Based on the intended programming, PHB will work with housing partners to ensure coordination with agencies that serve the specific communities the housing is intended to reach. Project sponsors will input demographic and income data to the bureau's Web Compliance Management System (WCMS) allowing the PHB to track and report Bond-specific progress toward serving priority populations. PHB will enhance current reporting to track outcomes for these populations, including self-reported resident demographics and the utilization of specific housing resources such as VASH.

In reference to the audit's comments in regards to outreach to intended populations (page 9 of audit), the partnerships established for the first two Bond projects was focused on reaching families experiencing homelessness. Although the referring organizations on the advance notification lists aren't solely serving Veterans, seniors, or persons with disabilities, several of them nonetheless serve the communities listed in the ballot measure through robust, targeted programming. For example, Urban League and IRCO have senior programs; Transition Projects serves as a primary agency hub providing housing assistance for Veterans in Multnomah County; and all of the homeless family service agencies that are part of the County's coordinated access system provide direct referrals of people living with disabilities for supportive housing.

Upcoming Independent Financial Audit (Timeline: July/August – November 2019)

The City selected the firm [Harvey M Rose Associates](#) to conduct an independent financial audit of the Bond. The financial audit will match the same review period – November 2016 to June 2018 - as was covered in the City Auditors’ Office Performance Audit, released in June 2019. The objective of the financial audit is to determine if the Bond program is operating in a fiscally responsible manner. The scope will include:

- Maintaining fiscal accountability;
- Ensuring Bond dollars are clearly and separately tracked;
- Correctly valuating and maintaining Bond assets in the City financial system; and
- Ensuring integrity and accuracy of financial statements.

Proposed Bond Audit and Annual Report Schedule

Annual audits are scheduled for up to one year past the last bond sale. Financial audits will be conducted annually. Additional performance audits are scheduled for the mid-point and end of the program. Annual reports from the Bond Oversight Committee will be provided each year.

★ = completed

🔄 = in process

✕ = scheduled

| Year Conducted | Financial Audit | Program Audit | Audit Review Period (fiscal year) | BOC Annual Report | Annual Report Review Period (calendar year) |
|----------------|-----------------|---------------|-----------------------------------|-------------------|---|
| 2019 | 🔄 | ★ | Nov 2016 to June 2018 | ★ | Nov 2016 to Dec 2018 |
| 2020 | ✕ | | July 2018 to June 2019 | ✕ | 2019 |
| 2021 | ✕ | | July 2019 to June 2020 | ✕ | 2020 |
| 2022 | ✕ | ✕ | July 2020 to June 2021 | ✕ | 2021 |
| 2023 | ✕ | | July 2021 to June 2022 | ✕ | 2022 |
| 2024 | ✕ | | July 2022 to June 2023 | ✕ | 2023 |
| 2025 | ✕ | ✕ | July 2023 to June 2024 | ✕ | 2024 |