

# PORTLAND HOUSING BOND:

Early implementation results  
mostly encouraging

June 2019



PORTLAND  
CITY AUDITOR  

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Audit Services



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## **Portland Housing Bond:**

Early implementation results mostly encouraging

**Summary** Voters gave Portland the go-ahead in 2016 to borrow \$258 million to invest in affordable housing to address a growing housing crisis. The goal for the Housing Bureau's first-ever bond is to build or buy 1,300 housing units over a five- to eight-year period. Many of those units will serve very low-income households. Some of those households need additional services.

Bond implementation is off to a solid start. The Housing Bureau established clear criteria for project selection, but some priority communities named in the ballot language, such as veterans, were left out. The Bureau appeared to follow a consistent project selection process and developed a new approach to target priority populations for the housing created.

Including all populations prioritized for housing, documenting and communicating project rationale better, and continuing to evaluate whom bond projects are serving will help ensure bond implementation reflects voter intent.

## Background

Voters approved a \$258.4 million affordable housing bond in 2016 to address Portland’s growing housing crisis. The City told voters the bond would house families, seniors, veterans, and people with disabilities. Bonds are repaid from property taxes.



The bond was designed to fund 1,300 housing units over five to eight years. Each unit would serve households with an annual income of no more than 60 percent of the median income for the region. And almost half those units would be reserved for Portlanders with even lower incomes – 30 percent or less of the median income. Half of the 1,300 units would have two or more bedrooms to accommodate families.

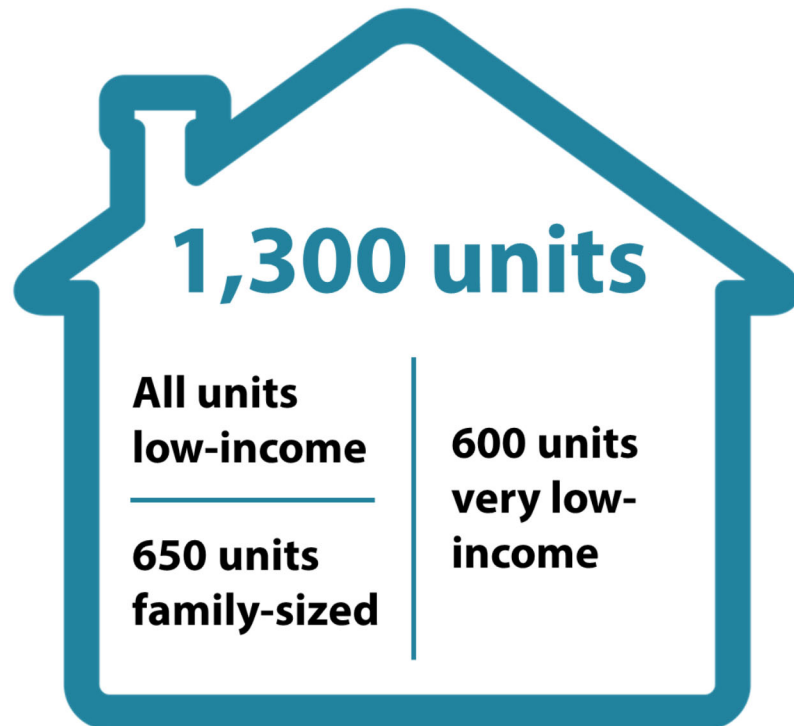
Some residents of housing bond units need more than an apartment. They need services to help with various life challenges. While bond funds can’t be used to pay for it, the City set a goal that 300 of the very low-income units would be Supportive Housing units. Supportive Housing services include things like physical and mental healthcare, help with addiction and employment, and other services that help people experiencing homelessness who also have a disability to live independently.


When the housing bond was approved, it thrust the Portland Housing Bureau into an unfamiliar role: that of a property owner. The Bureau usually makes loans to developers to provide affordable housing to Portlanders. But at the time the bond passed, state law said only a public entity could own housing units built with bond proceeds. The Bureau turned to Home Forward, Multnomah County’s housing authority, for help with this new role. Home Forward owns public and affordable housing throughout Multnomah County and has long experience with the many tasks of owning affordable housing.

To help make housing bond units even more affordable, Home Forward is providing additional subsidies to 400 very low-income bond units.

The rules governing the housing bond changed in November 2018 when Oregon voters passed a constitutional amendment allowing general obligation bond proceeds for affordable housing to be loaned to private entities. The Housing Bureau can now direct bond funds to private entities to develop and own affordable housing projects. Bond money can also be combined with other funds.

The City will still own bond projects that were already well-underway or completed before November 2018 but will transition back to its traditional role as a lender for future bond projects. The change will mean a loss of some control over bond project operations, but the City hopes the new flexibility in how the funds can be used will allow for more than 1,300 units.



 **City's goal:**  
300 of the very low-income units would be Supportive Housing units if non-bond funds are available

The housing bond is overseen by a Bond Oversight Committee, which is a five-member body appointed for the life of the bond. Each City Council member appoints one member of the committee.

## **Audit Results**

The purpose of this audit was to determine if the Housing Bureau established clear criteria for project selection consistent with promises to voters, is applying those criteria to project selection to ensure bond goals are met, and has systems in place to ensure bond-funded housing serves intended populations.

### **Project selection criteria consistent with most promises to voters**

The Bureau established project selection criteria consistent with most, but not all, promises to voters. A wide range of affordable housing stakeholders crafted the criteria. The end result was that some priorities were emphasized more than others.

The Housing Bureau initiated its first bond purchase – a 262-unit apartment building in northeast Portland called the Ellington – before the housing bond was approved. The Ellington was a low-income apartment building that was being converted over time to market-rate apartments after being sold in 2005. By the time the City purchased it, only a small number of the units were still affordable. The Bureau wanted to buy it before it was purchased by someone else and fully converted to market-rate apartments.

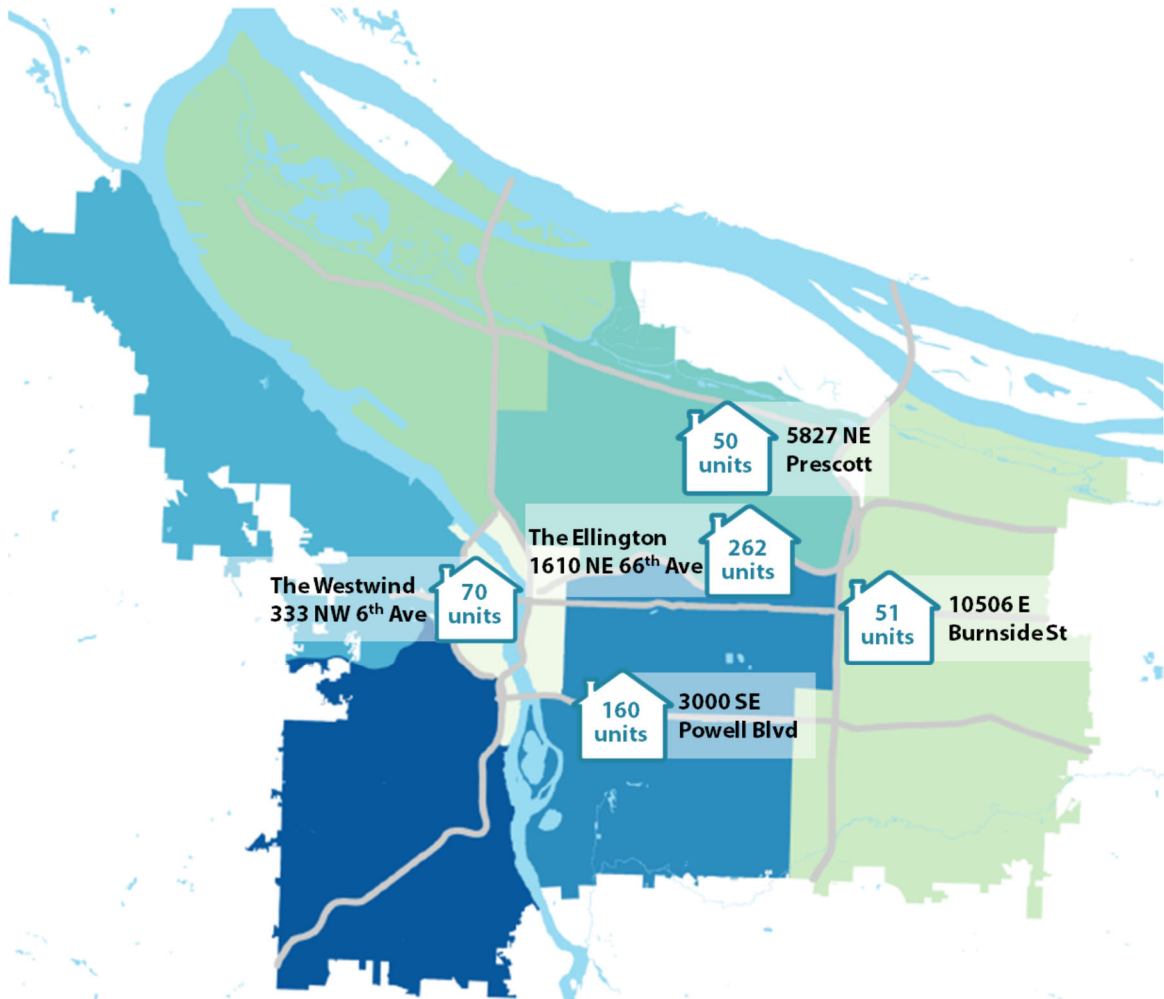
Some stakeholders argued the City should not make purchases without an overall strategy. In response, the Bureau convened a Stakeholder Advisory Group to come up with criteria – a Policy Framework – for future purchases. The group also included community input in the framework.

The framework, adopted by City Council in October 2017, reflects many promises to voters, but also introduces new areas of focus and de-emphasizes or eliminates some topics. The framework calls for these communities to be served by the housing bond:

- Communities of color
- Families, including with children, immigrants, refugees, and intergenerational families
- Homeless or at imminent risk of homelessness
- Households facing imminent displacement

Voters approved an emphasis that included seniors, veterans, and people with disabilities. The framework doesn't include veterans and includes seniors and people with disabilities only as subgroups. The Bureau said the stakeholder group didn't intend to exclude or downplay these groups but relied on the community engagement process to formulate the framework. But by not focusing more precisely on the populations described in the ballot measure, PHB risks losing the trust of voters who may have expected each population to be prioritized for housing.

The framework also describes location priorities for bond purchases. It says the Bureau will use a racial equity lens to evaluate properties, focusing on areas with little or no affordable housing and factoring in things like access to schools and transit in neighborhoods at high risk of gentrification. Geographic diversity is also a goal of the bond.



**Project selection criteria appear to be applied consistently**

The Bureau appeared to apply project selection criteria consistently. Each project is justifiable in helping to further bond goals, although it is too soon to say if the overall effect will be that all bond goals will be met. More transparency would be helpful.

The Bureau emphasized the importance of meeting five high-level goals:

- 1,300 total housing units
- 650 family-sized units
- 600 very low-income units
- 300 Supportive Housing units, if funding is available
- 400 subsidies to further reduce rents for some very low-income units

To find potential properties, the Bureau defined minimum characteristics a property should have, such as having at least 20 units and being in a location that would facilitate serving priority communities.

Bureau staff solicited real estate brokers, property owners, and developers to find potential properties, and made site visits to make sure the property was suitable, bringing in third parties as needed for these evaluations. Home Forward helped assess potential projects and provided a host of other services to the Housing Bureau.

All properties that met the minimum characteristics were submitted to a Bond Property Review Committee. The Bond Property Review Committee was established by Bureau staff with input from Bond Oversight Committee members and used to vet potential property purchases. The committee included Bureau managers, rotating members of the Bond Oversight Committee, and a representative of Home Forward. Bureau staff and managers also discussed property purchases internally.



Except for the Ellington, Bureau staff compiled a packet of information for each property that was relatively consistent. The Bond Property Review Committee reviewed the packets, which included common elements such as asking price, zoning, neighborhood demographics, and school data.

The Review Committee provided consensus to proceed with offers to purchase bond properties, with Bureau managers at times making the final determination when there were unresolved issues from the committee. In all cases, the final step was for City Council to vote to approve the purchase.

Although having purchase criteria is important, the Bureau acknowledged that bond purchases could only be made based on available opportunities, regardless of the criteria. For example, the Bureau wants bond properties in all quadrants of the City but hasn't been able to meet that goal based on what's been for sale.

We could piece together an understanding of the rationale behind each bond purchase using various sources, but we couldn't find a concise record explaining why each property was purchased and how each decision advanced the goals of the bond.

Project information could also be more prominent on the website, and the first required annual report was only recently completed.

When we reviewed documentation for two properties that were not purchased, we found it was clear why they hadn't been. For example, the Review Committee had concerns that it would cost too much to make repairs to one property that was not in good condition.



**February 2017**

**The Ellington**  
1610 NE 66<sup>th</sup> Ave

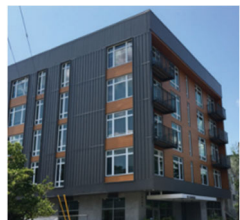
Existing building  
262 units, mostly family-sized  
City Council approved purchase November 2016



**September 2017**

**3000 SE Powell Blvd**

Lot to be developed  
160 units estimated



**June 2018**

**10506 E Burnside St**

New building  
51 units, almost half family-sized



**November 2018**

**The Westwind**  
333 NW 6<sup>th</sup> Ave

Will replace existing building  
70 units estimated  
Serves a high-needs population

**November 2016**

Bond passes

**October 2017**

Policy Framework completed

**November 2018**

Constitutional amendment passes

**Outreach targets  
intended  
populations**

The Bureau used a targeted approach for getting tenants into units, depending on whether it was finding a tenant for a low-income unit or a very low-income unit. The Burnside property is the only completed, unoccupied bond property the Bureau needed to find tenants for. The Bureau has also placed new tenants in the Ellington apartments.

To find very low-income tenants – and make sure they received services – the Bureau worked with a variety of service partners. For example, JOIN, a nonprofit focused on homelessness, referred potential tenants from a waitlist into available bond units. Some of the City’s service partners were from culturally-specific agencies.

JOIN is also part of a team that provides Supportive Housing services to qualified tenants. At the Burnside property, the Bureau established a preference that Supportive Housing units include a household member with a disability and a tenant or tenants experiencing homelessness who scored high on a vulnerability index.

Organizations that refer tenants into units and provide Supportive Housing to tenants rely on money from the City and County Joint Office of Homeless Services, which is funded by the City’s general fund and other non-bond sources. The Bureau intends for tenants in Supportive Housing units to receive support throughout their tenancy, but funding provided by the Joint Office is not guaranteed.

To help meet Policy Framework goals for priority communities in its low-income units, the Bureau used an Advanced Notification List. This new approach gave certain culturally-specific and other groups 14 days of advanced notice that low-income units were available.

The list we reviewed for the Burnside property included groups representing immigrants and refugees, communities of color, homeless and low-income populations, and youth who were low-income or experiencing homelessness.

The list did not include groups focused solely on veterans, seniors, or people with disabilities. And there is no guarantee that people coming through the Advanced Notification List are members of priority populations, regardless of which group refers them into a bond unit. Fair housing laws prohibit denying an applicant who meets the income eligibility requirements access to an available unit whether or not they fall within the City’s priority communities.

**Limited data shows  
bond projects  
serve diverse  
populations**

With the Ellington and the Burnside property fully leased, the Bureau asked Home Forward for demographic data on the buildings' tenants. The reports compared the race of tenants to the surrounding neighborhood and included information about the ages and disability status of the residents. As units turn over, the Bureau will need to evaluate how well it's serving target populations.

**The Ellington**

The population of the Ellington was more racially diverse than the surrounding area, based on the three-quarters of residents who reported their race, for all populations other than Asian. Almost 20 percent of the units had an elderly or disabled resident and there were many children in the building. Those numbers were not compared to the surrounding neighborhood.



Home Forward hired a full-time resident services coordinator to help connect households in the Ellington with services. Resident services – which are distinct from Supportive Housing services – include help with learning English, gaining parenting skills, and developing workforce skills.

**Southeast 105th Avenue and East Burnside Street**

Home Forward's demographic report for this property showed the number of tenants referred by each culturally-specific or other organization. It also provided a count of children, elderly, and disabled tenants but did not compare those numbers to the surrounding neighborhood.



Home Forward found a higher percentage of some groups – for example, African Americans and Native Americans – than in the surrounding area. But it showed fewer members of other groups, such as Hispanics and Asians.

More than half the households had a member who was disabled, and two households included elderly members. Almost three-quarters of the units had children.

**The Bureau is developing a new approach for properties the City won't own**

The state constitutional amendment will upend how tenants are placed in bond properties. Instead of overseeing leasing activities through Home Forward, the Bureau plans to use solicitation documents to describe its expectations to developers and property owners, who will be responsible for finding tenants. Each property owner may approach things differently, which could create more work for the Bureau to track outcomes and make needed adjustments if the results are not what it intends.

While the Bureau will likely end up with less control over this and other aspects of bond implementation, it may benefit from the experience of the developers and property owners with whom it works.

**Recommendations** We recommend the Portland Housing Bureau:

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

While the framework criteria have been established and the group that created the framework has disbanded, the Bureau should also focus on the priority communities not included in the framework for future projects.

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

As the City moves away from project ownership, decision-making will be embedded in the procurement process for new bond properties. The Bureau will require a new approach to monitor and document that projects help the Bureau meet its goals for the bond.

The Bureau should document how each project meets the bond criteria when reporting on bond progress.

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

This will require more monitoring than for City-owned properties, and may require different approaches for each project, depending on the strategies the successful bidder proposes to use. If priority populations are not being reached, the Bureau may need to adjust its approach.

The Bureau will also need to ensure City-owned properties continue to serve priority populations as units turn over.

**Objective,  
Scope,  
and  
Methodology**

Our audit objectives were to determine if the Housing Bureau established clear criteria for project selection consistent with promises to voters, is applying those criteria in project selection to ensure bond goals are met, and has systems in place to ensure bond-funded housing serves intended populations. The scope of our review included the Housing Bureau's first five bond projects.

To accomplish our objectives, we:

- Interviewed managers and staff from the Housing Bureau, City Attorney's Office, Office of Management and Finance, Joint Office of Homeless Services, Home Forward, a housing development organization, and a homeless services provider.
- Interviewed members of the Bond Oversight Committee and Stakeholder Advisory Group.
- Attended Bond Oversight Committee meetings and a meeting of the Bond Property Review Committee.
- Reviewed audits and other documents related to housing bonds in other cities and states.
- Reviewed ballot measure documents.
- Reviewed documents related to housing bond policy, project purchases, and other housing bond documents.
- Compared promises to voters to the bond Policy Framework.
- Analyzed impact of constitutional amendment on housing bond implementation.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# **RESPONSE TO THE AUDIT**





# Portland Housing Bureau

Mayor Ted Wheeler • Director Shannon Callahan

June 12, 2019

Mary Hull Caballero  
City Auditor  
12221 SW 4<sup>th</sup> Avenue, #140  
Portland, OR 97204

Dear Auditor Hull Caballero,

The Portland Housing Bureau (PHB) appreciates the Auditor's Office for highlighting the early successes of Portland's Housing Bond in your audit *Portland Housing Bond: Early implementation results mostly encouraging (June 2019)*, and for providing recommendations on how we can continue to strengthen our efforts moving forward. We appreciate the opportunity to review and respond to the audit recommendations, which are listed below.

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

*PHB conducted an intensive public process following the Bond measure passage to guide implementation according to community needs and existing housing resources in Portland. This process culminated in the Bond Policy Framework ("Framework"), approved by City Council in October 2017, which built upon and enhanced the ballot measure commitments. The Framework highlights priority populations for the purpose of refining implementation strategies in the areas of outreach, marketing, and lease-up to ensure the equitable inclusion of communities who have been disproportionately impacted by the housing affordability crisis. In explicitly identifying seniors and persons with disabilities within its broader priority population of "households experiencing homelessness or facing imminent displacement," the Framework recognizes the ballot measure commitments, which are integrated into many of the Framework goals and priorities. Further, the goal to create 300 units of supportive housing under the Bond, by definition, prioritizes persons with disabilities for Bond housing opportunities. We agree additional efforts can be made to emphasize and report on our service to these communities moving forward. We will be explicit in future solicitations about prioritizing these communities and will ensure we are reporting on our work to the public.*

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

*Project announcements and other Bond communications have highlighted the aspects of each project that served as the basis for selection. For each Bond project we also have created a Project Fact Sheet which captures the Framework criteria and goals considered in the project's selection, such as the Opportunity Score and Vulnerability Score of the surrounding area, neighborhood demographics, unit mix by bedroom count and income levels, and the inclusion of Supportive Housing units. The Project Fact Sheets, available on our website, also include narrative summaries of the projects' alignment with the Framework priorities, and have been distributed with official announcements, advance stakeholder notifications, as well as at meetings and community events. In light of this feedback contained in the Audit, we recognize we can take steps to make this information more explicit and more readily available.*

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

*Ongoing monitoring and collaboration with our housing partners will be critical to ensuring priority communities continue to be served by Bond housing moving forward. Our first Bond Opportunity Solicitation released in April of this year, sets clear expectations and requirements to further the Framework goals. These include creating housing for priority communities; meeting production goals for 0-30% AMI units, family-sized units, and supportive housing units; demonstrating robust resident and services plans, as well as outreach, marketing, and lease-up to priority communities, and low-barrier screening criteria. Funded projects will enter into a Regulatory Agreement with the City that outlines reporting and compliance requirements, such as 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, 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.*

We appreciate the City Auditor's Office due diligence and thorough assessment of PHB's early implementation of Portland's Housing Bond. Thank you for your work.

Sincerely,



Mayor Ted Wheeler  
City of Portland



Shannon Callahan  
Director, Portland Housing Bureau



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*Portland Housing Bond:*

Early implementation results  
mostly encouraging

Report #520, June 2019

Audit Team: Martha Prinz

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