Metro

Supportive Housing Services:

Set annual goals to clarify performance expectations

May 2021
A Report by the Office of the Auditor

Brian Evans
Metro Auditor

Nicole Pexton
Senior Management Auditor

Metro Accountability Hotline

The Metro Accountability Hotline gives employees and citizens an avenue to report misconduct, waste or misuse of resources in any Metro or Metro Exposition Recreation Commission (MERC) facility or department.

The Hotline is administered by the Metro Auditor's Office. All reports are taken seriously and responded to in a timely manner. The auditor contracts with a hotline vendor, EthicsPoint, to provide and maintain the reporting system. Your report will serve the public interest and assist Metro in meeting high standards of public accountability.

To make a report, choose either of the following methods:

Dial 888-299-5460 (toll free in the U.S. and Canada)
File an online report at www.metroaccountability.org

B r i a n   E v a n s
Metro Auditor
600 NE Grand Ave
Portland, OR   97232-2736
TEL 503 797 1892, FAX 503 797 1831

MEMORANDUM

To: Lynn Peterson, Council President
        Shirley Craddick, Councilor, District 1
        Christine Lewis, Councilor, District 2
        Gerritt Rosenthal, Councilor, District 3
        Juan Carlos González, Councilor, District 4
        Mary Nolan, Councilor, District 5
        Bob Stacey, Councilor, District 6

From: Brian Evans, Metro Auditor

Re: Audit of Performance Measures for the Supportive Housing Services Program

This report covers the audit of performance measures for the Supportive Housing Services program. The purpose was to determine if performance measures were aligned with the ballot measure's intent and consistent with best practices for evaluating performance.

Effective and efficient performance measurement requires clarity about what is expected to be achieved and data to evaluate progress toward those outputs and outcomes. Uncertainties about the amount of revenue that will be generated from the new taxes, as well as uncertainty about the supply and demand for these services make it more difficult to set appropriate expectations about the measure's intended outcomes. These challenges existed before 2020, but Covid-19 and wild fires have created additional unknowns.

Data challenges could impact the comparability, reliability, and accuracy of what gets measured. Regional goals and measures were approved in December 2020, but they did not identify data sources. Some common data points to evaluate outputs and outcomes are already tracked in each county, which can provide a starting point for performance measures and targets.

Multnomah County had a significantly larger share of the measure's primary target population in 2019. After estimated revenue is allocated for tax collection, administrative and other non-program costs, the revenue available per individual may vary considerably between the counties. Variation in funding could impact performance expectations among the counties.

We have discussed our findings and recommendations with Marissa Madrigal, COO; Elissa Gertler, Planning and Development Director; and Patricia Rojas, Housing Program Manager. A formal follow-up to this audit will be scheduled within five years. We would like to acknowledge and thank all of the employees who assisted us in completing this audit.

Summary

Voters approved a ballot measure to fund supportive housing services in May 2020. The measure was intended to generate about $250 million annually to provide rental assistance and other services to reduce the number of people experiencing chronic homelessness and prevent people from becoming homeless.

The three counties in the region (Clackamas, Multnomah, and Washington) are the primary implementers of the measure. Metro plays an important role in convening and staffing an oversight committee, collecting the tax, and developing policies and procedures to distribute funding.

This audit was designed to take an early look at performances measures. Performance measures provide accountability and transparency in the management of public resources. They typically link program inputs, outputs and outcomes to show what can be expected from new or existing resources.

Uncertainties about the inputs of supportive housing services (available revenue, supply and demand for services) make it more difficult to set reasonable performance targets for outputs and outcomes. Each input has been impacted by Covid-19 and the wildfires that occurred in 2020.

An incremental approach to performance management will be needed to be responsive to the unique challenges facing the region at this moment in time. Regional goals and measures were approved in December 2020, but they did not identify data sources. Data challenges could impact the comparability, reliability, and accuracy of what gets measured. Some common data points to evaluate outputs and outcomes are already tracked in each county, which can provide a starting point for performance measures and targets.

The way tax revenue was allocated among the counties has the potential to create inequities. Some variation in funding per individual may be appropriate given the different service models among the counties. However, it could be difficult to sustain for the duration of the program if one county continues to have 85% of the region's priority population, but receives 45% of the tax revenue.

The report includes three recommendations to be responsive to uncertainty about the measure's inputs, strengthen oversight and accountability, and ensure compliance with the program's requirements.

Background

This audit was designed to take an early look at the performances measures for the region's supportive housing services program. Performance measures provide accountability and transparency in the management of public resources. They assess how well programs and services achieve intended results. When combined with expenditure information, performance measures allow the public to make a connection between government services and the resources used to provide those services.

Voters in the Metro region approved a ballot measure to fund supportive housing services in May 2020. The measure was intended to generate about $250 million annually to provide rental assistance and other services to reduce chronic homelessness and prevent people from becoming homeless. Revenue for the measure's services will be generated from a marginal tax on personal income (1%) and business profits (1%) above certain thresholds. New taxes began in January 2021 and expire after ten years unless renewed by voters.

The three counties in the region (Clackamas, Multnomah, and Washington) are the primary implementers of the measure. Metro plays an important role in convening and staffing an oversight committee, collecting the tax, and developing policies and procedures to distribute funding. At Metro, the Chief Operating Officer's Office, Office of Metro Attorney, Planning and Development (Planning), and Finance and Regulatory Services (FRS) are the primary departments involved in implementation. Planning employees staff the oversight committee and were the lead on policy development for the distribution of funds. FRS was the lead on tax collection and tax policy development.

The initial budget to implement the measure for fiscal year (FY) 2020-21 was about $52 million including four full-time equivalent employees. The budget recognized about $51 million in estimated revenue resulting from the measure during the first six months of tax collection (January 2021 through June 2021). About $24 million was from estimated income and business taxes during that period. The other $27 million was from a loan to cover initial expenses that were planned to be repaid after taxes were collected.

Metro will use new revenue to cover the cost of collecting the tax as well as five percent of the total for administration. Another five percent was set aside for a regional strategy implementation fund. The remaining revenue was to be allocated proportionally to each county based on the size of their tax base. Clackamas County will get 21.33%, Multnomah County will get 45.33%, and Washington County will get 33.33%. Each local implementation partner was also allowed to retain five to ten percent for administration depending on the service provided.

Metro and the city of Portland entered into an intergovernmental agreement (IGA) for tax collection. Metro will pay the city $19 million annually during the first two years. Annual costs thereafter will be about $12 million per year.

Exhibit 1   Funding for county programs could vary widely during the first two years of the new taxes

Fixed Costs	Low Revenue Scenario*	High Revenue Scenario**
Tax Collection	$19,239,297	$19,239,297
Metro Administration (5%)	$4,038,035	$11,538,035
Regional Strategy Implementation Fund (5%)	$3,836,133	$10,961,133
Available for County Programs^		
Clackamas (21.33%)	$13.9 – $14.7 million	$39.8 – $42.1 million
Multnomah (45.33%)	$29.6 – $31.3 million	$84.5 – $89.4 million
Washington (33.33%)	$21.7 – $23.0 million	$62.1 – $65.8 million

Source: Auditor's Office analysis of the program work plan, Measure 26-210, and Metro Code.
* Assuming $100 million is collected annually
** Assuming $250 million is collected annually
^Depending on the program type (10% can be retained to administer rental voucher programs; 5% can be retained to administer all other programs)

To receive funding, each county will be required to develop a local implementation plan (LIP) and an IGA with Metro. LIPs describe local housing and homeless service needs, current programming and unmet programming capacities, proposed use of funds, and a strategy for advancing racial equity and ensuring community engagement in implementation. The LIPs are required to be approved by the oversight committee, board of county commissioners, and Metro Council. IGAs provide the legal agreement between Metro and the county to document how funding will be allocated and what services will be provided for that funding. Both documents serve important roles for setting performance expectations.

Metro convened a stakeholder advisory group to provide input on performance measures. The group met from July to September 2020. The group included service providers and other housing services experts. Metro also convened a tax advisory group that began meeting in July 2020. That group included tax experts from the public and private sectors. Input from these groups was used to inform changes to Metro Code and the program's work plan that were adopted by Metro Council in December 2020. Metro also appointed a 15-member oversight committee around that time to monitor performance and spending.

Program documents also specified other requirements including a commitment from each county not to decrease existing general fund commitments for supportive housing services. This was intended to prevent counties from using the new revenue to replace current funding levels. Implementation partners were required to commit 75% of their funding to people experiencing long-term or frequent episodes of homelessness who also have a disabling condition. The remaining funding was prioritized for people experiencing homelessness or people at substantial risk of homelessness. The program's work plan also called for the creation of a tri-county planning group to identify regional goals, strategies, and outcome matrics.

The housing services measure was related to Metro's affordable housing bond ($652.8 million) that was approved by voters in November 2018. That measure promised 1,600 deeply affordable units for people with very low-incomes (0%-30% median family income). Additional rental vouchers funded by the supportive housing measure were intended to ensure new housing units built using housing bond funds would be affordable to very low-income renters.

Metro initially declined to refer the measure to voters in December 2019, but decided to take a more active role in February 2020. As a result, the process to refer the measure was accelerated and a number of key details were left unresolved or changed right up to the deadline to include the measure on the May 2020 election ballot.

For example, the initial revenue estimate was not based on the tax rate proposed by the *Here Together Coalition* that developed the measure. Their work was based on a taxing the full income (Scenario 1 in Exhibit 2) of high income tax payers, but Metro's referral was based on a marginal rate (Scenario 2 in Exhibit 2). Using a marginal rate would have generated significantly less revenue (see total boxes in Exhibit 2). Metro added a tax on business income a week before the measure was referred to voters.

Exhibit 2 **Initial estimates were based on taxing the full amount rather than the portion above the income threshold**

	Income	Taxable Income	Rate	Tax Due
Scenario 1: Full Taxable Income	$150,000	$150,000	1%	$1,500
	$600,000	$600,000	1%	$6,000
	Total			$7,500

	Income	Taxable Income	Rate	Tax Due
Scenario 2: Portion of Income that Exceeds $125,000	$150,000	$25,000	1%	$250
	$600,000	$475,000	1%	$4,750
	Total			$5,000

Source: Auditor's office analysis of Potential Sources and Uses of Revenue to Address the Region's Homeless Crisis ECONorthwest (February 2020) and Metro's draft Ordinance 20-1442 (February 18, 2020).

The consultant that estimated the amount of revenue generated from the tax structure that was referred to voters noted that economic shocks could increase or decrease actual revenue. It also noted that adding the business tax created uncertainty about the amount of revenue that would be generated.

"Actual collections would be affected by large, unanticipated economic shocks, and these draft estimates could increase or decrease considerably... Our current estimate for the **business profit tax in particular is fairly speculative and additional data could suggest significantly higher or lower revenue potential**."

Beginning in March 2020, three events created economic shocks and other impacts that complicated the measure's implementation. First, the region was affected by Covid-19. Unemployment increased and economic activity decreased in the time since the measure was referred to the ballot in February 2020. These economic conditions may have changed the number of tax payers who are subject to the new tax as well as demand for supportive housing services.

The second event was renewed attention to racial injustice and police brutality caused by the murder of George Floyd in May 2020. While the supportive housing measure included a commitment to prioritize people of color and other historically marginalized groups from the outset, those promises were even more consequential as the region and the country reckoned with yet another example of racial injustice. That focus is closely related to the measure's intention to improve outcomes for the demographic groups who have experienced disproportionate rates of homelessness.

The third event was forest fires during the summer of 2020. For several weeks, almost all residents in Clackamas County were in one of the levels of heightened alert for evacuation. Many homes and business were destroyed in the fires. The fires may have decreased income and directly reduced the amount of housing in the tri-county area.

Note to readers about data sources

Data in this report about the number of people experiencing homelessness comes from the US Department of Housing and Urban Development (HUD). Using HUD data allowed us to evaluate trends over time and between counties using the same data points. It was also referenced in the *Here Together Coalition's* "Framework for Supportive Housing Services" that was adopted by Metro Council at the same time the Supportive Housing Services measure was referred to voters. HUD data met audit standards for data reliability, which we are required to follow.

Metro Council also acknowledged other reports when it referred the measure to voters. Some of those reports by Portland State University, EcoNorthwest, and the Corporation for Supportive Housing used different assumptions, years, and terminology to estimate the number of people experiencing homelessness.

As a result, different totals can be found for the number of people experiencing homelessness and chronic homelessness, depending on what source is used. For example, HUD data for 2019 showed 2,102 people were experiencing chronic homelessness in the tri-county region. In comparison, a staff report estimated 3,123 to 4,935 people were experiencing chronic or prolonged homelessness when Metro Code was amended to implement the supportive housing services measure.

To account for these variations, and the opinions we heard about which source was most accurate, our analysis was based on scenarios. We used the scenarios to show that the same conclusions held even if HUD data underestimated the number of people experiencing various types of homelessness.
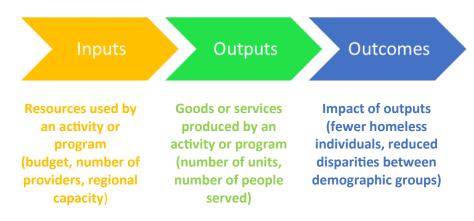
Results

A strong foundation to implement the supportive housing services measure requires regional agreement about what to measure and how to evaluate progress. While each county has flexibility in how they will address their community's needs, the oversight committee, Metro Council and the public will need information to understand what has been accomplished with the $1 billion to $2.5 billion in new revenue expected over the next 10 years.

Voters showed trust in Metro when they approved the ballot measure that may double or triple the amount of money spent annually on supportive housing services. With that trust comes responsibility to manage the risks that can arise when new revenue is invested in complex systems across three different counties.

Uncertainties about the amount of revenue that will be generated from the new taxes, as well as uncertainty about the supply and demand for these services make it more difficult to set appropriate expectations about the measure's intended outcomes. These challenges existed before 2020, but Covid-19 and wild fires have created additional unknowns. These conditions point to the need for annual targets to ensure the measure's implementation aligned with promises made to voters, available resources, and community needs.

Performance measurement systems are used by governments to manage the risk that goals will not be achieved and public funds will be misused. They typically link program inputs, outputs and outcomes to show what can be expected from new or existing resources. Effective and efficient performance measurement requires clarity about what is expected to be achieved and data to evaluate progress toward those outputs and outcomes.

Exhibit 3 **Logic models help show how program inputs, outputs and outcomes relate to each other**

Inputs — Resources used by an activity or program (budget, number of providers, regional capacity)

Outputs — Goods or services produced by an activity or program (number of units, number of people served)

Outcomes — Impact of outputs (fewer homeless individuals, reduced disparities between demographic groups)

Source: Auditor's Office analysis of performance measurement best practices from the Government Finance Officers Association (GFOA) and Governmental Accounting Standards Board (GASB).

Uncertainties about the inputs of supportive housing services make it more difficult to set reasonable performance targets for outputs and outcomes. As a result, an incremental approach to performance management will be needed to be responsive to the unique challenges facing the region at this moment in time. Some common data points to evaluate outputs and outcomes are already tracked in each county, which can provide a starting point for performance measures and targets.

Best practices for performance measures are based on the following criteria:
- Relevancy: measures track activities and progress toward goals
- Understandability: measures are clear and easily understood
- Comparability: measures show performance over time and are compared to benchmarks to show performance relative to others
- Reliability: measures are consistently calculated
- Accuracy: measures are correctly calculated using valid and verifiable data sources

The ballot measure did not include expected outcomes or performance measures other than a promise of "a substantial increase in the delivery of supportive housing services." A Metro fact sheet and presentation about the measure promised 5,000 individuals experiencing prolonged homelessness would receive housing services and up to 10,000 households at-risk of homelessness or experiencing short-term homelessness would receive housing services. Achieving these outputs would increase the delivery of services, but do not provide any indication of how those services would impact outcomes related to homelessness.

Metro created an advisory table to get input from the program's stakeholders about the values, local plans, and performance measures for the program. Regional goals and measures were adopted by Metro Council in the program's Work Plan in December 2020. See Appendix A for full list of performance goals and metrics.

The measures addressed many of the activities implied by program documents, but there appeared to be gaps that reduced relevancy and understandability. For example, there were no proposed measures to expand case management and outreach; expand clinical services; and expand access to housing that is affordable and culturally appropriate to the communities most vulnerable.

Other activities to address potential disparities based on disability status, sexual orientation and gender identity appeared to be only partially covered by the proposed measures. This means the public, oversight committee, and Metro Council may not have information to know if these outputs and outcomes were achieved.

Conversely, some of the proposed measures did not appear aligned with any of the promises implied in the supportive housing measure. For example, a proposal to mandate an hourly wage for service providers was a source of

debate among the stakeholders involved. Those aspects of performance may be important, but not required to be achieved. Focusing on these measures could divert attention and resources from the ones that were required.

Another weakness of the adopted performance measures was related to a lack of identified data sources. Data challenges could impact the comparability, reliability, and accuracy of what gets measured. Employees stated that the data sources for the measures would be addressed in the future. The complexity of reaching agreement on these issues across three counties and among a diverse set of service providers could lead to delays in data collection and measurement.

In addition, assessment of many of the existing measures will require comparison between pre- and post-measure data. That will require performance benchmarks (baselines) for each measure. Without those benchmarks it will be difficult to assess the impact of the new tax revenue in addressing the region's homeless emergency. That information will be important when considering whether to ask voters to renew the tax when it sunsets in 2030.
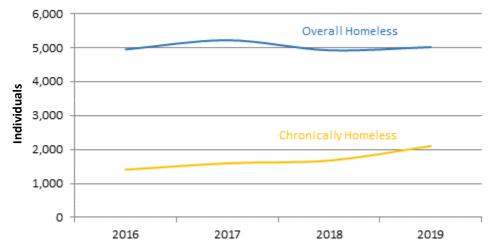
Inputs uncertain

The key inputs that drive the outputs and outcomes of supportive housing service performance are:

- The demand for supportive housing services,
- The existing supply and quality of supportive housing services, and
- The amount of new revenue generated by the new taxes.

Each of these inputs has been impacted by Covid-19 and the wildfires that occurred in 2020. These events may have created a situation where community need increased, but service capacity was reduced compared to 2019 levels. For example, increased unemployment may have resulted in more people becoming homeless, so demand for services may have increased. Financial pressure on service providers may have reduced their capacity to supply services. Decreased economic activity may have reduced the number of individuals and businesses subject to the tax.

Demand for services

Based on HUD data, the total number of people experiencing homelessness in the tri-county region increased by 1% from 2016 to 2019. People experiencing chronic homelessness increased in the tri-county region by 50% during that time. Multnomah County requested a waiver from HUD to not conduct their 2021 count because of Covid-19, so updated data for the region may not be available until 2022 at the earliest.
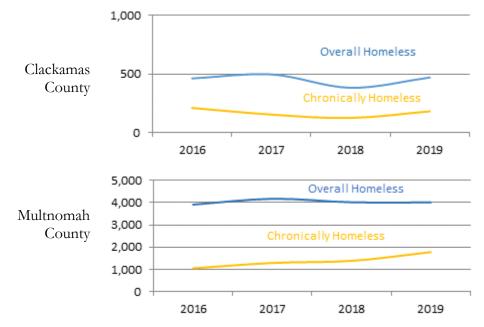
Exhibit 4   The number of individuals experiencing homelessness and chronic homelessness increased in the last four years
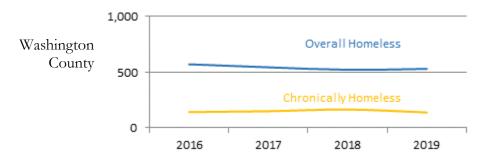

Source: Auditor's Office analysis of Continuum of Care reports for Clackamas, Multnomah, and Washington counties (HUD Exchange https://www.hudexchange.info/)

The number of people experiencing homelessness increased in Clackamas and Multnomah counties from 2016 to 2019, but decreased in Washington County. During the same period, people experiencing chronic homelessness decreased in Clackamas and Washington counties, but increased in Multnomah County. Most trends in the tri-county region were driven by Multnomah County because of its size. For example, people experiencing chronic homelessness in Multnomah County accounted for 85% (1,781 of 2,102 individuals) of the region's total and 80% (4,015 of 5,016 individuals) of the total number of people experiencing homelessness in 2019.

Exhibit 5   Homelessness trends vary by county, but Multnomah County had 80% or

Washington County

Overall Homeless

Chronically Homeless

2016 2017 2018 2019

Source: Auditor's Office analysis of Continuum of Care reports for Clackamas, Multnomah, and Washington counties (HUD Exchange https://www.hudexchange.info/)

Some of this data comes from point-in-time counts (PIT) for each county's continuum of care organization (CoC). PIT is a nationwide effort to count the number of unsheltered people on a single night in January. Each community does their own count, and it was a requirement to receive federal funding for homeless programs. According to a Multnomah County report, PIT data is sometimes considered an undercount because it only included people that were visibly experiencing homelessness on a single night. While there are legitimate concerns about the way the data is gathered, it was also identified specifically in the research reports that the measure was based on.

It's not clear what data source should be used to evaluate outcomes beyond the data counties and providers collected for work funded by HUD. A 2019 study by Portland State University (Governance, Costs, and Revenue Raising to Address and Prevent Homelessness in the Portland Tri-County Region) estimated the potential size of need among black and indigenous communities who may not meet HUD's definitions of homelessness. Those estimates attempted to measure the size of the undercount in PIT's data, but they were disputed by some stakeholders.

New tax revenue

New taxes began in 2021, but the actual revenue generated in the first year will not be known until after April 2022, which is the deadline to file income taxes resulting from income earned in 2021. The amount of revenue generated by the tax is important to set expectations for program performance targets.

For example, the number of additional people expected to be served by the program or the types of additional services to be provided by the program depends on the amount of revenue available. If one county has more resources to provide services to each household compared to another county, it may be reasonable to expect those services would be of higher quality or more comprehensive to justify the higher level of funding per individual.

The potential for reduced incomes due to Covid-19 may decrease the number of individuals and businesses who are subject to the tax, which could decrease the amount of revenue generated. If less revenue is generated than expected, it may require changes to, or slower implementation of, county plans.

Metro's amended FY2020-21 budget included about $51 million in expected revenue from the measure from January 1 to June 30, 2021. That indicated Metro expected $100 million in the first calendar year (2021), which is considerably less than the $250 million that was estimated when the measure was referred to the voters in February 2020.
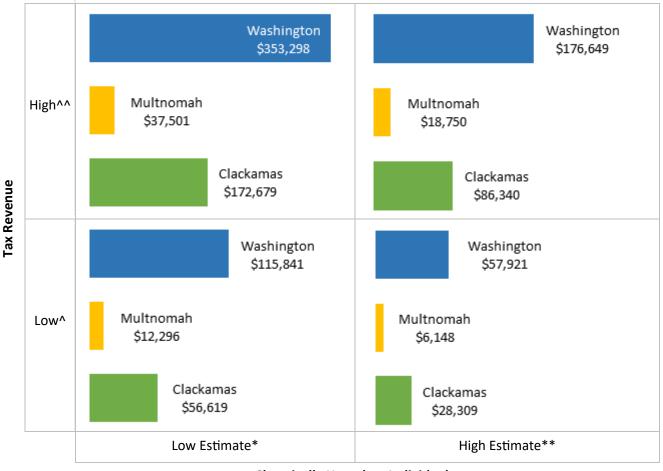
The way tax revenue was allocated among the counties has the potential to create inequities. Tax revenue will initially be distributed based on an estimate of where it is generated, so counties that were estimated to provide more tax revenue will get more funding. But, Multnomah County had a significantly larger share of the measure's primary target population in 2019 (see Exhibit 5). After estimated revenue is allocated for tax collection, administrative and other non-program costs, the revenue available per individual may vary considerably between the counties.

For example, if $250 million is generated annually by the tax, Washington County would receive about $354,000 for each individual experiencing chronic homelessness, while Clackamas County would get about $173,000 and Multnomah County would get $38,000. These estimates assume all the revenue is dedicated to individuals experiencing chronic homelessness during the first two years of the program and other assumptions about the size of non-program costs.

Some variation in funding per individual may be appropriate given the different service models among the counties. For example, there may be higher costs to start new services or engage new providers compared to adding one more participant to an existing service model. However, it could be difficult to sustain for the duration of the program if one county continues to have 85% of the region's priority population, but receives 45% of the tax revenue.

To account for potential variation in the amount of revenue generated and the number of individuals experiencing chronic homelessness, Exhibit 6 shows estimated funding per individual for each county. The top right box shows the data if the revenue available is $250 million per year and 2019 chronic homeless numbers doubled. The bottom left corner shows the revenue available per individual if revenue is $100 million per year and the number of chronically homeless individuals remains the same as 2019 levels.

Exhibit 6   Revenue for each individual experiencing chronic homelessness varies widely between counties in all scenarios

Tax Revenue

High^^
- Washington $353,298
- Multnomah $37,501
- Clackamas $172,679

- Washington $176,649
- Multnomah $18,750
- Clackamas $86,340

Low^
- Washington $115,841
- Multnomah $12,296
- Clackamas $56,619

- Washington $57,921
- Multnomah $6,148
- Clackamas $28,309

Low Estimate*   High Estimate**

Chronically Homeless Individuals

Source: Auditor's Office analysis of HUD 2019 Point-in-Time data, Measure 26-210, the program work plan, and Metro Code. Estimates are based on the average amount available during years one and two excluding revenue set aside for tax collection; Metro administration, regional implementation fund; and five percent program administration.
^ Based on $250 million in tax revenue collected annually.
^^ Based on $100 million in tax revenue collected annually.
* 2019 HUD Point-in-Time Count for Clackamas County, Multnomah County, and Washington County Continuum of Care programs.
** If 2019 HUD Point-in-Time Count for Clackamas County, Multnomah County, and Washington County Continuum of Care programs doubled.

Supply of services

Similar variations between counties were also evident when evaluating the existing funding levels and supply of all supported housing units. A November 2020 report summarized current public investments in four supported housing types for each county. That data showed about $112 million was spent in the most recent year data was available. If the supportive housing measure brings in $100 million each year it would nearly double current funding levels. If the full $250 million was generated by the new taxes it could triple the amount of available funding.

Multnomah County has the vast majority of existing funding. For example, Multnomah's total across all supported housing types was about $91 million annually. In comparison, Washington and Clackamas had about $21 million combined.
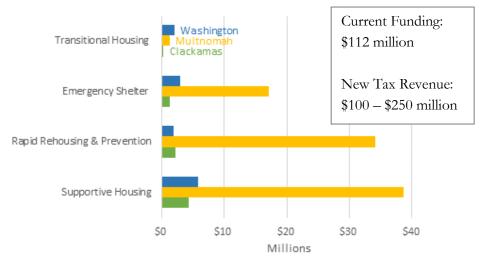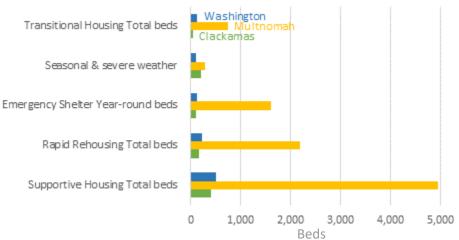
Exhibit 7   New tax revenue may double or triple available funding

Source: Auditor's Office analysis of Regional Supportive Housing Services: Tri-County Data Scan, Kristina Smock Consulting, November 2020

In addition, the report contained data about the existing capacity of each housing type measured by the number of beds and the number of individuals served. This data provided a valuable baseline to assess changes over time for both types of capacity. However, the adopted performance measures for the new taxes did not specify which data point will be used. It will be important to specify the data point to avoid the risk of double counting progress that may also be funded by one or more of the affordable housing bond programs in the region. Those bonds promised a specific number of units for people with very low incomes that may be similar to those served by the new supportive housing funds.

Similar to existing funding levels, Multnomah County had a significantly larger number of all supported housing beds (9,770) compared to each of the other two counties combined (2,000).
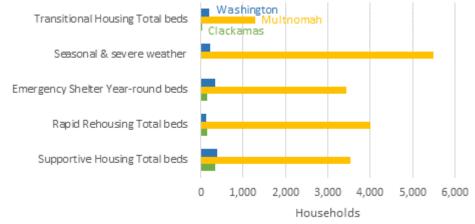
Exhibit 8   The existing supply of all supported housing beds varied widely between counties

Source: Auditor's Office analysis of HUD 2020 Homeless Inventory Count Reports and Regional Supportive Housing Services: Tri-County Data Scan, Kristina Smock Consulting, November 2020.

The same concentration in Multnomah County also applied to the number of households served in the most recent year data was available. Multnomah County served almost 17,750 households, while Clackamas and Washington Counties together served about 2,000.

Exhibit 9   The number of households served varied widely between counties

Source: Auditor's Office analysis of Regional Supportive Housing Services: Tri-County Data Scan, Kristina Smock Consulting, November 2020
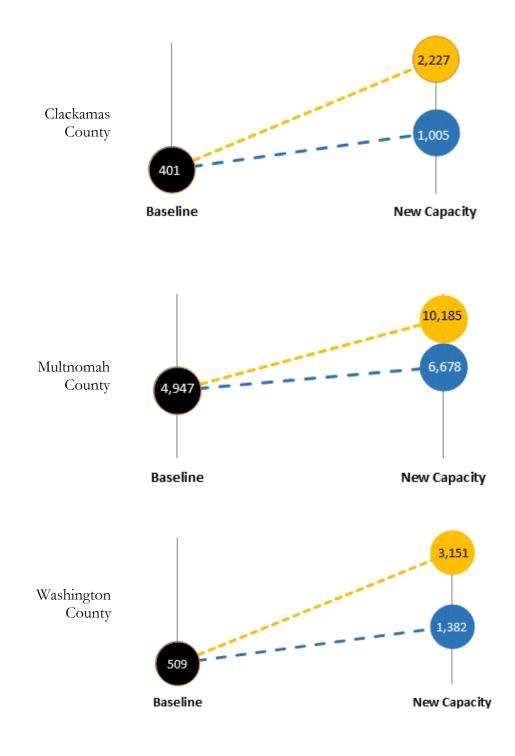
Expected outputs should be aligned with inputs

All supported housing types may be eligible for the new funding. If so, existing capacity data can be combined with estimates of new revenue generated by the measure to determine what additional capacity might be achievable.

For example, about 20,000 households were served in the region (see Exhibit 9) and public funding for those services was about $112 million (see Exhibit 7). That indicates the initial goal of serving an additional 10,000 households could be achieved with an additional $56 million per year assuming no other changes in capacity or cost. This is may be an oversimplification given the current operating environment, but it does provide a rough gauge of the alignment between inputs and possible outputs.

Exhibit 10 shows an example of how many new units could be generated if all the new revenue was committed to one type of supported housing in each county. In this scenario Clackamas County could increase its capacity by about 151% in a low revenue scenario or about 455% in a high revenue scenario. Washington County could see similarly large increases (172% or 519% respectively). In contrast, Multnomah County would have smaller changes (35% or 106% respectively). See Appendix B for analysis of each housing type by county.

Exhibit 10   Example of how additional bed capacity* may vary based on available revenue ($100 million or $250 million)

Clackamas County

Baseline: 401
New Capacity: 2,227 / 1,005

Multnomah County

Baseline: 4,947
New Capacity: 10,185 / 6,678

Washington County

Baseline: 509
New Capacity: 3,151 / 1,382

Source: Auditor's Office Analysis of program work plan, Measure 26-210, Metro Code, and Regional Supportive Housing Services: Tri-County Data Scan, Kristina Smock Consulting, November 2020
*Based on a scenario where each county devotes all its new funding to HUD's "Supportive Housing" category.

While existing data provides good baseline information for the tri-county region, Covid-19 and other factors may have changed regional capacity during the last year. For example, several social service providers closed or had to change operations. At the same time some affordable housing and homeless shelter projects have been delayed, so the physical spaces to provide supportive services may not be available.

Covid-19, wildfires, and other factors may have also impacted demand for services. For example, wildfires were reported to have increased the number of people experiencing homelessness in Oregon. Clackamas County was the most impacted area in the region, so may currently have greater need for housing services now. On the other hand, recent news articles indicate some people experiencing or at risk of experiencing homelessness may prefer to stay out of supported housing to preserve their independence. These dynamics show the complexity of trying to forecast demand.

Accountability for outputs

Who should be held accountable for outputs and outcomes was discussed during development of the performance measures. Metro will allocate the new tax revenue and have a role in data collection and oversight, but not providing services. On the other hand, Metro referred the measure to voters and took an active role in refining it, so the agency has responsibility to make sure outputs are moving the region towards the desired outcomes.

Each of the counties will be the primary implementers, so they are most directly responsible for outputs. Steady progress expanding outputs over the next 10 years will be critical to achieve outcomes. A record of effective and efficient delivery of these services will also be critical if the region decides to ask voters to renew the taxes before they expire in 2030.

Accountability for outputs is complicated by variations in service models between the counties. These differences make it more difficult to apply a one-size-fits-all performance measurement system and may require more detailed accountability measures. For example, Multnomah County's service model is based on a large network of private entities that contract with the county to provide services. As such, performance measures for providers will be important to help Multnomah County reach it commitments to increase capacity.

In addition, Multnomah County operates in partnership with the city of Portland through the Joint Office of Homeless Services (JOHS). About half of current funding for JOHS comes from Portland, but it is not one of the local implementation partners in the program. This could lead to a situation where Portland reduces funding in the future resulting in less net new revenue for supportive housing than expected.

In comparison, Clackamas and Washington Counties have smaller networks of providers. Both counties provide some services directly, so accountability for performance may be less complicated.

Outcomes are undefined

One of the constants throughout the measure's development and early implementation has been a focus on providing flexibility in how funds can be used. While flexibility can be beneficial to address the unique needs within each county or variation of needs within priority populations, it complicates performance measurement and accountability. As new issues arise and new partners engage alignment between what was initially expected and what is delivered could vary.

On the surface it's reasonable to expect that people experiencing homelessness and chronic homelessness, in particular, should decline as additional investments in supportive housing services increase. However, the causes of homelessness are complex. Income levels, housing affordability, and health factors may all contribute to an individual's housing status. If the level of investment or the quality of services are not aligned with the community's needs, additional people may become homeless even as others become housed.

One of the biggest risks associated with the measure was the potential for it to try to be all things to all people. Part of the reason Metro was asked to lead the measure was to regionalize housing services. But the need for a regional focus arose from lack of agreement about what success should look like.

Some of those interviewed for this audit stated that they thought the public would judge the measure based on whether they were seeing fewer people experiencing homelessness on the streets. However, what the public sees depends on where they live and work. Moreover, whether homelessness is visible or not does not provide reliable information to determine if the measure is having its desired effect.

Setting annual performance targets within the existing regional performance measures is a reasonable way to respond to these dynamics. Ideally, detailed data would be available to measure impacts for the entire region and for each program type, as well as each individual provider's contribution to that performance. That level of detail was not available for all three counties in the region.

A consultant report funded by Metro in November 2020 identified common performance measures and data that were already being collected by each county. These measures could form the initial basis of the performance measurement system with relatively little additional investment.

Exhibit 11   All three counties are already monitoring performance in several types of supported housing

Type	Outcome Metric
Supportive Housing	% of persons served who remained in permanently supportive housing or exited to permanent housing
	% of adults who gained or increased total income from entry to annual assessment or exit
	% of adults who gained or increased employment income from entry to annual assessment or exit
	% of adults who gained or increased non-employment cash income from entry to annual assessment or exit
Rapid Rehousing	% of persons exiting to permanent housing
	% of persons served who moved into housing
	Average length of time between start date and housing move-in date, in days
	% of adults who gained or increased total income from entry to annual assessment or exit
	% of adults who gained or increased employment income from entry to annual assessment or exit
	% of adults who gained or increased non-employment cash income from entry to annual assessment or exit
Homeless Prevention	% of persons served in homeless prevention who remained in permanent housing or exited to permanent housing
	% of adults who gained or increased total income from entry to exit
	% of adults who gained or increased employment income from entry to exit
	% of adults who gained or increased non-employment cash income from entry to exit
Emergency Shelter	% of persons served who exited to permanent housing
	% of adults who gained or increased total income from entry to exit
	% of adults who gained or increased employment income from entry to exit
	% of adults who gained or increased non-employment cash income from entry to exit
Transitional Housing	% of persons served who exited to permanent housing
	% of adults who gained or increased total income from entry to annual assessment or exit
	% of adults who gained or increased employment income from entry to annual assessment or exit
	% of adults who gained of increased non-employment cash income from entry to annual assessment or exit
Returns to Homelessness	% of persons who exited the homeless services system to a permanent housing destination and returned to the homeless services system in: <6 months 6-12 months 2 years

Source: Regional Supportive Housing Services: Tri-County Data Scan, Kristina Smock Consulting, November 2020.

Even with agreement on appropriate measures, data challenges may hinder efficient performance measurement. It appeared data collection may be a priority for the measure's regional implementation fund, which may generate $4 to $11 million annually for the oversight committee or tri-county planning group to allocate. Improved data to track outcomes was identified as a need by some providers, but the level of detail sought may take longer or cost more than expected without a clear strategy.

Part of the challenge is gaining enough information to be able to identify barriers to reducing homelessness. This is especially important to meet many of the regional goals outlined in the program's work plan to reduce racial and other disparities among people experiencing homelessness. Data showed disparities for some demographic groups in Washington and Multnomah Counties, but in some cases the causes of those disparities and strategies to address them are not well understood.

Another issue is privacy related to sensitive personal information. Data sharing between providers or counties becomes more complicated if more personally identifiable information like health and income data is collected.

An example of how complex intergovernmental data sharing at a regional scale comes from JOHS, which is made up of Multnomah County and city of Portland programs. The city maintains the data, but a 2018 audit found the County did not have full access to source documents. Some of the restrictions on data sharing appear to have been resolved between the city and county. However, similar challenges could occur between the three counties in the region, which could cause delays that hinder transparency and accountability for performance.

While more data may be required to improve performance tracking and strategic planning efforts, there were indications that Metro may be leaning away from collecting some personal data. For example, the draft Regional Rental Voucher program specifically called out that it will not be tracking personally identifiable information like social security numbers and previous addresses. This may encourage greater participation to access services by removing some barriers to qualify, but it could make performance tracking more difficult. It will also reduce the program's ability to ensure services are not double counted between providers and counties, and make it more difficult to identify potential fraud or abuse.

It will be important to reach agreement about tradeoffs between encouraging access to services by reducing data collection barriers and the need for higher quality performance data. One way to gradually address these competing demands would be to use a matrix to categorize programs based on their ease of implementation and impact.

Multnomah County's 2018 strategic plan to reduce chronic homelessness included this method as a way to prioritize programs that had the best chance of making an impact. The same approach could be applied to data needs. By assessing the ease of collecting information about program participants and the impact of having that information, it may be easier to determine when additional data collection efforts would be worth the cost.

Exhibit 12   Matrices can help stakeholders understand how risk are being managed

High Impact	High impact and simple implementation	High impact, but complex implementation
Low Impact	Low impact and simple implementation	Low impact and complex implementation
	Simple Implementation	Complex Implementation

Source: Strategic Framework to Address Chronic Homelessness, A Home for Everyone, March 4, 2018.

Matrices can be an effective planning and communication tools because they focus attention on how to manage difficult problems. By proactively acknowledging that there are inherent tradeoffs in any social services, it can help decision-makers and the public see what is being valued.

For example, programs that have limited data to evaluate progress may be considered too risky to pursue without intentionally saying that there is more risk. Alternatively, programs that have data available may not be providing a lot of impact, but because data is available to show some impact they may continue to be prioritized over more risky interventions.
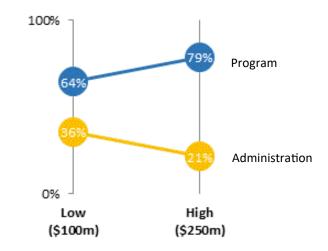
Compliance

Compliance with the measure's requirements is another type of outcome that may impact the public's desire to renew the taxes before they sunset in 10 years.

The oversight committee will be required to make recommendations to Metro Council about the appropriate level of administrative costs. It's not clear what criteria will be used to make those recommendations. The program's work plan recommends local implementation partners retain 5%-10% for administration depending on the type of service provided. This is in addition to funds retained by Metro for tax collection and regional administration, as well as the regional implementation fund set aside.

The program work plan states that the maximum amount should be made available for direct services, which implies administrative costs should kept as low as possible. Finding a balance between administrative and direct program expenditures is a source of debate in some voter-approved measures. The oversight committee will need reliable data to determine what is reasonable for county and regional administrative costs.

While it may seem like the range of administrative costs should be relatively narrow, it will be impacted by the total amount of revenue generated. This is because some set asides for non-program costs are calculated based on a

percentage of available revenue, while others are a fixed amount each year regardless of the total amount generated. Administrative costs could be as much as 36% of the total ($36 million) in a low revenue scenario. It may come in significantly lower in percentage terms (21%), but higher overall at about $54 million annually, in a high revenue scenario.

Exhibit 13   Administrative costs could total between 21% and 36% depending on the total revenue generated by the tax

Source: Metro Auditor's Office estimate based on Metro Code, Supportive Housing Program Work Plan and legislation referring the measure to voters.
* Funds available for county programs
^ Administrative costs (tax collection, Metro, local implementation partners, regional implementation fund)

Recommendations

To be responsive to uncertainty about the measure's inputs and to ensure accountability for funding levels, Metro should:

1. Set annual performance goals and targets for the outputs and outcomes expected to be achieved by each county during the first two years of the program.

To strengthen oversight and accountability for the program, Metro should:

2. Convene the tri-county planning group as soon as possible to:
   a. Develop regional strategies.
   b. Continue development of the performance measurement system including performance goals and targets for each county and service type.
   c. Create a regional data collection and evaluation plan that takes into account the ease of collection, alignment with adopted regional outcomes and costs.

To ensure compliance with the program's requirements, the COO and the Planning and Development department should:

3. Seek guidance from Metro Council and the Oversight Committee about how to balance the policy goal to maximize funding for direct services with the administrative funding dedicated to Metro, tax collection, local implementation partners, and the regional tri-county planning fund.

Scope and methodology

The objective of the audit was to determine if performance metrics were aligned with the ballot measure's intent and consistent with best practices for evaluating performance. There were three sub-objectives to achieve the overall objective:

- Determine how available revenue could affect the development of effective and efficient performance measurement.
- Evaluate proposed performance metrics against the ballot measure's expected outcomes.
- Identify best practices for performance measurement.

The audit was intentionally designed to have a limited scope because of the in-process nature of the ballot measure's implementation. Generally, the review was limited to measure development and implementation efforts from January 2019 to February 2021, but it also included review of housing data and county plans going back to 2003 in some cases.

To meet the audit objectives, we interviewed Metro Councilors, employees involved in implementing the measure, and representatives from the Portland Business Alliance. We also attended stakeholder advisory table meetings and Metro Council meetings, and at least one board meeting for each of the three counties involved in the measure.

We reviewed program documents including adopted and draft Council legislation, meeting records from the two advisory tables. We also reviewed previous audits of housing services from other jurisdictions and examples of performance measurement and housing plans from the US Department of Housing and Urban Development and each of the three counties in the region. We also analyzed available data to develop scenarios for various revenue levels and priority populations identified in the measure.

The audit was included in the FY 2020-21 audit schedule. 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 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.

Appendix A: Regional Measures

A. Housing stability
Measurable goals:
- Housing equity is advanced by providing access to services and housing for Black, Indigenous and people of color at greater rates than Black, Indigenous, and people of color experiencing homelessness.
- Housing equity is advanced with housing stability outcomes (retention rates) for Black, Indigenous, and people of color that are equal or better than housing stability outcomes for non-Hispanic whites.
- The disparate rate of Black, Indigenous, and people of color experiencing chronic homelessness is significantly reduced.

Outcome metrics:
- Number of supportive housing units created and total capacity, compared to households in need of supportive housing. This will measure change in supportive housing system capacity and need over time.
- Number of households experiencing housing instability or homelessness compared to households placed into stable housing each year. This will measure programmatic inflow and outflow.
- Number of housing placements and homelessness preventions, by housing intervention type (e.g. supportive housing, rapid rehousing) and priority population type. This will measure people being served.
- Housing retention rates. This will measure if housing stability is achieved with supportive housing.
- 'Length of homelessness' and 'returns to homelessness'. These will measure how effectively the system is meeting the need over time.
- Funds and services leveraged through coordination with capital investments and other service systems such as healthcare, employment, and criminal justice. This will measure leveraged impact of funding in each county.

B. Equitable service delivery
Measurable goals:
- Increase culturally specific organization capacity with increased investments and expanded organizational reach for culturally specific organizations and programs.
- All supportive housing services providers work to build anti-racist, gender-affirming systems with regionally established, culturally responsive policies, standards and technical assistance.

Outcome metrics:
- Scale of investments made through culturally specific service providers to measure increased capacity over time.
- Rates of pay for direct service roles and distribution of pay from lowest to highest paid staff by agency to measure equitable pay and livable wages.
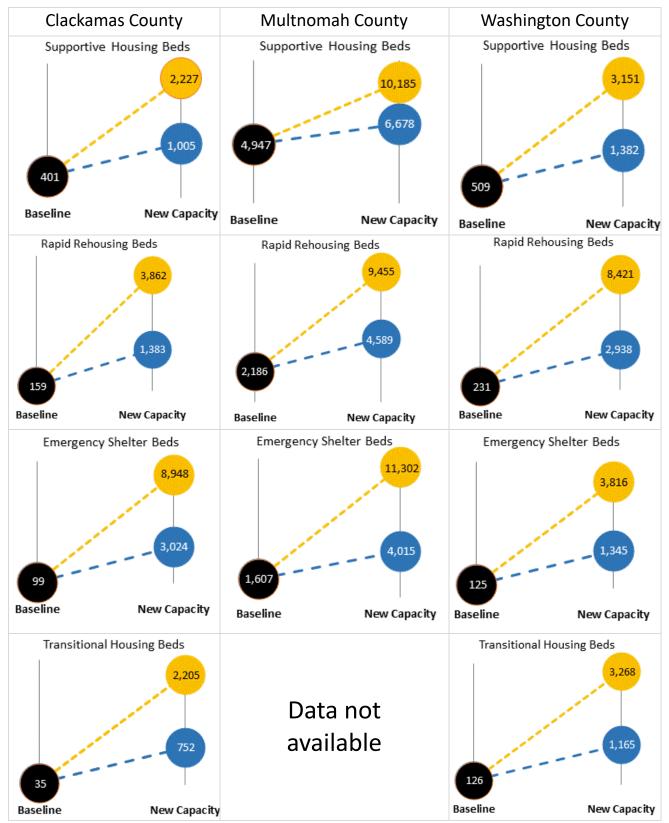
- Diversity of staff by race, ethnicity, sexual orientation, gender identity, disability status and lived experience.

C. Engagement and decision-making
Measurable goals:
- Black, Indigenous, and people of color are overrepresented on all decision-making and advisory bodies.
- Black, Indigenous, and people of color and people with lived experience are engaged disproportionately to inform program design and decision making.

Outcome metrics:
- Percent of all advisory and oversight committee members who identify as Black, Indigenous, and people of color or as having lived experience of housing instability or homelessness.

Appendix B: Estimated Additional Capacity based on available revenue ($100 million or $250 million)^

^Based on a scenario where each county devotes all its new funding to only one type of supported housing.

Management response

Memo

Metro
600 NE Grand Ave.
Portland, OR 97232-2736

TO: Brian Evans, Metro Auditor

FROM: Patricia Rojas, Metro Regional Housing Director

DATE: May 21, 2021

RE: Response to Metro Supportive Housing Services Program Implementation Preparedness
            Audit

Thank you for completing this helpful report during this early phase of the Supportive Housing Services Program Implementation. As you indicated, your intent was to focus on performance measures that have an important role in accountability and transparency. The Supportive Housing Services measure and Metro Code outline a set of governance structures, policies and processes that support an iterative process in the development of program goals and metrics, program implementation strategies and regional programmatic alignment and coordination. These structures, tools and processes also serve as the infrastructure for transparency and accountability and are responsive to requirements set forth through the Supportive Housing Services (SHS) measure.

We are pleased to share our response with strategies to the report's recommendations, most of which are already underway.

Audit Recommendations

To be responsive to uncertainty about the measure's inputs and to ensure accountability for funding levels, Metro should:

1: Set annual performance goals and targets for the outputs and outcomes expected to be achieved by each county during the first two years of the program.

Response: Agree

As noted by the Auditor, there are uncertainties about the amount and pace for inflow of yearly revenue. Program implementation and associated goals and targets will be reflective of those variables. Due to this variability, we propose goals and targets be set yearly for at minimum the first two years. Though services will begin immediately, the first year of investment will be a program ramp up year which includes setting baseline for data and service area outputs and outcomes that are currently captured by each county.

Through the SHS measure, Metro Work Plan and draft intergovernmental agreements, Metro has proposed a set of tools to track progress of the program. Pending finalization of the intergovernmental agreement process, expected in the next month, we propose the following approaches:

a) The SHS measure and the Metro Work Plan require each county to provide an annual report to the Regional Oversight Committee. The committee is charged with evaluating these reports to assure that implementation is aligned with requirements of the measure and the goals outlined in the counties' Local Implementation Plans. The Regional Oversight Committee will present Annual Reports to Metro Council on a yearly basis.

b) Metro is working with county partners to establish a set of operational tools and processes to track yearly progress, including outputs and outcomes.

- Yearly Budget Submission – Metro will request that each county submit a document that outlines the yearly allocation of SHS investments and associated service and activity areas.

- Annual Work Plans – Metro staff will partner with counties to establish yearly work plans that include outputs and outcomes in SHS investment service and activity areas. In year one, plans will be completed within the first six months of programming. Starting year two, plans will be completed by the end of the first quarter of the fiscal year.

- Tracking County Annual Work Plan Progress – Metro staff will partner with counties to establish a reporting schedule to track annual work plan progress throughout the fiscal year. Metro staff will use this tool to provide updates to the Regional Oversight Committee and Metro Council.

c) As outlined in the Metro Work Plan, Metro will convene a tri-county advisory body who to further articulate regional goals, strategies and outcome metrics and provide guidance and recommendations to inform program implementation. This body will incorporate the metrics identified by the stakeholder advisory group that are now included in the Metro SHS Work Plan, section 5.2 (excerpt below). These metrics will serve as the backbone for our work in monitoring the counties' effectiveness in implementing the program. The body's work will further develop a framework for the regional coordination and alignment of SHS programming.

To strengthen oversight and accountability for the program, Metro should:

2: Convene the tri-county planning as soon as possible to:

    a) *Develop regional strategies*

    b) *Continue development of the performance measure system including performance goals and targets for each county service type.*

    c) *Create a regional data collection and evaluation plan that takes into account the ease of collection, alignment with adopted regional outcomes and costs.*

Response: Agree

Per the Metro Work Plan and the supportive housing measure, Metro is required to work with local implementation partners to develop a proposed structure, charter and procedures for the tri-county advisory body, which will then be brought to the Regional Oversight Committee and ultimately Metro Council for approval. These three work areas mentioned by the Auditor are aligned with the planned work of the tri-county advisory body. Current capacity is dedicated to the priority of completing the LIP and IGA approval process, which is required for a program rollout target of July 1, 2021. The tri-county planning discussions with county partners will begin in late June/early July with the goal of convening the body in the fall of 2021.

To ensure compliance with the program requirements, the COO and the Planning and Development Department should:

3. Seek guidance from Metro Council and the Oversight Committee about how to balance the policy goal to maximize funding for direct services with the administrative funding dedicated to Metro, tax collection, local implementation partners, and the tri-county planning fund.

Response: Agree

The Regional Oversight Committee has a programmatic and fiscal oversight charge. Metro staff will partner with counties and work through the oversight committee with the Metro Council to achieve a balance of direct service to administrative expenses that promotes program sustainability and maximizes dollars for services. Guidance will come through Regional Oversight Committee meetings and Metro Council work sessions. Staff will work with the Regional Oversight Committee on this and other oversight topics beginning in summer of 2021.

Excerpt from Metro SHS Work Plan

5.2 REGIONAL OUTCOME METRICS

Regional outcome metrics will be used to understand the impacts and outcomes of the Supportive Housing Services Program. The required metrics will provide clear and consistent data sets that ensure transparent accountability and regional analysis of outcomes. They will be measured consistently in each county and reported to Metro and the Regional Oversight Committee. Staff

will work to create standardized definitions and methodologies to achieve the intentions of the metrics as described below. Additional collaboration between Metro, Local Implementation Partners and community experts will further refine and ensure quality control for each metric. Metrics will be phased in over time according to the regional system's capacity to comply with the newly established regional standards. Required regional outcome metrics will include:

A. Housing stability

Measurable goals:

- Housing equity is advanced by providing access to services and housing for Black, Indigenous and people of color at greater rates than Black, Indigenous and people of color experiencing homelessness.
- Housing equity is advanced with housing stability outcomes (retention rates) for Black, Indigenous and people of color that are equal or better than housing stability outcomes for non-Hispanic whites.
- The disparate rate of Black, Indigenous and people of color experiencing chronic homelessness is significantly reduced.

Outcome metrics:

- Number of supportive housing units created and total capacity, compared to households in need of supportive housing. This will measure change in supportive housing system capacity and need over time.
- Number of households experiencing housing instability or homelessness compared to households placed into stable housing each year. This will measure programmatic inflow and outflow.
- Number of housing placements and homelessness preventions, by housing intervention type (e.g. supportive housing, rapid rehousing) and priority population type. This will measure people being served.
- Housing retention rates. This will measure if housing stability is achieved with supportive housing.
- 'Length of homelessness' and 'returns to homelessness'. These will measure how effectively the system is meeting the need over time.
- Funds and services leveraged through coordination with capital investments and other service systems such as healthcare, employment and criminal justice. This will measure leveraged impact of funding in each county.

B. Equitable service delivery

Measurable goals:

- Increase culturally specific organization capacity with increased investments and expanded organizational reach for culturally specific organizations and programs.

- All supportive housing services providers work to build anti-racist, gender-affirming systems with regionally established, culturally responsive policies, standards and technical assistance.

Outcome metrics:

- Scale of investments made through culturally specific service providers to measure increased capacity over time.
- Rates of pay for direct service roles and distribution of pay from lowest to highest paid staff by agency to measure equitable pay and livable wages.
- Diversity of staff by race, ethnicity, sexual orientation, gender identity, disability status and lived experience.

C. Engagement and decision-making

Measurable goals:

- Black, Indigenous and people of color are overrepresented on all decision-making and advisory bodies.
- Black, Indigenous and people of color and people with lived experience are engaged disproportionately to inform program design and decision making.

Outcome metrics:

- Percent of all advisory and oversight committee members who identify as Black, Indigenous and people of color or as having lived experience of housing instability or homelessness

Metro