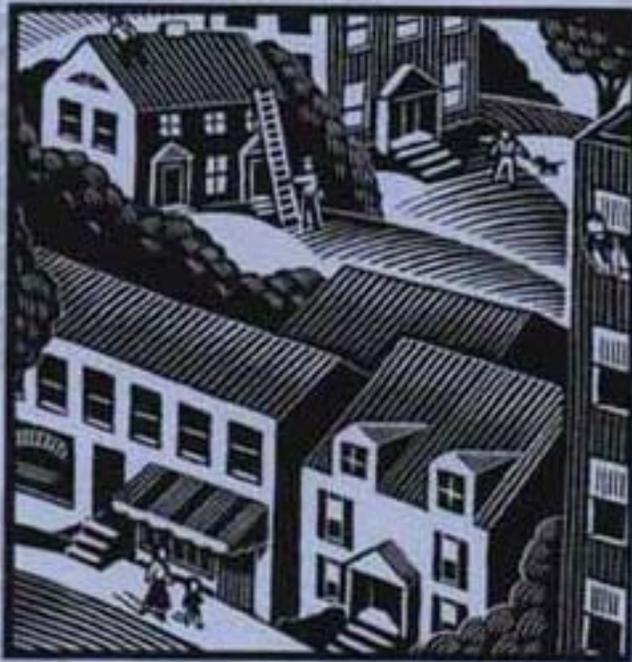


A Strategic Approach to HOME



**A Guidebook For
Local Government**



A Strategic Approach to HOME

Shrinking resources? Increasing needs? Demands for accountability? This guidebook provides tools to help you take your HOME program to the next strategic level and make sure that your HOME investments are the best investments you can make to meet your community needs.

This guidebook consists of four parts:

Part 1. A HOME Program Self-Assessment.

This section guides HOME administrators through a look at their own programs, using a strategic framework as a guide. It allows participating jurisdictions to assess their HOME program operations to produce maximum community impact, and to suggest some systems that support strategic thinking.

Part 2. Program Evaluation System: From Talk to Action.

Having a method of continually reviewing the impact of the HOME program is key to its success. This section walks you through the creation of a HOME program evaluation system for your jurisdiction.

Part 3: Portland, Oregon Case Study.

In this real life example of some of the ideas from Parts 1 and 2, this case study describes how the City of Portland, Oregon builds intended outcomes into their HOME resource allocation process.

Part 4: Providence, Rhode Island Case Study.

In a final example, this case study describes how Providence, Rhode Island developed a HOME program evaluation system of CHDO housing production, which will result in a major shift in how funding decisions are made.

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KEY TERMS

Need. The problem, issue or opportunity that the program seeks to address

Goals. The purpose of the program; what the program hopes to accomplish.

Resources. Program funding, staff, volunteers, facilities, materials, equipment and other tools dedicated to the program.

Activities. The work done by the program with its resources to accomplish its goals; the product or service a program provides to clients or the community.

Outputs. The number of program activities that occur and the number of clients served; the direct products of program activities.

Outcomes. Benefits to participants as a result of their involvement in the program. Outcomes may relate to change in condition, status, behavior etc., and may be short term, intermediate or long term.

Indicators. The measurable qualitative or quantitative signals that an outcome is being achieved.

Impact. Broad community-level changes that occur in the target population or community conditions; usually the result of community wide efforts larger than one program alone.

Part 1

A HOME PROGRAM SELF-ASSESSMENT

When the HOME program began in 1992, communities were pleased to have additional housing funds, but were anxious about the confusing and restrictive regulations around the new program and the local match requirement. They were also concerned, given those restrictions, about how they were going to successfully meet the expenditure rate requirements, and about their staffs' capacity to underwrite the kind of investments that the HOME program was encouraging.

Early emphasis in implementing the program, then, was in four areas:

- (1) Sorting through the regulations. This included, for example, figuring out what 90% of 60% of median actually meant; how the tenant based rental assistance program might work, and similar questions.
- (2) Developing loan documents, and underwriting criteria.
- (3) Developing consortia and other relationships, and funding systems to get the money out quickly.
- (4) Figuring out how to find the required match.

Eight years later, national HOME expenditure and production reports show that communities were successful in implementing those four high priority goals. It may be time to breathe a sigh of relief that we have "figured out the basics", and think about taking the program to the next step.

The year 2000 pressures on the HOME program are somewhat different than in 1992, as the program has become more institutionalized.

The first pressure is funding levels. In 1992, when HOME was new, the extra funds devoted solely to housing were a welcome addition to CDBG. Over the eight years, the funding level has remained relatively flat and, over the same time, entitlement CDBG grants have increased very little. Therefore, there is additional pressure on communities to stretch CDBG and HOME funds that now seem very limited.

Secondly, there is a heightened interest, both by cities and by HUD, to document the outcomes of the programs. Documenting results, for one thing, help make an argument for continued funding. In addition, analyzing results helps communities plan future strategies for spending the funds.

Finally, there is a growing recognition of the need to integrate HOME funds into comprehensive approaches to solving community problems. In many cities, CDBG has become stretched very thin after 26 years, as local politicians have tried to use this flexible program to address an enormous number of needs. In addition, the resurgence of categorical grants entering the community through a number of doors--different federal agencies, some to cities, some to non profits, has created frustration and a desire to create less fragmented strategies. Many cities have been struggling to develop more comprehensive programs. These include a variety of local issues, particularly comprehensive neighborhood revitalization programs, community-wide workforce development/economic development strategies and homeless strategies.

The purpose of this chapter is to help each community think through their use of HOME funds, and to outline ideas and examples of using HOME funds very strategically to meet community goals. The big questions that the chapter is intended to address are:

***Are we planning our investments strategically?**

***Are we getting the outcomes we want?**

***Do we have systems in place to measure our success in reaching our goals, and help us plan for future years?**

A Strategic Framework

A model HOME program which most thoroughly integrates strategic planning would tie each step in the process -- planning, spending, evaluating and planning again --to strategic outcomes designed to have the most impact in resolving local issues.

In the real world, communities encounter a lot of pressures in spending housing dollars, including the political environment, neighborhood expectations, CHDO relationships, and any number of others. However, comparing a model to our own program can give us some insight into dealing with our own community's strengths and weaknesses.

In order to illustrate the implementation of the concepts, we have included examples from two fictional communities: "Hometown", a mid-size city, and "Rockville" a smaller, more rural town, both of which want to make some changes to their HOME program to make it more effective.

Steps in the Process:

All HOME communities go through what is essentially a six-step cycle in spending HOME funds. These steps may be explicit or implicit. The trick to improving the quality of programmatic uses and investments is to make implicit steps explicit, so that the elements underlying the process can be examined and weighted.

The steps in the funding cycle can be described as:

1. Analyzing needs
2. Setting a strategy
3. Allocating funds
4. Implementing projects
5. Monitoring and reporting.
6. Evaluating results

The cycle is never simple, of course, primarily because of differing time frames. Funds are allocated annually, but actual projects are implemented over a multi year time frame. Therefore, strategies associated with a funding year will overlap with strategies from a previous year. Looking briefly, but critically, at each step, should highlight some opportunities to strengthen the process to make the dollars work most effectively.

1. Analyzing needs .

For most communities the Consolidated Plan (CP) describes housing needs. Since the CP was created out of the old CHAS, it has steadily expanded in scope. The CP is now required to include the community's Analysis of Impediments to Fair Housing (AI), its Continuum of Care strategy for homeless families, and elements of the Public Housing Agency Plan. This expansion has pros and cons. Theoretically, it should now include a very complete description of the community, and the community's housing strategies on a variety of fronts. The negative aspect is that it can become a very large, repetitive document that is difficult to read.

In the area of establishing priorities and strategies, some communities have felt the need to include a large variety of priorities, in order to stay flexible, and to be able to ensure that future grant applications can certify that they are in conformance with the Consolidated Plan. While increasing flexibility, this has resulted in a less meaningful Consolidated Plan document.

Spending some time considering how the Plan could be most useful locally could bear fruit for the HOME program. For example, enhancing the executive summary with photographs, and binding it separately, could produce a useful document that could be a marketing or educational tool for local policy makers. The process for producing the Plan could provide an excellent excuse for coordination with the Workforce Investment Board or the Public Housing Authority, or another jurisdiction. Or production of a new five-year plan could be the basis for a staff retreat to reconsider some problematic programs. The point is that, in approaching HOME strategically, this planning step could serve to do more than produce a required HUD document.

ANALYZING NEEDS

*In order to make the Consolidated Plan more useful, **Hometown** has decided to emphasize the executive summary, which it binds separately and hands out to people who ask about the City's housing strategy. The draft of the Plan prepared by staff had reported that the City's most urgent needs were rental units for large families, more homeownership in the midtown area, and housing to support welfare to work programs. Welfare-to-work had been in the plan before, although the agency had never actually spent any HOME dollars in support of the issue. After reviewing the associated documents, particularly the Analysis of Impediments, the Executive Director added a fourth high priority: handicapped accessible rental units.*

***Rockville** does not produce a separate document, but has limited the number of high priority needs in the community, in part because the town is small, and they recognize that they cannot be all things to all people. Its number one priority is home repair. Its second priority is revitalization of a small neighborhood near the railroad tracks, called Elvira. Rockville prepared a summary of its projected achievements in the first five-year plan compared to actual production. In doing the exercise, staff realized that the goals in the first five-year plan had been vague. So, for the second five-year plan, they establish specific number goals of 25 home repairs a year, and development of 30 new units in Elvira over the five- year period.*

Using the examples above as a starting point, examine the housing needs statement in your community's Consolidated Plan. Ask yourself the following questions:

- * Does your Consolidated Plan have an executive summary that clearly outlines long term strategies?
- * How could you format the Consolidated Plan so that it becomes more useful to local policy makers?
- * Have you compared your Consolidated Plan to those from other communities? Some are available on the Internet, or from your local HUD office.
- * Is the relationship of the use of HOME funds to the use of CDBG funds clear in the Plan?
- * Does the analysis of need in your plan support the way you have been investing HOME dollars?

* Are the needs and strategies that are outlined in the Analysis of Impediments to Fair Housing, the Continuum of Care and the Public Housing Agency plan integrated into your priority uses of HOME funds?

* Have you considered the relationship of the Consolidated Plan to other plans in the community, such as the Workforce Investment Plan or the housing element of a regional master plan? Are there opportunities for joint strategies through your HOME program?

2. Setting HOME strategies.

Annually, HOME participating jurisdictions set the strategies that determine how they will allocate that year's entitlement grant. The process to determine HOME strategies differs widely. Some communities have a joint CDBG/HOME planning and citizen participation process. Some have their City Councils select projects. Others outline broad uses of funds in the Annual Plan, and select individual projects administratively.

Targeting. Whatever the public process, there is a limited amount of HOME dollars to meet the generally overwhelming needs outlined in the Consolidated Plan. Therefore, it is incumbent on communities to figure out how to best target scarce resources. There are any number of ways of doing this. Some of them include:

Geographic targets. This can include targeting a specific neighborhood that is the focus of a neighborhood revitalization effort. Another example would be to target all census tracts that have a combination of low-income households and a high percentage of rentals for a homeownership initiative.

Population targets. Common examples include elderly home repair programs, or constructing housing for large families.

Services targets. There have been many creative HOME program links to services. One city built rental housing next to a major employer who had made a commitment to a welfare-to-work program. Some have supported transitional housing for the homeless; housing for people with AIDS, or the creation of housing devoted to the public housing family self sufficiency program.

Secondary impacts. In addition to primary goals, communities might target funds to meet secondary goals, such as increasing the capacity of CHDOs. This would have the long-term effect of increasing housing production. Most communities also overlay investment criteria for funding of projects. These would include the amount of leveraging, amount of return, length of affordability, and other criteria to ensure that the funds are stretched as far as feasible.

Designing targeted strategies that best meet the needs outlined in the Consolidated Plan is an art, not a science. Given that, you need to be willing to annually review your HOME

targeting strategy, and make adjustments either for changing community need, or because previous targeting mechanisms were not effective. Like holding a bad stock, there is nothing to be gained from holding on to an ineffective strategy.

Goal setting. The most complete HOME investment strategy would have specific production numbers attached to the targets. In addition to saying that the community would spend X percentage of its funds or X dollars on rental housing for large families, it would specify that this would result in Y number of three or four bedroom units. Some agencies are reluctant to attach specific production numbers to the HOME program statement, for some valid reasons. Until specific proposals are received, specific numbers, some would argue, are little more than guesses. Then when actual numbers are different, it opens the agency to criticism. However, with eight years of production experience in most communities, this argument loses a lot of validity. A strategic approach dictates that it is better to set very specific goals, and then explain the deviations from them. It increases public and self-accountability.

SETTING HOME STRATEGIES

***Hometown** decided to split this year's allocation into thirds: one-third for rental; one-third for homeownership units in mid-town, and one third for a new welfare to work housing initiative. After reviewing past cost per unit figures, they projected that their rental production program should equal 25 three or four bedroom units, and 25 rental units of any size. Remembering the AI, they decided that 5 of these should be handicapped accessible. They committed to producing 15 homeownership units in midtown. After considerable thought about the likelihood of success, they took some risk and established a goal of 30 welfare-to-work rental or tenant based assistance units. They have now defined success for the program.*

***Rockville** decided to continue their citywide elderly home repair program, which takes half of their available funds. After looking at the cost per house over each of the last eight years, they were concerned about cost creep, and decided to set a goal of 25 homes, instead of the 20 they had been doing in the previous two years. They developed a plan to reduce the cost per house by 20% from the last year. The other half of the funds will be targeted to housing of any sort in the Elvira neighborhood. Since they had not yet completed a planning process with the neighborhood, they refrained from prematurely establishing goal numbers.*

Review your HOME program statement from the first year, and from this fiscal year. Compare the two. Questions to consider about your HOME program strategies include the following:

*Could you appear before the City Council, and explain the rationale for how the HOME funds are targeted?

*Are you satisfied that you have correctly allocated what HOME, CDBG and other dollars support?

* Do you annually review your HOME strategy with staff and CHDOs?

* Are you satisfied with the HOME cost per unit? Are the technical staff costs appropriate for the production level? Is your production level adequate to produce a real neighborhood or community impact?

3. Allocating Funds .

The point of allocating funds to specific projects is the key moment of the strategic planning cycle. If this link isn't carefully executed, then, while the individual projects might be terrific, collectively they may not produce the maximum community impact.

There is certainly no one way to ensure that strategies become reality. The more demand you have for HOME funds, the more restrictive you can be about their use. Much of this demand is market driven, but some of the market can be created by outreach and public education. Often a relatively small group of affordable housing developers become aware of government assistance, and return repeatedly with new projects. While this may work to get HOME funds expended, these builders may not necessarily produce the projects that are most strategic. Advertising specific goals could bring in new partners or refocus current users on new opportunities.

The most common mechanisms for selection of projects include:

Restrictive RFPs. When there is sufficient demand for HOME dollars, or when the community is absolutely committed to a specific goal, restricting the RFP to projects that meet the goal is the most effective allocation method.

Preferences. Preferences also work in a competitive market when there are more proposals than available funds will support. They also may be a good idea if you aren't sure the interest is there, but you still want to get your funds spent in a timely manner.

Incentives. Incentives are required when the market alone will not produce the result you are looking for. They are also effective when you are looking for a particular twist on a program. For example, you may want to encourage a certain percentage of units to be handicapped accessible, or built close to a bus line, or you may want to encourage the incorporation of playgrounds or common areas. Incentives are less successful if you are asking a developer to build a totally different product than they would normally build.

Develop the project in-house or with a partner. There is an old saying, when you want something done right, do it yourself. There is any number of reasons for doing so. You may

want to realize a portion of the income from a rental property, and put it back into the program. You may have the staff capacity to produce the product you want, so don't see any need to select any one else. You may not be able to attract a private builder to your town or neighborhood, so you may be forced to do it yourself. One clue that it may be best to do a project yourself is if an RFP is getting particularly long and complex. This usually means you want such a specific product that an RFP might as well be replaced with a construction bid process.

Use the CHDO allocation. These methods of linking funding decisions with underlying program goals also can apply to the CHDO set aside. All or part of the CHDO set aside could be targeted to meet strategic goals. Similarly, CHDOs making special efforts to meet certain goals could be given preference in the receipt of operating funds.

ALLOCATING FUNDS

***Hometown** develops three different approaches to meeting their goals. In rental housing production, the goal is to build 50% large family projects and 10% handicapped accessible. They decide to offer their normal package of low interest loans for rental development, but add incentives of zero interest loans for large family units, and a \$3000 per unit extra allowance over their normal investment cap of \$20,000 per unit for accessibility improvements.*

They are committed to spending all of their homeownership funds in the midtown area, but are concerned about attracting enough developer interest. They designate half of the homeownership funds to develop a three-acre site with their own staff. The other half of the midtown funds are made available to the three CHDOs in town, for use solely in the area.

They think long and hard about the welfare-to-work program which is a new initiative for them. They meet with the Workforce Investment Board and the County TANF agency. They finally go back to the narrative in their Consolidated Plan where they had discussed an initiative of the Public Housing Agency to purchase an expiring Project Based Section 8 complex, and use it for graduates of their Family Self Sufficiency program. They decide to enter into a partnership arrangement: the PHA will develop and manage the property, and Hometown will be an equity partner, receiving part of the cash flow. They believe that, as a partner, should the welfare-to-work component not pan out, they could use the property as standard affordable rental, and still realize a return on their investment.

*In **Rockville**, the choices are easier. The elderly home repair program has worked well for years. The only problem was that per unit costs were going up, but the HOME money was not. They decide to supplement HOME with CDBG, and raise the per-unit cost by \$1000 per house. Because they are investing more, they change the investment from a deferred loan, payable on sale of the property to a zero interest amortized loan. They hope to eventually recover enough funds so they do not have to continue the CDBG supplement.*

In their Elvira neighborhood, they want to address some vacant eyesores, but are unsure of attracting participation from absentee landlords. They decide to issue an RFP for any type of housing improvements in the area, but with a preference for rehab of substandard, vacant property. If the landlords do not participate, there are sufficient homeowners who are interested in home loans for the funds to be used. Meanwhile, staff will contact absentee landlords to make them aware of the program.

For self-assessment, focus on the effectiveness of your funding processes to achieve the goals of your program:

* Are your HOME allocation processes designed to maximize your chances of successfully addressing your strategy?

* When you've used incentives or preferences, have they worked?

* Is your marketing strategy sufficient to attract different builders from year to year?

* Are your criteria for allocating funds clear?

* Do your allocations to CHDOs contribute to your specific program strategies?

4. Implementing projects.

The crucial tool for ensuring that the funds are used for the intended purpose is the contract. The contract may take the form of an actual contract, a memorandum of understanding with another department, or an internal project description for in-house projects. Nevertheless, in every case there should be some written document outlining the roles, responsibilities and schedule of the parties involved.

To ensure the investment meets your objectives, the contract or Memorandum Of Understanding (MOU) should include specific performance and outcome measures. Performance measures are also sometimes called output measures. The most common output measure in HOME is, of course, how many units of housing are going to be produced. Additional common performance measures include cost per unit, and timeliness of performance.

Outcome measures, in contrast, attempt to measure impact on the community. A target area project, for example, might include a measure of increased non-subsidized development, or increased property values. There is additional discussion of measurement techniques in Part Two, and a case study about outcome measures in Part Four.

The contract should require reporting on the measures on a regular basis, and include some penalty if the reporting is not complete. This could include a financial penalty on a loan, or a recapture provision of a grant.

IMPLEMENTING PROJECTS

Hometown is particularly concerned about handicapped accessibility, since there had been accusations in the past that supposedly accessible units were not truly functional for persons with mobility impairment. They decide to require in their contract that the property owner conduct a client satisfaction questionnaire three months after occupancy. Five percent of the contract amount will be withheld until the survey is completed.

They also want to carefully track the outcome measures they have defined for the welfare-to-work project. The contract is designed to ask for such client information as program participation, whether the family is receiving TANF, whether the clients feel that living together improves their access to services, etc. Loan forgiveness will be tied to annual reporting for a five-year period.

Rockville has long wanted to document whether the elderly home repair program results in reduced utility costs for the homeowners. They amend their loan agreements to require the homeowner to provide utility data for one year pre-rehab and one-year post rehab.

Looking at one of your typical HOME contracts, ask yourself the following self-assessment questions:

- * Are the expected outcomes clearly required, including any special targeting requirements?
- * Do your contracts have penalties for non-performance, even after construction is complete?
- *Do you enforce payment penalties?
- *How do you document and measure the expected performance of in-house projects?
- *Have you tried to define outcome measures for your program that reflect your overall program goals? If so, do the measures provide useful management information?

5. Reporting/monitoring.

To properly assess how you are doing on meeting the goals first articulated in the Consolidated Plan, and then in your project contracts, it's necessary to tie reporting back to the goals in those original documents. The HUD reporting system is the CAPER (Consolidated Annual Performance Evaluation Report). The most efficient internal reporting system would be derived from the HUD reports and IDIS reports on fund use and production. HOME

management should review this on a regular basis--perhaps quarterly--in order to assess progress towards meeting goals.

Monitoring is a requirement of the HOME program, and continues to expand as more and more properties require monitoring. However, an on-site monitoring visit provides a great opportunity to go beyond the file check and physical inspection. You could develop questions that focus on management and financial soundness as well as questions that get at outcomes, in addition to the more standard checklist questions. For example, what are the vacancy rates of HOME funded rental projects? How is the curb appeal of the units? In a neighborhood revitalization project, are there any signs of private investment on the block? A few key questions could provide some valuable insights into the effectiveness of your program, while requiring little additional staff time.

Monitoring enables HOME Participating Jurisdictions (PJ) to assess HOME Program performance and ensure that all HOME funds are spent in accordance with the laws and regulations governing the HOME Program. Effective monitoring can guide and inform a PJ's use of its HOME funds to maximize affordable housing options and address critical local housing needs. *Monitoring HOME Program Performance*, a volume in HUD's series of technical assistance HOME Program models, is a must read publication for all participating jurisdictions in developing and implementing sound monitoring policies and procedures. This comprehensive guidebook provides jurisdictions direction in incorporating performance and accountability into their HOME program operations. It also provides information on developing and implementing a monitoring plan, using risk factors to set monitoring priorities, ensuring that HOME administrative requirements are incorporated into program operations, maintaining HOME records, and providing advice in each of the four major HOME program activities: home owner rehabilitation, home buyer, rental housing, and tenant-based rental assistance. Most importantly, this publication provides a comprehensive monitoring checklist for HOME participating jurisdictions to follow. Copies of this publication can be obtained through Community Connections at 1-800-998-9999.

REPORTING/MONITORING

Hometown establishes a quarterly performance report for currently funded projects, and an annual performance report for previously funded projects still in the affordability period. After a year, they discover that the incentive system they had designed to produce large family units wasn't working. The write down from a 3% loan to a zero interest loan simply did not compensate for the extra expense associated with building a larger unit. They call together some builders to find out what size incentive would be necessary to attract the larger units they want to produce. On the other hand, they find that the handicapped accessibility bonus is extremely attractive, primarily because the added cost during new construction of a handicapped accessible unit is actually less than the \$3000 bonus they provide.

Rockville, after one year of collecting utility data from home repair recipients, finds that the solar water heaters they have been installing are not producing the utility savings that the higher cost of the units had justified. They decide to return to gas water heaters.

Self-assessment questions should focus on whether you have designed systems that not only measure expenditure progress but also give you information about the efficacy of your strategies:

- * Is regular reporting required?
- * Are reporting forms linked to desired outcomes?
- * Are reports assembled, and provided to management?
- * Is there a mechanism for reporting to citizen boards and/or elected officials?
- * Is there a monitoring plan for HOME properties, which is followed?

6. Evaluation.

The last step in the process is very critical, and the one many communities rarely get to, primarily because they are so busy doing the first four or five steps.

There are two levels of evaluation: evaluating the individual project (was it well built, cost efficient, does it serve the intended clientele?), and evaluating the overall impact of the HOME program. While many communities have a good handle on the project evaluation, program evaluation can prove much tougher. This year many communities completed their first five-year Consolidated Plan. That should present the opportunity to ask some tough questions. What were the accomplishments of the last five years? How did they make a difference in the community? How many affordable units were produced, or substandard units eliminated, or the rent burden of lower income families reduced?

EVALUATION

Hometown decides to issue a "Report to the Community", a three page summary of the HOME program achievements over the last five years, along with the goals for the upcoming year. It decides to include CHDO performance, which results in a politically well connected CHDO being asked to explain its lack of performance over the five years. It commits to providing the City Council an annual report on production vs. goals, using the five-year goals in the Consolidated Plan. It was the first time that the City Council had seen any summary data about the program. They were excited about the accomplishments, and set up a subcommittee to identify ways to increase the leverage potential of the HOME program.

Rockville asks the university in a nearby city to help design an evaluation of their Elvira neighborhood revitalization project. Graduate students help the town devise a simple "Neighborhood Health" report card, that they plan to use to track the progress of the neighborhood over the next five years.

Steps to enhanced evaluation do not have to be elaborate. Any big picture view of your HOME program performance provides valuable information for planning future strategies, and for providing marketing information to the community. Some self-assessment questions include:

- *Are clients included in the evaluation process?
- *Are outcomes measured?
- *Is program performance taken into consideration in future years' funding?
- *Is a written report prepared for policy makers?

SUMMARY

Making HOME more than the sum of individual projects is the responsibility of HOME program administrators. The tools are available to do it. The key is being willing to set goals, and face critics if the goals are not met. The reward may be a program that makes a visible difference in a neighborhood, or helps the community's self-sufficiency programs, or helps keep elderly people independent, or some combination of community goals. Setting a higher bar for our programs can only benefit the community. The material provided in Part I of this guidebook, particularly the self-assessment questions, will provide the foundation for you to begin to start thinking more strategically about the use of your HOME funds.

PART II

PROGRAM EVALUATION SYSTEM: FROM TALK TO ACTION

The final step in the strategic framework described in Part One is program evaluation. Program Evaluation has long been akin to visiting relatives on the other side of the country—we know we should do it, we even kind of want to do it, but it seems like a whole lot of effort for a predictable outcome. Consequently, we only get around to it once in a great while.

The reasons for avoiding program evaluation are myriad, and most of them valid. The most common include:

“Our staff doesn’t have the expertise”

“We don’t have the time or money”

“It’s hard to get participants to respond”

“There’s no support at the top”

And, “What if the results aren’t good? Will we have threatened our funding?”

The reasons for undertaking program evaluation, however, are strong. An improved program and improved understanding by members of the community and public officials are the two strongest reasons, which make getting past those natural first objections important.

Part One considered a simple model of program evaluation, looking at it only from the viewpoint of the HOME program administrator. But almost all HOME programs are made up of a system of partners, with the participating jurisdiction contracting with a variety of subrecipients. The subrecipients may be CHDOs or other private or non profit entities with varying levels of sophistication. Recognizing this system that makes up any HOME program, this section discusses how to move forward in establishing a successful program-wide evaluation system, which includes support and participation from all of the members of the HOME team.

A program evaluation system does not have to be elaborate. Program evaluation simply means collecting information about program activity and impact in order to improve the program or make future funding decisions. If this can be done systematically rather than by anecdote or by one time reporting, then there is the beginning of a program evaluation system.

STEP ONE: Defining Common Ground.

One reason it is difficult to trace achievements in programs is that they are often funded by multiple funding sources, each with its own vocabulary and reporting system. Trying to count across funding systems inevitably leads to frustration. For example, in trying to count the amount of transitional housing in the community, some organizations, like domestic violence shelters, report the number of beds, or bed-nights; others report the number of apartments, and

others report the number of families sheltered over the year. Figuring out the inventory, and accurately reporting performance, is difficult.

With the multiple layering that is necessary to fund affordable housing, it is not uncommon for a single apartment complex to be funded by the State Housing Finance Agency with Low Income Housing Tax Credits, by the City HOME program, by the County HOME or CDBG program, and by Federal Home Loan Bank Affordable Housing Program, along with private financing and CHDO equity. To the extent that funders who commonly contribute to the same programs, and providers who are commonly layering funds, can agree on performance definitions, the easier it is to track and evaluate performance. For example, deciding when a housing unit is complete can be tricky. Is it complete when it is ready to be occupied, or when it is first occupied, or when 95% of the units in the complex are occupied? While working through common definitions with other funders can be tedious, and sometimes meets with only partial success, any movement to making measurement easier is a good start.

It can also be tricky to agree how to measure things that you hope will be achieved over time or as a corollary to the investment. For example, you might set the completion and occupancy of a project as an output goal, and as an outcome goal say you hope that families living in the building will move toward self-sufficiency. The partners could then agree that an indicator of progress toward self-sufficiency is increased housing stability, and measure whether households stay in this unit longer than their previous unit. When it is not possible because of time, cost or outside influencing factors to fully measure an outcome, indicators are invaluable to document success.

Any new system should be easier to use than the old system. Potential areas of agreement that funders and providers could explore include:

- **Common Definitions for populations and activities.**

This could include agreeing on such areas (or understanding where differences in reporting are required) as when someone is a youth or adult, what makes transitional housing different from emergency shelter, what constitutes enhanced amenities to a rental project, or what is necessary to classify a property as an assisted living facility.

- **Common grouping of activities into categories for summary reporting.**

Summary reports are much more useful if they can be compared. For example, most funders are interested in a community report categorized geographically. If they could agree upon the same geographic division (census tract, political ward, zip code), then analysis of data become much easier.

- **Standardized Reporting Mechanism**

A common report form for housing providers could be developed among funders. In some cases it would need to be supplemental to unique program requirements. However, if multiple funders would recognize the same evaluation report, then the life of housing providers would become a lot simpler.

- **The tools of the trade.**

Deciding in advance what kinds of information collecting mechanisms are acceptable will lead to mutual trust among the group about the results. Information about programs can be obtained in several common ways:

- surveys/questionnaires
- interviews
- document review
- observation
- focus groups
- case studies

Each of these may be appropriate for different situations, or in getting information about different goals. For example, observation or inspection can best measure housing quality. Client satisfaction with home repairs is probably best measured by survey or interview. One approach is for funders and providers to agree upon an acceptable tool kit, a menu of tools, which each provider can then use as necessary.

This background work to reach common ground among members of the affordable housing provider community may take some time and have varying degrees of success, but will result in a system better understood across subrecipients and funders. This will give it credibility among participants and by the community, and increase the likelihood of its acceptance and use.

STEP TWO: Establish a Baseline

A model HOME evaluation system would look both at the individual subrecipient and lead agency programs, and at the overall HOME program. Establishing a base line provides a sound basis for measuring production. A baseline of affordable housing inventory in the community, and produced by individual organizations, is particularly important in trying to track a common HOME goal such as “increased affordable housing in the community.”

A community inventory is filled with decision points—for example, do you count only HOME or CDBG assisted units, or all publicly assisted units, or all units that are affordable to lower income persons? Are market rate apartments in a HOME assisted tax credit property part of the affordable housing inventory? How about about homes purchased with mortgage revenue bond assistance? The answers of what to count aren’t as important as the decision to count them the same way from year to year, so that valid comparisons of progress can be made.

Again, each organization should review the data.

STEP THREE: Implementation Plan

A phased-in implementation of an evaluation system provides for fairness, and avoids complaints of , “You are measuring something after the fact that I didn’t know about when I applied for the funds.”

A typical plan might call for the following steps:

- ◆ Establishing a base line of the prior year.
- ◆ Announcing evaluation measures in the upcoming RFP cycle.
- ◆ Incorporating evaluation requirements in the contracts resulting from that RFP cycle.
- ◆ Reporting evaluation data in the second year.

Once this schedule is decided, it should be advertised to subrecipients, so that they can be making adjustments to make sure that the evaluation data is collected.

STEP FOUR: Training

Common training for city or county staff and for subrecipient staff is essential. An imposed evaluation system can create antagonism. The training process allows staff to work through their concerns, and begin designing their internal systems. The training should include five core areas:

1. Overcoming fears. It is important to discuss all those “yes, but...” worries. If resources are scarce, then agencies can focus the evaluation on only a few things, and use a simple, low cost survey. If results are threatening, they can make program improvement the focus of the evaluation. If they don’t know where to start, they should be able to call on the trainers for some individualized technical assistance. No one enjoys being evaluated—whether it is a test, a personnel evaluation, or a program evaluation. The key to having it accepted, and not resented, is in making it clear that program managers should be deeply involved in designing the scope of the evaluation, and in using the information that it generates.

2. Understanding the benefits of program evaluation. Organizations really need to see a value in program evaluation beyond “they made me do it.” This section stresses the external and internal reasons to perform evaluation. External reasons include such benefits as validating the program to outsiders, being accountable to board members and policymakers, and assisting to retain or increase program funding. Internally, evaluation can expand successful services, and modify unsuccessful ones. It can provide an opportunity for staff to reflect on the program; and it can document with data what you think is happening. It should help managers make future resource decisions.

3. Viewing programs in a common model. If all subrecipients use the same model to describe their programs, it avoids confusion and allows for reasoned comparisons between programs. One model to use in training and in contracting breaks down each program into seven elements:

- Community need: What problem, issue or opportunity does this program seek to address?
- Goals: what is the purpose of the program? What does it hope to accomplish?
- Resources: What funding, personnel, facilities, etc. are dedicated to the program?
- Activities: What will be done to accomplish the goals?
- Outputs: How many of each activity will take place, and how many people served?
- Outcomes: What changes in knowledge, condition or status are expected during or after the program?
- Indicators: What measurable signals do the partners agree indicates success?
- Impact: What community-level change does the program expect to contribute to?

These same categories can then be incorporated into the HOME Request for Proposals and contracts, so that the same vocabulary is consistently used.

4. Designing an evaluation tool. There is no single right way to conduct a program evaluation. Agencies need to be aware of the potential tools, and how to use them. In deciding how to measure program performance, subrecipients are asked to determine **what** they want to know about their programs, **who** would have the information, **how** the information could be collected, and **when** it should be collected. A menu of evaluation tools are provided: questionnaires, interviews, document review, observation, focus groups, and case studies are all described, with their advantages and challenges, so that subrecipients could make informed choices about evaluation methods. They would have the comfort level of knowing that any of these models would be acceptable to the funders.

5. Using the results. It is important that organizations understand that they have many options about reporting results. A meaningful report always begins with the reason the evaluation was done in the first place—was it improving the program, or determining the program's outcomes, or were you understanding how the program works? Should the results be shared with clients, or stakeholders? Should there be a working session with staff to discuss the results? Might an executive summary be prepared, or a newsletter sent out?

Once the content of the training is decided, it can be carried out in a number of ways: through generally advertised workshops to all subrecipients, through one-on-one sessions, or with smaller groups.

Targeted groups with agencies providing similar services followed by one-on-one meetings may produce the best results in defining, producing and collecting applicable data. For example, conducting a training session with organizations doing homeowner rehab would allow

good round table discussion of the best outcome measures. The shared experiences of the group provide for better discussion and problem solving.

STEP FIVE: Incorporating Evaluation into the Application process

In order to make evaluation an integral part of the planning and funding system, the HOME program administrator should redesign its HOME application to reflect this approach. Under the description of the proposed program, subrecipients could be asked to describe the community need, the activity, the client-based outcomes, and the measurement tools for evaluation.

If it is an existing program, the RFP can ask subrecipients to describe outcomes of the existing program, include a best practice or case study that describes the work, and discuss broader community impact of the program.

It should be made clear in the application that results of the evaluation reports will be made available to the citizen's committee and/or local officials for consideration in reviewing applications for funding.

STEP SIX: Incorporating Evaluation into Contracting and Monitoring

The contract is the commitment to performance and serves as the vehicle to formalize the relationship between the subrecipient and the funder. The contracting process may include pre contract workshops for agencies, which provide technical assistance in developing program performance measures. Individual assistance could then be provided to help organizations refine their program scope, outcomes and outputs that are then finalized in the contract. Reporting should be linked to reimbursement for services, and required at least quarterly.

Using the Results

A system of measuring performance is only good if it is used. As subrecipients are told in training, there are multiple purposes for performance evaluation. One is internal, for organizations to make adjustments to programs to improve them. A second is for the community to understand the impact of programs. A third is for funders to make strategic decisions about future funding. An additional benefit is the increased coordination among funders, and new collaborative efforts among subrecipients as a result of working together on this process.

Integrating results of individual program evaluations into a summary evaluations or "report card" is an excellent information tool. Reports that can now be generated by IDIS are a valuable source of data that can provide the core production information. The IDIS system, for example, can produce reports on the cost per HOME assisted unit, the status of HOME

activities, or the status of CHDO funds by year. Similar reports are available for CDBG in IDIS. Using the information provides a consistent and reliable source of production data, which can be supplemented by any outcome or community impact analysis.

Keys to success:

Establishing a HOME evaluation system can provide new insights into the program, or can be a burdensome extra reporting tool to subrecipients, depending on its implementation. Some keys to making it work are:

--The system should be flexible and inclusive to address the spectrum of programs and projects. The outcome measures for a rental complex created for graduates of a homeless shelter will be different from the measures for an infill first time homebuyer project. Evaluation forms that do not recognize these differences are merely frustrating.

--When program managers are allowed to design or select evaluation tools for their own programs, they will do a more thorough job of completing the evaluation. Consider allowing a “menu of options” within guidelines acceptable to the funders.

--Program evaluation may be costly to both the agency and the funder. Means of controlling costs should be a high priority. For example, graduate students are great resources in assisting with program evaluation. Students receive academic credit while the HOME program receives the benefit of the research.

--Creating common ground requires team building in the community. Reducing territorialism, and embracing teamwork may be the most difficult part of the process.

--Subrecipients have varied levels of expertise in program evaluation. Written materials they can take with them are helpful.

--Training is most useful if the trainers and the agencies share some common ground of knowledge about the programs.

--Lead agency administered programs should bear the same scrutiny as those administered by subrecipients.

Looking carefully at one’s own programs, and the programs of others, is not easy. An evaluation system cannot be developed quickly, nor mandated to subrecipients without technical assistance being provided. That said, an evaluation system need not be frightening or overwhelming, and provides a strong basis for better decision making.

PART III

PORTLAND RENTAL HOUSING PROGRAM CASE STUDY

As is discussed in earlier sections of the guidebook, there is a continuum of practices that can be applied to use an outcomes perspective in strategic planning and delivery in the HOME Program. This case study describes the practices used in Portland, Oregon's rental housing program.

Introduction

In Portland, OR, as in many cities, the desired results (outcomes) of the HOME investments were usually not formally or fully articulated. There was a sense about the intended outcomes of programs—some stemming from local needs and some following from the requirements and limitations of the funding sources. CDBG was a revitalization tool with prohibitions on new construction and first occupancy the only beneficiary requirement; HOME was an affordability tool with prescribed rent and occupancy requirements. There was a local recognition of neighborhood and affordability needs. But, the primary focus of program planning was on performance goals (outputs). Outputs were included in the Consolidated Plan, they were reported in the CAPER, and they were discussed by the City Council in budget deliberations. Projects were selected through an open door application process that was driven primarily by the capacity of the developers and the project types that met their mission goals or that they were most familiar with. And, the evaluation process focused on the number of units assisted.

Then the housing market began to change. Where the prior focus had been on revitalization, affordability began to emerge as a critical need. In response, the questions, “Why do we fund the projects we do?” and “How should we redesign programs?” focused attention more closely on program planning and evaluation. Over the last five years Portland has become more strategic in managing its rental housing program and has brought the intended outcomes of the program more to the forefront.

Portland did not follow a textbook recipe to move toward more strategic program planning and evaluation. Each step built on the one before it, and was designed in response to political and advocacy pressure, with input of program practitioners and development sponsors.

Language regarding outcomes can become confusing because so many of the terms are used in common planning contexts without the specific meaning they have from an outcomes framework. For purposes of this case study, the following terms are used:

- Program goals (outcomes) describe the intended results of a program. Program goals describe what happens to the people and places served by a program.
- Performance goals (outputs) describe the amount of work accomplished and the characteristics of that work.
- Indicators are ways to measure of outcomes. They are measurable qualitative or quantitative signals that an outcome has been achieved.

II. Process

Portland's rental housing program now builds program goals into the program planning and resource allocation process. The City uses the vehicle of the Consolidated Plan process to engage in strategic planning for rental housing using HOME funds and other resources. The City defines a variety of program goals (outcomes) and performance goals (outputs) of the rental housing investment. This process engages the Portland Development Commission (the program operator), the Housing and Community Development Commission (a citizen advisory body), and the City Council in a public discourse about the housing market and community needs, and results in the adoption of program and performance goals.

The first step is to develop program goals (outcomes). In Portland, these include:

- Low income households will experience reduced housing expense burdens.
- Low income households will experience improved sense of housing stability (be less vulnerable to market rent increases, no-cause evictions, or condominium conversions).
- Low income households will experience improved physical housing conditions.
- Special needs populations will have access to housing designed with appropriate support services.
- Neighborhoods will experience reduced concentrations of poverty or increased economic integration.
- Neighborhoods will experience an improved quality of life from transit supportive and mixed-use developments due to decreased reliance on automobiles.

From these program goals, the specifics of a request for proposal process (RFP) are developed. First the broad performance goal--number of units to be assisted--is determined. Next a highly detailed set of performance goals are established and used to prepare the RFP.

The following table illustrates the array of performance goals that the City currently uses. Each goal area is identified along with the specific characteristics being sought and the strategy being employed (numerical goal, threshold requirement, preference given or incentives).

Performance Goals	Characteristics	Strategy
Housing types	<ul style="list-style-type: none"> • Family units • Special needs units • More than 8 units of 30% median income housing must be in mixed income project • Preservation of affordable open market or project-based Section 8 units • Transit supportive housing • Mixed income development • Mixed use development 	Program level numerical goal Program level numerical goal Threshold requirement Preference given Preference given Preference given Preference given
Income levels served	<ul style="list-style-type: none"> • 30% median family income • 50% mfi • 60% mfi • 80% mfi 	Program level numerical goals
Period of affordability	<ul style="list-style-type: none"> • 60 years for assisted units 	Threshold requirement
Geographic limitations and preferences	<ul style="list-style-type: none"> • Limit investment in census tracts with concentrations of poverty • Make investments in neighborhoods that have not recently had assisted projects 	Threshold requirement Preference given
Cost per unit and leverage	<ul style="list-style-type: none"> • Costs should be in range of similar projects • Leverage should be in range of similar projects 	Project level numerical goal Project level numerical goal
Developer type	<ul style="list-style-type: none"> • CHDO participation • Developers contributing significant equity 	Program level threshold requirement Incentives offered

As can be seen from the matrix, the RFP establishes multiple, overlapping and sometimes competing goals. This type of RFP requires a balancing of multiple goals; not every project meets every goal. The City has not weighted goals other than by choosing different strategies to apply to different goals.

The RFP is administered in a fairly traditional fashion. Selection recommendations are made by a panel that includes citizens from the Housing and Community Development Commission, public funders and other members with development expertise. The selection committee does not use a formal scoring technique, but rather a consensus process which takes into consideration the technical merits of proposals (capacity, feasibility, etc.), the optimal mix of

projects to accomplish the program and performance goals, and contextual constraints. Significant constraints have included the range of proposals submitted, the availability of other necessary financing (State housing funds, LIHTC and bonds), and resource matching (CDBG and HOME eligibility for certain project types).

The specific characteristics of the project selected do become a contractual obligation on the developer--the performance goals (outputs). The program goals (outcomes) do not become a contractual obligation. In other words, a funding agreement would specify the number of affordable units, the number bedrooms and the affordable rents, but would not require project sponsors to demonstrate that tenants moving in are in fact experiencing reduced housing expense burdens or that a neighborhood's economic distribution has changed. This decision stemmed both from a desire not to put additional reporting burdens on project sponsors, and the recognition that individual projects are not sizable enough to cause some of the intended outcomes (neighborhood change).

III. Monitoring and Evaluation

The process to measure outcomes has been the slowest component of the planning cycle to develop. Indicators that all partners can agree to need to be identified, data collection techniques and relationships will need to develop over time, and resources will need to be committed.

The City is now beginning to measure indicators of some outcomes at the program level. For example, for the first time in FY 98-99, the City conducted a survey of tenants moving into recently completed rental units. The tenants were asked questions about housing expense burdens, housing conditions, and their sense of housing stability.

The City also measures indicators of some program goals (outcomes) at a neighborhood or citywide level through census or other demographic data. For example, the City can track income distributions through the American Community Survey and the regional share of growth through building permit activity.

The following chart describes the current measurement tool for each program goal:

Program Goal	Outcome Measurement Technique
Reduced housing expense burden	Tenant survey
Improved sense of housing stability	Tenant survey
Experiencing improved housing condition	Tenant survey
Special needs households have access to housing with services	Consolidated Plan Needs Assessment
Reduced concentrations of poverty/ increased economic integration	American Community Survey/ Census 2000
Improved quality of life through transit supportive and mixed use development	Building permit data
Share of regional growth to maintain quality of life	Building permit data

At the end of each funding cycle a cumulative track record of performance goals (outputs) is evaluated. The evaluation seeks to acknowledge the context that may have affected the program's operations, (e.g. market factors, developer capacity, availability of other public funding, etc.). A subcommittee of the Housing and Community Development Commission, the Housing Evaluation Group, is charged with monitoring housing programs and preparing an annual report. This review process is integrated into the Consolidated Plan process and can lead to adjustments of either the program or performance goals (outcomes or outputs), or in the strategies used to attract projects which meet established goals.

This monitoring process helps to identify barriers to accomplishing goals. For example, the City identified difficulty in attracting projects to meet special needs housing goals for people with mental illness. In studying this further, potential project sponsors identified uncertainty about operating costs as the reason they were not submitting development proposals. This led

the City to get more engaged with the State and County funders of the mental health system to advocate for housing stabilization services within the mental health funding system.

The process used in Portland offers the opportunity to be much more specific about the types of intended program and performance goals (outcomes or outputs) than a traditional RFP that is open to a broad array of project types without differentiation. During the four years that the City has used this process, the City has changed the type of units it funds. Now almost half the units assisted have two or more bedrooms, instead of the SRO, studio and one-bedroom units that received the lion's share of assistance in the past. The City has also changed the income ranges it serves. City funds used to be channeled toward units affordable to households close to 60% of median income. Now, 75% of the resources go to units with rents targeted to households below 50% of median.

At the beginning of this shift, there was concern that developers might not submit projects that would support the program goals. After all, recent proposals suggested that developers preferred different projects, but this did not turn out to be the case. The RFPs have consistently seen two or three times as many proposals as there was funding available. Developers have adapted their proposals in response to the clear message of what types of projects would be funded.

IV. Anticipated Changes & Refinements

Portland is satisfied with the strategic elements of the rental housing program planning, delivery and evaluation, but a changing resource picture may trigger new adjustments to the program. The City has enjoyed an affordable housing boom thanks to a significant one-time general fund contribution to affordable housing. Those funds are now depleted and replacement or replenishment is unlikely. The City is also experiencing a decline in program income levels as funds have been targeted to meet lower income needs over the past few years. With these reductions, it is unclear whether the twice-yearly multi-faceted RFP will continue to be the best way to select projects. More specialized RFPs are being contemplated, though no final decisions have been made.

Portland is also continuing to refine evaluation and program planning by developing tools and identifying data sources to track conditions and outcomes. It is actively using the American Communities Survey data and developing relationships with other data providers (eg school districts). Portland is also building and expanding on internal databases about projects (both at origination and performance over time), and will continue to refine the tenant survey tool.

Portland is now beginning to apply the lesson learned in the rental program to the program design for homeowner rehabilitation and homebuyer programs. These are much more preliminary, but are beginning again with the questions, "Why do we fund the projects we do?" and "How should we redesign programs?"

V. Summary

Learning to be more conscious and strategic about goals in the rental housing program has been an evolutionary process over a number of years. It is an effort that has required staff, policy makers and partners to commit time and energy and to step back and be open to new ideas and ways of doing business. It is making a difference in our results—households with greater needs are being served and affordable rental housing is contributing to the livability of the city.

The Portland experience suggests the following key tips:

- **Outcomes:** Bring the ultimate program goals and objectives to the forefront.
- **Outputs:** Make sure that project sponsors know the characteristics of projects that will be funded.
- **Strategies:** Be willing to tailor programs to achieve results.
- **Evaluation:** Develop ways to measure your impact. Start small and build data sources and evaluation techniques over time.

PART IV PROVIDENCE PERFORMANCE FORMULA FUNDING CASE STUDY

I. BACKGROUND AND HISTORY

The City of Providence, Rhode Island, has long provided administrative support for non-profit organizations working to provide housing for lower income residents. Every year as budget discussions began, these organizations came to the city with funding requests based on funding levels of the previous year; and every year, the issue of how much housing production the city was receiving from that funding was the unasked question. In 1998 the question finally got asked and answered.

In 1998, the Providence City Council directed the staff responsible for administering housing programs to design a funding formula based on how many units were produced and then fund based on that output measure.

To fully understand the implications of that directive is a lesson from which every community wrestling with administering effective programs in a highly charged political environment can learn.

Providence City Council members are elected by wards. Wards are made up of neighborhoods. The community development corporations receiving funding (thirteen in number) were all operating at the neighborhood level. The challenge was to design a system that would be perceived as fair and equitable by all parties involved while still accomplishing the goal of increasing the production of affordable housing units in the city as a whole.

The process that was used to design the performance formula funding and the elements of the system that was ultimately adopted by the City Council and is currently being implemented are important to highlight.

1. The process was open, inclusive, and consensual
2. Change will occur over a three year period
3. The formula included a hold-harmless element that gradually reduces dependence on entitlement as a basis for funding
4. In its initial implementation, only one measurement (production of units) was used. It was simple, relatively easily quantifiable, and uncomplicated
5. The key staff member assigned to the project was trusted by the non profit community

The process has been in place for two funding cycles and is beginning to show the desired results. Discussions about making changes to the system are just now

occurring. Most of those discussions concern adding some policy considerations, such as type of unit being produced, to the formula.

II. PROCESS/SYSTEM

A working group was formed that consisted of key staff members from the City's housing/community development department and the recipient community development corporations. Over a period of six months, the group discussed

- *what elements should be included in the formula ;
- *how to weight those elements;
- *how to avoid disruptions in annual budgeting for the non profits;
- *how to phase in the system;
- *when to count a unit as having been "produced";
- *and what kind of technical assistance the city needed to provide to the non profits

Elements and Weighting

As in most communities, Providence community development corporations (CDCs) (mostly all CHDOs as defined by the HOME Investment Partnership Program) perform a wide range of housing activity. Some assist homeowners requiring everything from minor rehabilitation assistance, such as specification writing and contractor oversight; others do major rehabilitation and resale. The organizational effort required to accomplish these different tasks varies greatly.

To reflect those varying degrees of effort and difficulty, the working group came up with eight separate performance categories and assigned a separate unit weight to each. The lowest weight of 0.2 was assigned to rehabilitation of \$1-5,000 in existing and occupied units. The heaviest weight of 1.0 was assigned to a vacant home rehabilitation or new construction of \$15,000+ per unit that was purchased, rehabilitated, and resold or rented by the CDC. Six other categories were assigned to various rehabilitation and construction activities in between these two.

The formula produced is relatively simple. The total "weighted" units produced for all CDCs in that year is divided by the total dollar allocation for administrative support for that year. That produces a dollar value per weighted unit. Each individual organization's number of units produced that year multiplied by the dollar value/weighted unit yields a funding level for the

year based on production. That is the first step in determining the total level of funding for the CDC for that year.

For example, if a non-profit performed light rehabilitation (\$1-5k) on 20 units in Year 1 of implementation of the program, 25 units in Year 2, and 30 units in Year 3, the total number—75 units—would be multiplied by the weight for that element—point 2 (.2)—to arrive at a total number for that non-profit.

Avoiding Disruptions in Non Profits' Annual Budgeting

The next challenge for the working group was to determine how the new system would provide administrative funds for the activity in a way that would be consistent and not be disruptive to the yearly budgets.

It was important to the working group that yearly funding would not be predicated on the basis of brief “snap shots” of activity. Weather, the availability of units to be rehabilitated, difficulties in securing clear title to property in older city neighborhoods, and complications arising from the nature of construction itself all impact on producing completed units. None of these easily fit into the budget cycles established by program administrators.

To overcome that difficulty, the working group decided that a rolling total of three completed years of activity would best reflect production. When a completed new year was added annually, the oldest of the three years would be dropped. This is the second step in determining the funding an organization receives.

Phasing in the System

Since the City of Providence requires that housing rehabilitation and construction activity be consistent with the Consolidated Plan, strategic neighborhood plans, and the Providence Plan (a city-wide comprehensive plan implemented, in part, with public bond funds), changes take time. To allay the fear of some CDCs that, under this new system, they could be out of business as soon as the next year after implementation, the working group established a transition period of three years to gradually phase-in performance-based funding. CDCs would, over that three year period, be “held harmless” and receive a decreasing allocation based on the amount of funding they had received in the 1998-99 budget cycle. In the first year, funding would be 80% of that amount; in year two, 60%; in year three, 40%; and in year four, 0%.

To implement that decision, the dollars needed to fund the “hold harmless” part of the formula in the first three years are subtracted from the total administrative allocation, then that resulting number is divided by the number of “weighted” units produced to determine the dollar value of the “weighted” unit produced.

Defining When a Unit is “Produced”

To simplify the varying definitions of when a unit is actually produced and to avoid double-counting, the working group agreed to count a unit as produced at the point that it is actually occupied, and not just available for occupancy. This decision greatly simplifies reporting and avoids double counting units: At the end of a program year, housing units are in various stages of completion. If the system only allows those housing units that are finished and occupied as of the end of the program year, there is no confusion whether a unit “counts”.

Technical Assistance

Changing a funding allocation to reflect production changes the nature of the business that non profit organizations are in. Some of the non profits operating in Providence were doing many other activities in their neighborhoods besides producing housing. Staffs appropriate to housing production were not necessarily in place or those in place were not adequately trained to be successful in producing housing. The City of Providence is working with these organizations to help them meet their production goals, primarily by providing training. City officials also helped them identify and secure other sources of funding in addition to city funding so that non housing related activities can continue to be funded.

III. SPECIAL CONSIDERATIONS

Timing is everything. That is something each city trying to integrate performance-based measurements into funding decisions must take into consideration. Three special situations were in place in Providence that allowed them to be successful at the point in time the city decided to make change. These special situations provided some “political cover” for elected and appointed officials and brought everyone to the table, mutually intent on accepting change of some nature in the status quo.

These three situations were: For some time, the U. S. Department of Housing and Urban Development had been encouraging Providence to key funding decisions toward increasing the production of housing. Multiple monitoring reports raised the issue to the level of attention of elected officials, which allowed them to share the “blame” with outsiders.

Second, the Providence Plan, which had added \$25 million to the overall amount of housing resources available, was almost out of money and there was a widely-held understanding that leveraging and maximizing remaining resources must drive future funding decisions. This pressure made the need for a production-driven, performance-based funding formula easier to accept.

Third, there was a change in the city staff leadership that brought new, fresh players to the table: new players with new ideas, no loyalties to the status quo, and unique perspectives.

Those three conditions helped ease the usual resistance that change in the way things are done always brings.

An unintended consequence of the implementation of performance-based funding that the City did not anticipate is that some of these non profits have turned to producing rental units using low income housing tax credits because that type of development provides more revenues through developer and management fees than single family homeownership units do.

IV. MONITORING AND EVALUATION

The City of Providence designed the performance-based system with monitoring and evaluation in mind. It is tied in to existing reporting requirements and verified by the same staff who worked on the design of the system itself.

The previous two years of reported completed and occupied units were accepted “on honor” and were not verified in the field. Whatever was reported by the organizations was accepted at face value. The Year 1999 units, however, were verified in the field by city staff. All future years’ units will be verified in the field.

V. CHANGES AND REFINEMENTS

Before the City Council adopted the plan as presented by the working group, they made one change. It is the only element of the formula that reflects policy and measures outcomes, not just output.

The City of Providence has goals in place that are meant to encourage the hiring of minorities and women contractors for construction projects that are funded with city assistance. Those goals are 10% for women hires and 10% for minority hires and each must be met. The City Council wanted the CDCs funding to reflect these goals.

If these goals are met, the impact on the formula is neutral. If they are not met, funding is decreased up to a maximum of 20%.

During discussions of the working group, the idea of incorporating policy issues into the formula (eg., considering not just outputs—housing units completed, but also outcomes—increasing self-sufficiency of families by stabilizing their housing situation through homeownership) was raised. The City wanted to incorporate them into the formula, but the non profit organizations did not. The organizations were concerned about the difficulties of quantifying relative weights in a fair and equitable way.

Because of the potential for the entire effort to fall apart if the formula was not agreed upon by both sides, the City dropped the discussion at that time. There has been some talk

recently, however, that implementing city-desired outcomes is an important issue and the City intends to re-visit the formula to that end.

Alternatively, instead of changing a formula that appears to be working, the City may decide to provide special set-asides to implement desired outcomes.

The other potential change in the formula is the issue of neighborhood economics. It is more difficult and costly to develop affordable housing in some neighborhoods than it is in others. The current formula does not address that discrepancy.

If Providence does re-visit the formula, they will allow a full year for discussions before implementation. And the same process will be used.

VI. SUMMARY

Setting up a performance-based measurement system requires a shift in perspective from activity-based accountability to results-based accountability. That shift in perspective is a change that impacts people—both the people who deliver the services or product and the people who receive it. It is also a shift that is happening in a political environment with 2 to 4 year cycles: few desired results happen in that short a cycle.

When initiating any kind of change that impacts people, planning for that change becomes paramount.

So far, Providence has done it right. In terms of producing results, it is too early in the implementation of the program to determine whether the non-profits will increase production of affordable housing units and whether the political pressure that results after the “hold harmless” period ends will be resisted.

However, initial results are encouraging. Here are some of the guidelines the City of Providence followed to achieve those results:

1. Involve those who need to help carry out the change in the planning of the change, including both those inside the organization and those outside. It is very important that design teams include program administrators, partners who will deliver the products or services, and in some cases, recipients of that product or service.
2. Define people’s roles clearly. Someone must be in charge and take lead responsibility. For best results that person must come from the ranks of top management. If top management does not “buy in”, the likelihood for success and sustainability of the system decreases. Top management is generally the office that controls budgeting decisions. Since people’s time and money must be dedicated to the effort for it to succeed, top management must be involved.

3. Clearly articulate the goals of the change. Begin at the beginning: If the partners involved go through a strategic planning process that results in a clearly defined mission and goals for the project, each entity involved will have a clearer idea what success means and whether it is achieved.
4. Determine what achievement indicators will measure success. Agreeing at the beginning of the process what the desired results will be and how they will be verified is difficult, but can be very powerful and unifying and make the difficult work ahead less so.
5. Send the results of the strategic planning process in writing to all those who will be responsible for implementation. It is important that there be a written record of the work plan and that each member of the implementation team has a copy. Putting information in writing also helps clarify thoughts and ideas and reduces the possibility of misinterpretation.
6. Address people's needs; disrupt only what needs to change to reach the goals; respect existing relationships, work settings, preferred work procedures, group norms. If any parts of the existing way of doing business can be used, use them. Everyone has a comfort zone; try to take advantage of what is working in the current system so that those comfort zones are disturbed as little as possible. People also fear loss of rights and status because of the changes being made. Those are real fears and should be recognized. Look for areas of agreement among the team and build on those. It is equally important to be open and honest with everyone who is impacted by the change.
7. Design flexibility into the process; design adequate time into the process. It is important to allow sufficient mental and emotional adjustment time. It also takes time to build trust. Additionally, setting up a "punishment" or even a "reward" plan before the new system is adequately tested can undermine the effort. If there is flexibility designed into the system at the front end, adjustments can occur as the system is implemented.
8. Schedule periodic work sessions for the design/implementation teams. This will allow for changes as the process reveals issues and results that were not anticipated. It also allows for building relationships among the partners.
9. Training, formal and informal, should be provided for those implementing the new system. Skill development is important if the system is to be institutionalized. Giving people the tools to do their best will require that both informal and formal training be provided at various stages in the process.
10. Set up a system for periodic evaluation of the results. Then use those evaluations to affect future funding decisions.