Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: October 17, 2023

SUBJECT: **Housing Department's Performance Measures Audit Report**

Recommendation

As recommended by the Community and Economic Development Committee on September 25, 2023, accept the audit report on the Housing Department's performance measures audit.
CEQA: Not a Project, File No. PP17-009, Staff Reports, Assessments, Annual Reports, and Informational Memos that involve no approvals of any City action. (City Auditor)
[Community and Economic Development Committee 9/25/2023 - Item (d)2]

Office of the City Auditor

Report to the City Council
City of San José

HOUSING PERFORMANCE MEASURES: THE CITY SHOULD FOCUS AND ALIGN MEASURES TO SUPPORT DECISION-MAKING

Report 23-04
September 2023

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Office of the City Auditor
Joe Rois, City Auditor

September 15, 2023

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Housing Performance Measures: The City Should Focus and Align Measures to Support Decision-Making

In recent years, the City of San José (City) has prioritized preventing homelessness and creating affordable housing. The City's Housing Department (Housing) plays a major role in achieving the City's long-term goals in these areas. Other Housing services include rent stabilization and tenant protection programs, portfolio management of affordable housing loans, neighborhood capital investment, and others. Housing reports progress and activities of its programs in different ways, such as performance measures included in the City's Adopted Operating Budgets, Housing's Annual Impact report, online dashboards, and others.

The objective of this audit was to assess Housing's performance metrics. Though this audit was focused on Housing's services and performance metrics, other departments may serve the unhoused community or have programs impacted by homelessness. We did not include those departments in this review. This work is intended to assist the Administration to enhance the City's performance management systems in alignment with its *Outcomes, Equity Indicators, and Performance Management* initiative.

Finding 1: The Housing Department Can Streamline and Improve Current Performance Measures. The Housing Department reports more than two hundred performance measures in different forms across various reports and online dashboards. Many of the reported measures are important and useful for users of the information; others are required because of funding sources. However, we found:

- The City's Operating Budget can provide more useful and meaningful measures that better reflect department priorities.

- Better alignment of performance measures across the various reports and dashboards would help users of the information better understand results and save staff time compiling the information.

- Housing can also better document consistent methodologies for calculating measures and provide meaningful targets to put context around the results.

RECOMMENDATIONS:

The City Manager's Office and Housing Department should:

- Reduce and streamline the number of performance measures for Housing's programs,

- Align measures across Housing's different reporting platforms and document the methodology for calculating measures to ensure consistency, and

- Report meaningful targets to provide context for results.

This report has three recommendations. We plan to present this report at the September 25, 2023 meeting of the Community & Economic Development Committee of the City Council. We would like to thank the Housing Department, the Budget Office, and City Manager's Office for their time and insight during the audit process. The Administration has reviewed the information in this report, and their response is shown on the yellow pages.

Respectfully submitted,

Joe Rois
City Auditor

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This report is also available online at www.sanjoseca.gov/audits

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Background

The mission of the Housing Department (Housing) is to "strengthen and revitalize our community through housing and neighborhood investment." Housing has five core services:

- Homeless interventions and solutions,

- Affordable housing portfolio management,

- Affordable housing production and preservation,

- Neighborhood capital investment and public services, and

- Rent stabilization and tenant protection.

In addition to these core services, Housing has a strategic support service, which serves in administrative capacity and conducts policy planning and development. The strategic support service also provides for the coordination and delivery of emergency services and recovery activities related to the pandemic or other emergencies.

The Housing Department Supports Homeless Prevention and Affordable Housing Development in the City

Housing and homelessness have been a major concern in San José, and the City Council has prioritized creating affordable housing and preventing homelessness. On average, in 2022, an apartment cost over $2,700 per month to rent in San José and the median home sold for nearly $1.6 million. In 2023, it was estimated that nearly 6,300 residents did not have homes to live in.[1]

The City's efforts to address homelessness and to create affordable housing have consistently been among the lowest rated City services by residents. In 2022, only 3 percent of surveyed residents rated the City's efforts to address homelessness as "excellent" or "good" and only 10 percent rated efforts to facilitate the creation of affordable housing as "excellent or "good."[2]

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[1] This figure is based on the results of the 2023 Point-in-Time Count conducted by the County of Santa Clara and the City of San José. See https://www.sanjoseca.gov/your-government/departments-offices/housing/resource-library/homeless-reports/homeless-reports-executive-summary.

[2] https://www.sanjoseca.gov/home/showpublisheddocument/93470/638088822817770000

Through its various core services, Housing supports the City's work in these areas.[3] The City has identified short- and long-term goals to address homelessness and create affordable housing.

- The City Manager's FY 2023-24 Budget Message describes a "path to achieving the goal of moving 1,000 people by December 31, 2023 into newly created City-funded safe alternatives for people who are experiencing homelessness and are unsheltered." The path includes assisting individuals through permanent supportive housing, emergency interim housing, and other opportunities.

- The Housing Element, supported by both Housing and the Department of Planning, Building and Code Enforcement (PBCE), sets market-rate and affordable housing goals toward the Regional Housing Needs Allocation (RHNA) set by the Association of Bay Area Governments. For the upcoming cycle (2023-31), the City's RHNA is 62,200 new housing units, 23,775 of which are to be affordable units.[4]

- The Annual Action Plan describes performance targets for how the City will use funding from the U.S. Department of Housing and Urban Development (HUD) to meet its five-year goals. The five-year goals are outlined in a Consolidated Plan that is required to qualify for funding from HUD. For example, among other items, the 2022-23 Annual Action Plan specifies goals for developing at least 50 new affordable rental apartments with HOME Investment Partnership (HOME) program funding and providing homeless prevention assistance to 30 households via Emergency Solutions Grants (ESG). In addition to the Annual Action Plan, annual results are captured in another report, the Consolidated Annual Performance Evaluation Report.

Performance Measures Serve Multiple Purposes

City departments, including the Housing Department, publish performance measures in the City's Annual Operating Budget and other reports. Housing reports out performance measures in its Annual Impact Report, reports to HUD, the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research, and status reports to City

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[3] In addition to Housing, other City departments provide services directly to the city's unhoused residents, such as trash pickup at homeless encampments. Other generally available services, such as Library services or Fire Department emergency response services, are also provided to the city's homeless residents. Lastly other City functions may be impacted by homelessness in the community, such as addressing water quality impacts from homeless encampments. This report only reviews performance measures related to Housing's services.

[4] 15,088 of the allocation are in the very low-income category (less than 50% of the Area Median Income) and 8,687 are in the low-income category (50-80% of the Area Median Income).

Council, as well as through online dashboards and other reports. Many of these are found on the Housing Department's website in their resource library.[5]

Performance Reporting vs. Performance Management

Departments report measures for different reasons. In some cases, performance reports provide measures to granting agencies or decision-makers for compliance or accountability purposes. They can show program results and progress toward goals.

Measures can also provide information about the levels of resources dedicated to a program (inputs), the amount of work performed (outputs), or levels of efficiency or effectiveness. Measures can also provide context for additional factors related to a program (these are referred to as "preconditions" and can relate to such things as the cost of living or other environmental factors).

Exhibit 1: Measures Should Provide Information on Inputs, Processes, Outputs, Impacts, Preconditions, and Efficiency

Types of measures	
Inputs	*The money, personnel, equipment, and other resources that a program requires to operate. Frequently these are in a budget.*
Processes	*The administrative, organizational, and political activities that transform inputs into policy outputs and impacts. Process measures may include efficiency or timeliness type measures.*
Outputs	*The direct outcome of a policy program or process. These are often unit counts, and represent the goods or services received by target groups.*
Impacts	*The broader changes in behaviors or attitudes that result from policy outputs. Impact measures may include measures of a program's effectiveness.*
Preconditions	*The non-manipulable variables present prior to policy implementation. Preconditions provide contextual factors that affect a policy or process. For example, the cost of living provides context around programs related to homelessness.*

Source: Adapted from William N. Dunn, *Public Policy Analysis* 5th Edition (2012), 248-253; Ammons, David N., *Performance Measurement in Local Government: Developing Measures for Managing Your Operation*

While public reporting helps to support transparency, accountability, and oversight, at their most effective, performance measures also support decision-making to improve services. The use of performance information for management and policy decisions that improve service quality, efficiency, and program results is referred to as *performance management.*

The Administration Has Signaled that Performance Management Is a Priority for the City

The City has been working to improve its use of performance measures for over a decade. Recently, the Administration and Mayor have renewed focus on performance management in the City.

- In 2022, the City Council approved an initiative with a goal of "transforming the City's current processes, culture, and infrastructure for managing and measuring the City's performance." This work is part of the Administration's *Outcomes, Equity Indicators, and Performance Management* initiative.[6] This work, led by the City Manager's Office, is ongoing. At the time of the audit, staff had reviewed and made changes to the performance measures within the Neighborhood Services City Service Area (CSA), updating the mission and strategic goals of the CSA and incorporating equity and outcome measures. They also reviewed and made changes to performance measures reported by departments within the Neighborhood CSA (e.g., Parks, Recreation and Neighborhood Services, Library).

- In 2023, five Mayoral transition committees created performance measures for pressing community issues, including homelessness.[7] The 2023-24 Operating Budget incorporates these community issues as "focus areas" for the City. For these issue areas, the Administration is developing scorecards and dashboards, and a reporting cadence for City Council deliberation on progress. The Administration is also establishing team structures for Deputy City Managers, department directors, and senior and executive staff to continuously monitor performance in these areas.

The recent and ongoing improvements to the City's structure and culture of performance management respond in part to concerns that current measures do not clearly relate to City priorities or goals, and that the number of measures is overwhelming.

The Administration is responsible for implementing a culture and practice of performance management. The *Outcomes, Equity Indicators, and Performance Management* initiative and staff's work to date signal that performance management, including equitable service delivery, are a top priority for the City. In beginning its review of performance measures for the Operating Budget, the Administration has followed several best practices, including:

- seeking input from stakeholders on measures to track,

- focusing CSA mission statements on expected benefits,

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[6] See https://www.sanjoseca.gov/home/showpublisheddocument/85735/637879053009170000.

[7] The five focus areas identified as pressing community issues include: clean neighborhoods, community safety, downtown vibrancy, and planning and permitting.

- including broad impact indicators,

- using resident survey data on outcomes and experiences, and

- including disaggregated data to assess equity impacts.

Prior City Auditor Reports

The City Auditor publishes an Annual Report on City Services, the purpose of which is to provide an overview of City services and performance data to the public, the City Council, and City staff.[8] The report includes performance measures for all City departments as well as the results of an annual resident survey.

After the first Annual Report on City Services, in 2009 the City Manager and City Auditor released a whitepaper on performance management.[9] It found the City had many components of a performance management system but fell short in using data to inform decision-making. Specifically, the report concluded "the City currently reports performance measures, but they are not consistently used as a tool to improve performance," and that management did not routinely discuss measures for performance improvements. It also included various "next steps" that the Administration could take improve the City's performance management system.

Since then, our office has released multiple performance measure related audits, such as reviewing sewer cleaning performance and cost data (2010), and reviewing performance measures and methodologies for the Fire Department (2012), the Office of Economic Development (2013), and the Departments of Housing and Public Works (2015). For the 2015 Housing and Public Works audit, the objective was limited to reviewing the methodologies for calculating reported performance measures.

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[8] https://www.sanjoseca.gov/your-government/appointees/city-auditor/services-report

[9] https://www.sanjoseca.gov/Home/ShowDocument?id=33716

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Finding I   The Housing Department Can Streamline and Improve Current Performance Measures

Summary

Housing reports more than two hundred performance measures in different forms across various reports and online dashboards. The City's Adopted Operating Budget, which has been including performance metrics for many years, can provide more useful and meaningful measures that better reflect department priorities. Performance measures also do not align across the various reports and dashboards, which can both lead to confusion for users of the information and additional work for Housing staff who compile and report the measures. Using a logic model or similar approach to identify the most useful and meaningful measures, we recommend the City Manager's Office work with the Housing Department to reduce and align performance measures across the different reporting platforms. Housing should also document the methodology for calculating measures to ensure consistency over time. Lastly, the inclusion of targets can provide context for results and insight into incremental progress toward larger goals.

The Housing Department Reports More than Two Hundred Performance Measures

Housing reports more than two hundred performance measures, which mostly do not align across the Department's different reporting platforms (i.e., reports or online dashboards).[10] As an example, in reviewing the FY 2022-23 Adopted Operating Budget, Housing's Annual Impact Report, other state-required reports, and online dashboards, there were:

> *"Public officials, such as legislators and legislative staff, are short on time. If presented with hundreds of measures to wade through, they're likely to ignore them all."*
> –The Urban Institute

- 47 measures relating to homelessness,[11] and

- 143 measures relating to affordable housing development.

Additional performance measures relate to other Housing services. (See Appendix B for a list of performance measures)

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[10] Total performance measure figures are an estimate. Audit staff reviewed what we considered primary reporting platforms, but not all documents such as Council memos or all program-specific reports. Performance measures were reported in different ways (e.g., tables, text, graphics) and audit staff used judgment in determining how best to classify reported measures.

[11] This does not include measures in the Consolidated Annual Performance Evaluation Report (CAPER) prepared for HUD, since those are specific to individual programs and grantees.

Many of these measures are useful and provide valuable information. Some of these are also required because of the source of funding or other requirements. However, the scope of reported measures can be confusing for decision makers or other users of the information. It also takes staff time to compile and report the measures.

The Operating Budget Performance Measures Can Be More Useful and Better Reflect Department Priorities

Housing reports performance measures for its five core services in the City's Adopted Operating Budget. Because of changes in services over time, the measures may not reflect Housing's current priorities. In addition, they should also be reviewed to ensure they continue to provide useful information for decision makers.

The Scope of Reported Performance Measures Does Not Align With Spending or Priorities

Housing's operating budget increased substantially over the past six years, with some programs or services growing far more than others. The total 2022-23 adopted budget was over five times more than 2018-19 actual expenditures and 65 percent more than 2021-22 actual expenditures, with major increases in spending for Homelessness Interventions and Solutions and Strategic Support.[12] Smaller, but still notable increases in the operating budget went toward Affordable Housing production and Neighborhood Capital Investment and Public Services.

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[12] Strategic Support is tasked with coordination of emergency services and recovery activities. Much of the growth in spending and budget was for pandemic-related funding and programs. Funds for Housing increased based on grants related to COVID-19, but in the past two years, the funding from the General Fund has also increased. In 2022-23, General Funding for Housing increased to $57.4 million, a nearly seven-fold increase from 2021-22.

Exhibit 2: Housing's Program Focus Has Shifted With Available Funding
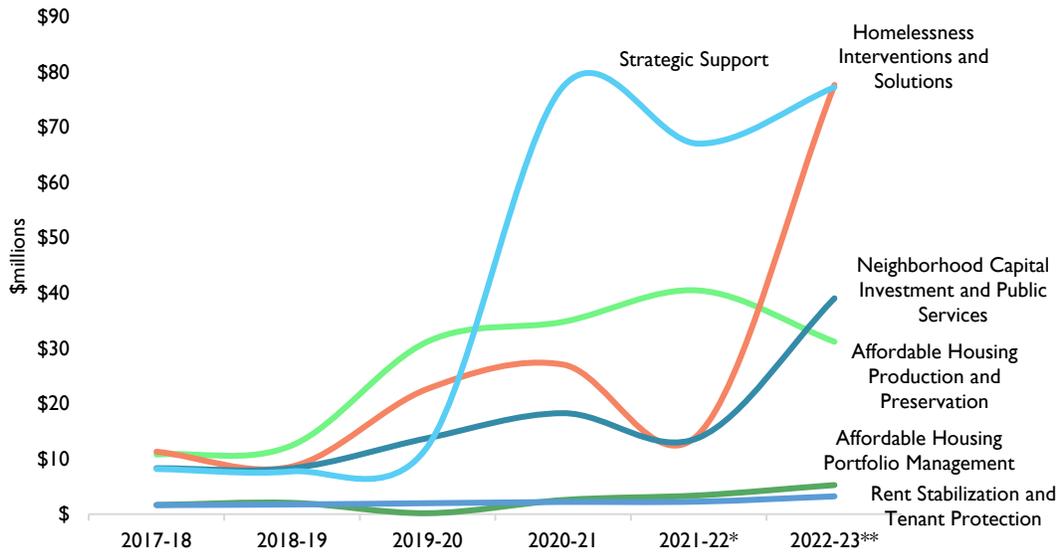
Source: Auditor analysis of actual expenditures and adopted budgets.

Note: 2021-22 shows actual expenditures as reported in the Services Report. 2022-23 shows adopted budget values. All other years show actual expenditures as reported in subsequent budgets.

As Housing's program delivery has changed in accordance with funding opportunities, the scope of performance measures has generally remained the same and may not reflect current priorities. For example, the Adopted Operating Budget has 20 measures relating to the affordable housing loan portfolio.[13] Staff report that because there have been no new loans coming along, this is not a program that is actively managed anymore. Exhibit 3 shows the number of performance measures relating to this program in the Operating Budget compared to other Housing programs. Although the number of measures does not need to be proportional to funding, Exhibit 3 does illustrate how measures should be reviewed periodically to ensure they reflect a department's priorities.

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[13] The 20 measures include sub-parts. For example, the "monetary default rate of loan portfolio" measure includes the percent of total loan principal for project loans, rehabilitation loans, and homebuyer loans as line items (see Exhibit 4).

Exhibit 3: The Number of Measures for Each Core Service Do Not Correspond to Funding or Activity
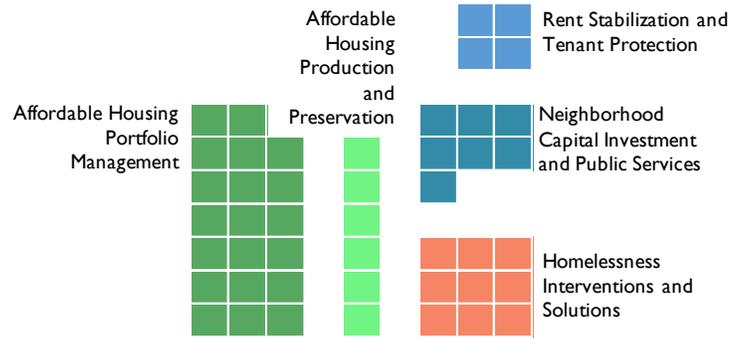
Source: Auditor analysis of performance measures in the Housing chapters of adopted budgets.

Note: There are additional performance measures related to housing development in the Community and Economic Development City Service Area section of the budgets that are not reflected in Exhibit 3.

Measures in the Operating Budget Can be Improved to Provide More Useful Information

In addition to the scope of reporting, some measures may provide limited utility. Defaults are exceedingly rare for the Affordable Housing Portfolio Management core service. However, there are multiple measures reported around defaults as seen in Exhibit 4. The reported performance has been zero defaults since FY 2017-18 when 1 percent of total homebuyer loans were in default.

The second measure shown, percentage of portfolio units brought into compliance with safe and sanitary condition requirements within 90 days, also appears to provide limited utility. Starting in FY 2019-20, the results have been reported as 100 percent compliance, which could signify that the targets should be reviewed, or some other adjustment made to provide more meaningful information.

Exhibit 4: Measures Relating to Affordable Housing Portfolio Provide Limited Useful Information

Affordable Housing Portfolio Management				

Performance Measures

	2021-2022 Actual	2022-2023 Target	2022-2023 Estimated	2023-2024 Target
Monetary default rate of loan portfolio by category:				
% of total loan principal				
1. Project Loans	0%	0%	0%	0%
2. Rehabilitation Loans	0%	0%	0%	0%
3. Homebuyer Loans	0%	0%	0%	0%
% of total loans:				
1. Project Loans	0%	0%	0%	0%
2. Rehabilitation Loans	0%	0%	0%	0%
3. Homebuyer Loans	0%	0%	0%	0%
% of portfolio units brought into compliance with safe and sanitary condition requirements within 90 days	100%	100%	100%	100%

Source: 2022-23 Adopted Operating Budget.

The Operating Budget's Performance Measures Have Not Kept Up with Changes in Services.

Staff report that rapid rehousing has been declining in importance and has not lately been a primary homelessness intervention service. Rather, emergency interim housing has been a priority. However, the Operating Budget has three measures within the Operating Budget related to rapid rehousing but does not have any measures on emergency interim housing. The Department reports out on those in an online homelessness dashboard and a state-required report. As a result, reviewing measures within the Budget may give a less useful or partial picture of performance.

Measures within the Operating Budget should balance consistency and relevance to provide the most value to users. Consistency in performance measures enables review of performance and progress over time. Relevance ensures that reported measures reflect current operations and priorities.

Analyzing performance over time can provide insight into different factors that affect performance and inform potential changes to service delivery. However, management and administrative staff report the performance measures within the budget do not help to inform their decision-making. Rather, staff treat these measures as a means of public reporting more than for performance management.

Housing Can Better Align Performance Measures Across Reports

Measures in Housing's Annual Impact Report[14] have almost no overlap with measures in the Operating Budget. Just one measure overlaps between the

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[14] https://www.sanjoseca.gov/home/showpublisheddocument/94461/638120496770570000

Impact Report and Budget (See Exhibit 5). No measures overlap between the homelessness dashboard and the Budget. According to the Administration, this reflects the challenge in keeping up with rapid changes in the delivery of services that has occurred in recent years. It also reflects the ongoing demand for performance data from funders, policymakers, and the public.

Exhibit 5: Few Housing Measures Overlap Between Reports
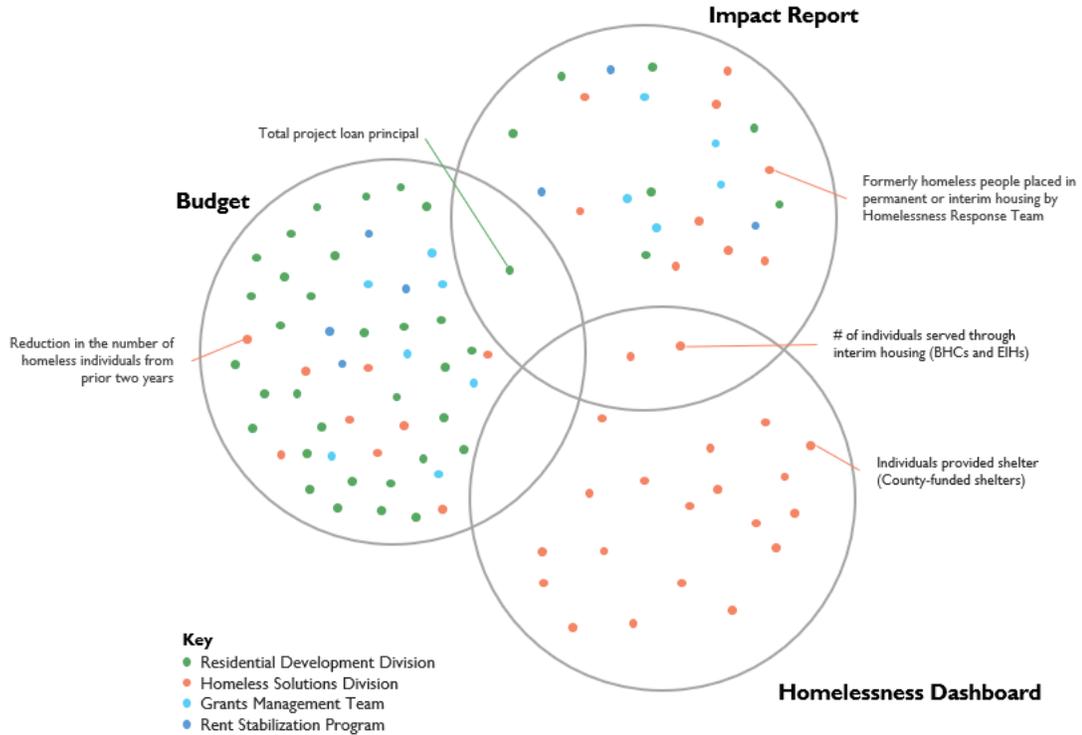
Source: Auditor analysis of the FY 2022-23 Adopted Operating Budget, FY 2021-22 Annual Impact Report, and Homelessness Dashboard. All measures refer to performance in FY 2021-22.

Variation Across Reports Can Add Value, But Also Create Confusion

Having different measures within different reports can add value in that it allows for different levels of detail for different uses and audiences. In some, but not all instances, Housing is required to report certain measures as a condition of funding. Some measures, however, vary only slightly across reports and may be calculated by a different basis or timeframe. (See examples in Exhibit 6.) This can create confusion, making performance evaluation and oversight more difficult.

Exhibit 6: Reports Have Similar, But Slightly Different Measures

Report	Operating Budget (FY 2021-22 Actuals)	Homelessness Dashboard (FY 2021-22)	Annual Impact Report (FY 2021-22)
Measure	# of homeless individuals (affiliated with San José) who secured new permanent housing - chronically - non-chronically	Individuals from San José served in permanent supportive housing	# individuals placed in permanent housing
Reported Value	Chronically homeless- 819 Non-chronically homeless - 1,038	2,510	1,857

Report	AB2176 Annual Report (Calendar Year 2021)	Homelessness Dashboard (FY 2021-22)	Services Report (FY 2021-22)	Annual Impact Report (FY 2021-22)
Measure	# of program participants housed in every BHC (and EIH) (Calendar Year 2021)	# of individuals served through interim housing (BHCs and EIHs)	# of individuals served through interim housing (BHCs and EIHs)	# of individuals moved into interim housing
Value	677	759	742	742

Source: Auditor analysis of the FY 2022-23 Adopted Operating Budget, FY 2021-22 Annual Impact Report, Homelessness Dashboard, and the City Auditor's Annual Report on City Services

Note: The Services Report refers to the City Auditor's Annual Report on City Services. The data for that report is provided by Housing, and Housing reviews and provides feedback on the report prior to publication by the City Auditor's Office. According to Housing, the variance between the # of individuals served through interim housing reported on the Homelessness Dashboard and the other reports is because of a methodological error in how data was compiled.

Documenting Methodologies Can Better Ensure Consistency and Reliability of Performance Measures Over Time

Changing the calculation method or definition of a measure also makes it difficult to understand the extent to which a difference is attributable to actual change or methodological change.

In 2013, the Budget Office began requiring departments to submit methodology sheets for all performance measures in the operating budget to document measures' meaning, data source, and calculation. These methodology sheets helped to ensure the accuracy and consistency of performance data. The methodology sheet templates also provided criteria to support the selection of meaningful, useful, and sustainable performance measures. The Budget Office's goal was to have a complete set of methodology sheets for all performance measures by August 2013.

Neither Housing nor the Budget Office have current methodology sheets for the Department's performance measures. As a result, there has been some loss of institutional knowledge on methods of calculating measures. Additionally, there have been inconsistent measure calculations between reports. For example, because of differences in how the units were counted, the number of affordable housing units developed with City assistance in FY 2020-21 varied between the Adopted Operating Budget (216 units) and data provided to the City Auditor's Office for the Annual Report on Services (0 units).

Documented methodologies are particularly important for performance measures that use nuanced terms or understanding. For example, the affordable housing units developed with City assistance is based on the number of units with certificates of occupancy issued within the year, less any units for building managers. Without knowing this, staff may count the number of units based on construction completion (before occupancy is allowed), or some other criteria.

Logic Models Can Provide a Framework for Continuous Learning and Assessment

Housing reports that their performance measures are mostly used for public reporting purposes. While public reporting helps to support transparency, accountability, and oversight, at their most effective, performance measures also support decision-making to improve the effectiveness, efficiency, and equity of public services. This requires developing or identifying performance measures in a way that relates program inputs to processes, targets, and overall goals.

Modeling Helps to Consider External Factors and Support Decision-Making

In some instances, it is difficult to understand whether a measure indicates a program's precondition – contextual factors that affect resource needs – or impact. For example, a frequent performance measure for Housing is the estimated number of people experiencing homelessness. In isolation, this measure gives a sense for the extent of the problem to be addressed. However, it may not give a sense of impact unless presented relative to historical data or a target.

Considering precondition measures may help facilitate better understanding of changes in homelessness which in turn, can help make decisions about the needs for additional resources, or a different approach.

> *"If the logic model is your program's to-do list, then you need it to also be your staff's to-do list. And the process of updating your logic model at least annually forces agencies to assess whether they are satisfied with their results and whether they should try new strategies."*
> *– What Gets Measured, Gets Done: A Toolkit on Performance Measurement for Ending Homelessness*

One tool that can be used to help identify useful performance measures are logic models.[15] Logic models clarify the relationship between a program's inputs, processes, outputs, and impacts in a way that facilitates decision-making at different levels. According to *What Gets Measured, Gets Done: A Toolkit on Performance Measurement for Ending Homelessness*, program staff should complete logic models to match goals with activities. Exhibit 7 shows a sample logic model developed by audit staff as an illustration.

Exhibit 7: Illustration of a Simplified Logic Model That Can Put Performance Measures in Context
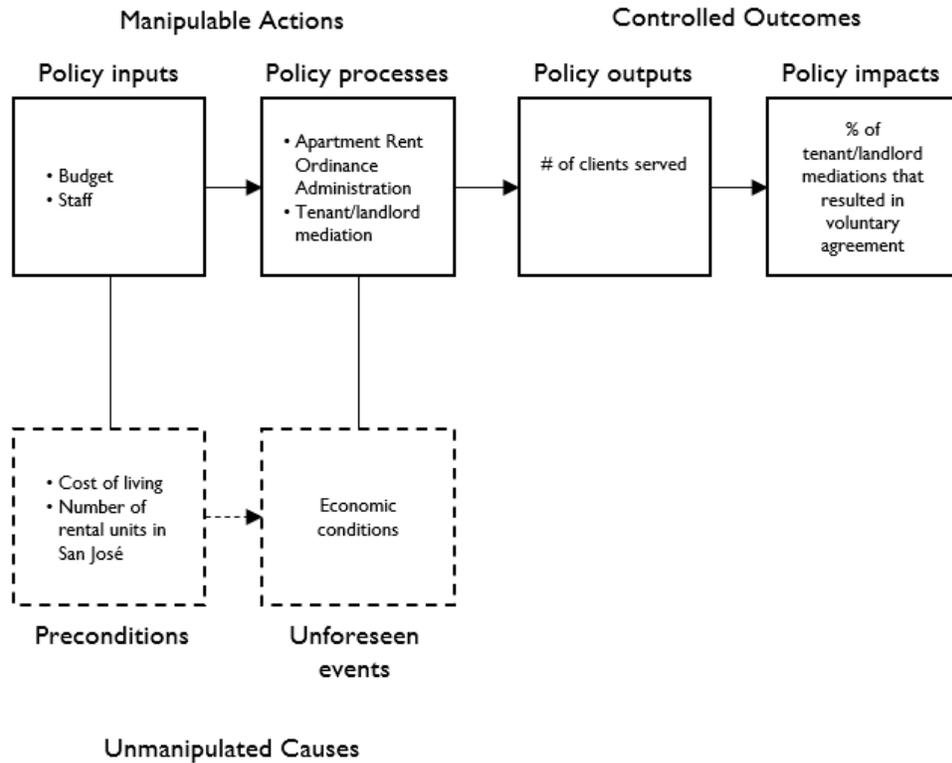
Source: Auditor adaptation of performance measurement framework for a prevention program, using Dunn's general framework for monitoring. Spellman and Abbenante, What Gets Measured, Gets Done: A Toolkit on Performance Measurement for Ending Homelessness (2008). William N. Dunn, Public Policy Analysis 5th Edition (2012), 254.

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[15] "A [logic] model is a schematic diagram that shows how one stage of a program's output affects the next and outlines the manager's 'theory of change' by identifying program factors thought to influence short-term or immediate outcomes, which in turn presumably will influence the long-term or end outcomes they are pursuing." Hatry, Harry P. 2014. *Transforming Performance Measurement for the 21st Century.* Washington D.C. Urban Institute

Consistency and Focus Will Make Housing's Performance Measures More Usable, Meaningful

> *"Considerations around the number of measures to report and the frequency of reporting them should begin by thinking about the purpose or purposes of the report and its audience's needs."*
> *– Performance Measurement for Managing Local Government: Getting it Right*

As the Administration continues to review performance measures as part of the *Outcomes, Equity Indicators, and Performance Management* initiative, the City Manager's Office should work with Housing to identify measures that are most useful for decision makers. Housing should also look to reduce and align measures more closely across reports to the extent possible and ensure measures are calculated consistently. Consistency in this way will eliminate any confusion. This would also benefit Housing staff who currently must gather and report these data.

Recommendations:

1: **In conjunction with the Administration's initiative to revise performance measures in the Operating Budget, and implement the City Focus Areas, the City Manager's Office and Housing Department should, using logic models or some other means:**

    a. **Revise the Housing Department's performance measures in the City's Operating Budget to reflect better indicators of performance for the Department and**

    b. **Reduce and align the number of performance measures across the City's Operating Budget and other Housing-related performance reports or dashboards (to the extent allowable based on funding sources).**

2: **To ensure consistency and reliability of performance measures, the Housing Department should document methodology for measures in the Operating Budget and other year-over-year reports and dashboards.**

Clear and Meaningful Targets Can Provide Insight into Incremental Progress Toward Larger Goals

Targets are useful to provide a clear idea of what a program is expected to accomplish and how well a program is performing in meeting its goals. Often, goals may be broad and too big to accomplish in one year, so more specific or incremental targets for a given year can help understand progress toward those goals.

Reporting the broad goals or targets is still important even when goals may go beyond a program's control. This is the case for Housing's role to address homelessness and affordable housing development. Housing's programs were established to address these broader community concerns, and it is important to clarify the degree of influence of Housing's activities in these areas.

Better Communication of Targets Can Help Decision Makers

The homelessness and affordable housing development performance measures within the Adopted Operating Budget and Annual Impact Report do not present incremental progress towards the long-term goals. For example, while there are measures relating to the estimated number of people experiencing homelessness and the number of affordable housing units developed with City assistance, there is not context relating those measures to the broader goals outlined in the regional Community Plan to End Homelessness or Housing Element.

The Community Plan to End Homelessness sets several Countywide goals, including reducing the number of new unhoused individuals and families in a given year by 30 percent. The current target in the operating budget for the reduction in the number of people experiencing homelessness from the prior two years is 200 (or about 3 percent of the estimated number of homeless individuals). It is not apparent to a reader where this figure comes from, or how it relates to the broader Countywide goals, nor what it means in the context of homelessness in general.

The 2014-2023 Housing Element set an affordable housing goal of 14,661 units by 2022, which was not meet.[16] While City-supported affordable housing makes up only part of this goal (some affordable developments move forward without City support), having an interim target tied to the larger goal could help decision-makers identify necessary resources to maintain incremental progress. Currently, staff set the target for the number of affordable housing units developed with City assistance primarily based on the number of units in the development pipeline. As a result, it generally reflects what is currently occurring rather than a broader, incremental goal. The FY 2023-24 Proposed Operating Budget forecast 342 new affordable housing units.

Recommendation

3:     **The Administration and the Housing Department should identify and report meaningful targets to provide context for reported results for key performance measures in its different reporting platforms.**

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[16] The upcoming Housing Element proposed a 62,000-unit Regional Housing Needs Allocation (RHNA), which would further increase the overall affordable housing goal.

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Conclusion

Housing reports progress and activities of its programs in different ways, including performance measures in the City's Adopted Operating Budgets, its Annual Impact reports, online dashboards, and others. We found that Housing can better report results of its programs by streamlining and improving its current performance measures. The Department currently reports more than two hundred measures across different platforms. More alignment across the different platforms would help decision makers better understand results and save staff time currently tracking and reporting these measures. Housing can also better document the methodologies for calculating measures to ensure consistency over time and across reports and report meaningful targets to provide context for results.

RECOMMENDATION

Finding 1:

Recommendation #1: In conjunction with the Administration's initiative to revise performance measures in the Operating Budget, and implement the City Focus Areas, the Administration and Housing Department should, using logic models or some other means:

   a) Revise the Housing Department's performance measures in the City's Operating Budget to reflect better indicators of performance for the Department, and

   b) Reduce and align the number of performance measures across the City's Operating Budget and other Housing-related performance reports or dashboards (to the extent allowable based on funding sources).

Recommendation #2: To ensure consistency and reliability of performance measures, the Housing Department should document methodology for measures in the Operating Budget and other year-over-year reports and dashboards.

Recommendation #3: The Administration and the Housing Department should identify and report meaningful targets to provide context for reported results for key performance measures in its different reporting platforms.

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APPENDIX A

Audit Objective, Scope, and Methodology

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, effectiveness, and equity of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2023-24 Audit Work Plan, we have completed an audit of Housing Department performance measures. The audit is expected to be the first in a series of recurring projects to assess the validity and usefulness of performance measures by City departments, programs, or City Service Areas. This work is intended to be ongoing to augment the City Auditor's Annual Services Report and assist the Administration to enhance the City's performance management systems in alignment with the Outcome, Equity Indicators, and Performance Management initiative.

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.

The objective of this audit was to assess the validity and usefulness of performance measures by the Housing Department, with a focus on measures relating to homelessness and affordable housing production. Though this audit was focused on Housing's services and performance metrics, other departments may serve the unhoused community or have programs impacted by homelessness. We did not include those departments in this review. We sought to understand the relevant management controls over the Housing Department's performance measures. To meet our audit objectives, we did the following:

- Reviewed Department performance reports, as well as performance reports and dashboards pertaining to homelessness and affordable housing to understand the scope and alignment of reported measures;

- Interviewed staff in the Housing Department to understand how staff calculate and use performance measures and targets relating to homelessness and affordable housing, as well as issues related to source data and data reliability;

- Interviewed staff in the City Manager's Office to understand ongoing work in the *Outcomes, Equity Indicators, and Performance Management* initiative and Focus Areas resulting from the Mayoral Transition Committee on Homelessness;

- Reviewed available methodology sheets for performance measures in the Operating Budget;

- Researched best practices in performance measurement, evaluation, and management, including resources specific to homelessness and affordable housing; and

- Benchmarked performance measures relating to homelessness and affordable housing in San Francisco, Oakland, San Diego, Santa Clara County, as well as Phoenix, Arizona; Austin, Texas; Seattle, Washington; and Boulder, Colorado.

We would like to thank the Housing Department and City Manager's Office for their time and insight during the audit process.

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APPENDIX B

Partial Listing of Housing Department Performance Measures From Departmentwide Reports and Reports and Dashboards Focused on Affordable Housing and Homelessness

Measure	Source	Service
Project loans monetary default rate of loan portfolio by % of total loan principal	Budget	Residential Development
Rehabilitation loans monetary default rate of loan portfolio by % of total loan principal	Budget	Residential Development
Homebuyer loans monetary default rate of loan portfolio by % of total loan principal	Budget	Residential Development
Project loans monetary default rate of loan portfolio by % of total loans	Budget	Residential Development
Rehabilitation loans monetary default rate of loan portfolio by % of total loans	Budget	Residential Development
Homebuyer loans monetary default rate of loan portfolio by % of total loans	Budget	Residential Development
% of portfolio units brought into compliance with safe and sanitary condition requirements within 90 days	Budget	Residential Development
# of single family loan management transactions (refinances, subordinations, assumptions, payoffs)	Budget	Residential Development
Total project loan principal	Budget	Residential Development
Total rehabilitation loan principal	Budget	Residential Development
Total homebuyer loan principal	Budget	Residential Development
Total number of project loans	Budget	Residential Development
Total number of rehabilitation loans	Budget	Residential Development
Total number of homebuyer loans	Budget	Residential Development
Total Housing Department loan principal	Budget	Residential Development
Total number of loans	Budget	Residential Development
# of major projects in loan portfolio inspected annually	Budget	Residential Development
# of units in loan portfolio inspected annually	Budget	Residential Development
# of City facilitated affordable rental units	Budget	Residential Development
# of income restricted for sale homes	Budget	Residential Development
Cumulative ratio of non-City funds to City funds over the last five years in the New Construction Program	Budget	Residential Development
% of annual target achieved for production of affordable housing	Budget	Residential Development
# of units of affordable housing produced [with City assistance]	Budget	Residential Development
% of funding committed to extremely low-income households	Budget	Residential Development
# of affordable housing units completed in the fiscal year [with City assistance]	Budget	Residential Development
Average per unit subsidy in funding commitments for new construction projects	Budget	Residential Development
Reduction in the number of homeless individuals from prior two years	Budget	Homeless Solutions

Measure	Source	Service
% of target achieved for completion of affordable housing units	Budget (CSA)	Residential Development
% of City's 10,000 unit affordable target with funding commitment (pending construction)	Budget (CSA)	Residential Development
% of City's 10,000 unit affordable target under construction	Budget (CSA)	Residential Development
% of City's 10,000 unit affordable target completed	Budget (CSA)	Residential Development
% of Housing Department funds reserved by income levels over 5 years: Extremely Low (<=30% of median)	Budget (CSA)	Residential Development
% of Housing Department funds reserved by income levels over 5 years: Very Low (31-50% of median)	Budget (CSA)	Residential Development
% of Housing Department funds reserved by income levels over 5 years: Low (51-80% of median)	Budget (CSA)	Residential Development
% of Housing Department funds reserved by income levels over 5 years: Moderate (81-120% of median)	Budget (CSA)	Residential Development
% of households who exit the Rapid Rehousing Program into permanent housing that maintain housing for at least 6 months	Budget	Homeless Solutions
Average number of days from enrollment households in rapid rehousing programs got into permanent housing	Budget	Homeless Solutions
# of households who maintained permanent housing in City-funded rapid rehousing programs in the last 12 months	Budget	Homeless Solutions
Estimated number of chronically homeless individuals counted in San José	Budget	Homeless Solutions
Estimated number of non-chronically homeless individuals counted in San José	Budget	Homeless Solutions
# of chronically homeless individuals (affiliated with San José) who secured new permanent housing	Budget	Homeless Solutions
# of non-chronically homeless individuals (affiliated with San José) who secured new permanent housing	Budget	Homeless Solutions
# of homeless individuals assessed for permanent housing	Budget	Homeless Solutions
% of CDBG-funded City projects meeting all stated outcomes	Budget	Grants Management
% of CDBG-funded non-City projects meeting all stated outcomes	Budget	Grants Management
% of CDBG invoices processed with 30 days of receipt of all required documentation	Budget	Grants Management
% of CDBG contracts executed by July 1	Budget	Grants Management
# of rehabilitation projects completed	Budget	Grants Management
# of minor repair rehabilitation projects completed	Budget	Grants Management
Total # of rehabilitation and minor repair projects completed	Budget	Grants Management
% of tenant/landlord mediations that resulted in voluntary agreement	Budget	Rent Stabilization
% of cases resolved within 60 days of completed petition date	Budget	Rent Stabilization
# of unduplicated mobile home and apartment clients served by the Rent Stabilization Program	Budget	Rent Stabilization
Average number of days from completed petition to resolution	Budget	Rent Stabilization
# of individuals and families served through interim housing (BHCs and EIHs)	Annual Impact Report	Homeless Solutions
Rental aid facilitated via Eviction Help Center	Annual Impact Report	Rent Stabilization
Formerly homeless people placed in permanent or interim housing by Homelessness Response Team	Annual Impact Report	Homeless Solutions

Measure	Source	Service
# of formerly homeless people moved into interim housing	Annual Impact Report	Homeless Solutions
# of development projects underway supported by Residential Development Division	Annual Impact Report	Residential Development
# of apartments underway via Residential Development Division	Annual Impact Report	Residential Development
# of units of affordable housing underway via Residential Development Division	Annual Impact Report	Residential Development
Grant funding disbursed to provide necessities to low-income residents	Annual Impact Report	Grants Management
# of low-income residents receiving grant-funded necessities	Annual Impact Report	Grants Management
# of construction projects at interim housing locations managed by housing inspectors	Annual Impact Report	Housing Inspection
# families with young children placed in hotels and motels while looking for stable housing	Annual Impact Report	Homeless Solutions
# of individuals served by the motel voucher program (including children)	Annual Impact Report	Homeless Solutions
# of children served by the motel voucher program	Annual Impact Report	Homeless Solutions
# of San José residents prevented from becoming homeless via Homeless Prevention System	Annual Impact Report	Homeless Solutions
# individuals experiencing homelessness that participated in the City's Overnight Warming Location (OWL) program	Annual Impact Report	Homeless Solutions
# of showers provided via Dignity on Wheels	Annual Impact Report	Homeless Solutions
# of loads of laundry provided via Dignity on Wheels	Annual Impact Report	Homeless Solutions
# of homeless individuals served via Dignity on Wheels	Annual Impact Report	Homeless Solutions
Approximate # of residents impacted by Housing disbursed grants	Annual Impact Report	Grants Management
# of programs supported by Housing disbursed grants	Annual Impact Report	Grants Management
# of organizations supported by Housing disbursed grants	Annual Impact Report	Grants Management
New funding committed by the Residential Development Division for affordable housing	Annual Impact Report	Residential Development
# of identified future residential projects that qualify for City funding	Annual Impact Report	Residential Development
# of affordable apartments possible via identified future residential projects that qualify for City funding	Annual Impact Report	Residential Development
# of units of supportive housing possible via identified future residential projects that qualify for City funding	Annual Impact Report	Residential Development
# of individuals placed in permanent housing	Annual Impact Report	Homeless Solutions
# of medically vulnerable individuals placed in non-congregate shelters (pandemic-specific)	Annual Impact Report	Homeless Solutions
# of apartments with newly extended rent limits	Annual Impact Report	Residential Development
# of emergency shelters operated (pandemic-specific)	Annual Impact Report	Grants Management
# of existing units refinanced to keep them affordable	Annual Impact Report	Residential Development
# of low-income residents living in rent-stabilized apartments	Annual Impact Report	Residential Development
# of rent-stabilized apartments with property owners that submitted required information to the City	Annual Impact Report	Rent Stabilization
# of inquiries handled by the Rent Stabilization Program	Annual Impact Report	Rent Stabilization

Measure	Source	Service
# of inquiries that came to Rent Stabilization Program legal services hotline	Annual Impact Report	Rent Stabilization
# of beds in congregate shelters (pandemic-specific)	Annual Impact Report	Housing Inspection
# of individuals served by City congregate shelters (pandemic-specific)	Annual Impact Report	Housing Inspection
# of individuals and families served by City congregate shelters	Annual Impact Report	Housing Inspection
# of City congregate shelters (pandemic-specific)	Annual Impact Report	Housing Inspection
# of inspections conducted of shelters, apartment buildings and affordable housing	Annual Impact Report	Housing Inspection
# of agreements with service providers, grantees, and contractors managed by Housing administrative staff	Annual Impact Report	Administration
# of Housing Department followers on Twitter and Facebook	Annual Impact Report	Communications
Individuals sheltered in Emergency Shelter or Interim Housing	Homelessness Dashboard	Homeless Solutions
Individuals served in Permanent or Rapid Rehousing	Homelessness Dashboard	Homeless Solutions
# of households connected with rent relief funds to avoid eviction	Homelessness Dashboard	Homeless Solutions
Individuals remaining housed 1 year after receiving aid through the homeless prevention system	Homelessness Dashboard	Homeless Solutions
Individuals provided shelter (County-funded shelters)	Homelessness Dashboard	Homeless Solutions
% of households that leave County-funded shelters to permanent housing	Homelessness Dashboard	Homeless Solutions
% of households that leave County-funded shelters to temporary accommodations	Homelessness Dashboard	Homeless Solutions
% of households that leave County-funded shelters to return to homelessness	Homelessness Dashboard	Homeless Solutions
% of individuals that leave OWL shelters to permanent housing	Homelessness Dashboard	Homeless Solutions
% of individuals that leave OWL shelters to temporary accommodations	Homelessness Dashboard	Homeless Solutions
% of individuals that leave OWL shelters to return to homelessness	Homelessness Dashboard	Homeless Solutions
% of individuals that leave interim housing to permanent housing	Homelessness Dashboard	Homeless Solutions
% of individuals that leave interim housing to temporary accommodations	Homelessness Dashboard	Homeless Solutions
% of individuals that leave interim housing to return to homelessness	Homelessness Dashboard	Homeless Solutions
Individuals from San José served in permanent supportive housing	Homelessness Dashboard	Homeless Solutions
Individuals from San José served in rapid rehousing	Homelessness Dashboard	Homeless Solutions
% of households remaining housed after one year moving into permanent supportive housing	Homelessness Dashboard	Homeless Solutions
% of households remaining housed after one year moving into rapid rehousing	Homelessness Dashboard	Homeless Solutions
# of unsheltered homeless	Homelessness Focus Areas	Homeless Solutions
# of people housed in permanent housing solutions and interim housing solutions	Homelessness Focus Areas	Homeless Solutions
# of people who return to unsheltered homelessness from interim and permanent housing	Homelessness Focus Areas	Homeless Solutions
# of emergency interim units	Homelessness Focus Areas	Homeless Solutions

Measure	Source	Service
# of affordable housing units completed (since 2018)	Affordable Housing Dashboard	Residential Development
# of affordable housing units under construction	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline	Affordable Housing Dashboard	Residential Development
# of prospective affordable housing units	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units (since 2018)	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for people with disabilities	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for families	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for permanent supportive housing	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for rapid rehousing	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for seniors	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for veterans	Affordable Housing Dashboard	Residential Development
# of completed affordable housing units for youth	Affordable Housing Dashboard	Residential Development
# of affordable housing units for people with disabilities	Affordable Housing Dashboard	Residential Development
# of affordable housing units in construction for families	Affordable Housing Dashboard	Residential Development
# of affordable housing units in construction for permanent supportive housing	Affordable Housing Dashboard	Residential Development
# of affordable housing units in construction for rapid rehousing	Affordable Housing Dashboard	Residential Development
# of affordable housing units in construction for seniors	Affordable Housing Dashboard	Residential Development
# of affordable housing units in construction for veterans	Affordable Housing Dashboard	Residential Development
# of affordable housing units in construction for youth	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for people with disabilities	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for families	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for permanent supportive housing	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for rapid rehousing	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for seniors	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for veterans	Affordable Housing Dashboard	Residential Development
# of affordable housing units in pipeline for youth	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units for people with disabilities	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units for families	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units for permanent supportive housing	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units for rapid rehousing	Affordable Housing Dashboard	Residential Development

Measure	Source	Service
# of preserved affordable housing units for seniors	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units for veterans	Affordable Housing Dashboard	Residential Development
# of preserved affordable housing units for youth	Affordable Housing Dashboard	Residential Development
# of program participants housed in every BHC (and EIH)	AB2176 Annual Report	Homeless Solutions
# of BHC (and EIH) program participants who have moved to permanent affordable housing	AB2176 Annual Report	Homeless Solutions
Average time required for a BHC program participant to receive a permanent affordable housing unit	AB2176 Annual Report	Homeless Solutions
Actual number of permanent affordable housing units available	AB2176 Annual Report	Homeless Solutions
Projected number of permanent affordable housing units available	AB2176 Annual Report	Homeless Solutions
# of proposed very low-income deed-restricted units	Annual Housing Element Progress Report	Residential Development
# of proposed very low-income non deed-restricted units	Annual Housing Element Progress Report	Residential Development
# of proposed low-income deed restricted units	Annual Housing Element Progress Report	Residential Development
# of proposed low-income non deed-restricted units	Annual Housing Element Progress Report	Residential Development
# of proposed moderate-income deed-restricted units	Annual Housing Element Progress Report	Residential Development
# of proposed moderate-income non deed-restricted units	Annual Housing Element Progress Report	Residential Development
# of proposed above moderate-income	Annual Housing Element Progress Report	Residential Development
Total # of proposed units within housing development applications submitted	Annual Housing Element Progress Report	Residential Development
# of approved units of housing development applications submitted	Annual Housing Element Progress Report	Residential Development
# of disapproved units of housing development applications submitted	Annual Housing Element Progress Report	Residential Development
# of very low-income deed restricted units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of very low-income deed-restricted units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of low-income deed-restricted units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of low-income non deed-restricted units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of moderate-income deed-restricted units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of moderate-income non deed-restricted units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of above moderate-income units that completed entitlement	Annual Housing Element Progress Report	Residential Development
Total # of units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of extremely low income units that completed entitlement	Annual Housing Element Progress Report	Residential Development
# of projects approved using SB 35 streamlining	Annual Housing Element Progress Report	Residential Development
# of demolished/destroyed units	Annual Housing Element Progress Report	Residential Development
# of very low-income deed-restricted units with building permits issued	Annual Housing Element Progress Report	Residential Development

Measure	Source	Service
# of very low-income non deed-restricted units with building permits issued	Annual Housing Element Progress Report	Residential Development
# of low-income deed restricted units with building permits issued	Annual Housing Element Progress Report	Residential Development
# of low-income non deed-restricted units with building permits issued	Annual Housing Element Progress Report	Residential Development
# of moderate-income deed-restricted units with building permits issued	Annual Housing Element Progress Report	Residential Development
# of moderate-income non deed-restricted units with building permits issued	Annual Housing Element Progress Report	Residential Development
# of above moderate-income units with building permits issued	Annual Housing Element Progress Report	Residential Development
Total # of units issued building permits	Annual Housing Element Progress Report	Residential Development
# of extremely low-income units with building permits issued	Annual Housing Element Progress Report	Residential Development
# of very low-income deed-restricted units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of very low-income non deed-restricted units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of low-income deed-restricted units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of low-income non deed-restricted units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of moderate-income deed-restricted units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of moderate-income non deed-restricted units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of above moderate-income units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
Total # of units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
# of extremely low income units issued certificates of occupancy	Annual Housing Element Progress Report	Residential Development
Total # of very low-income units permitted to date	Annual Housing Element Progress Report	Residential Development
Total # of low-income units permitted to date	Annual Housing Element Progress Report	Residential Development
Total # of moderate-income units permitted to date	Annual Housing Element Progress Report	Residential Development
Total # of above moderate-income units permitted to date	Annual Housing Element Progress Report	Residential Development
Total # of extremely low-income units permitted to date	Annual Housing Element Progress Report	Residential Development
Total housing applications submitted	Annual Housing Element Progress Report	Residential Development
# of proposed units in all applications received	Annual Housing Element Progress Report	Residential Development
Total # of housing units approved	Annual Housing Element Progress Report	Residential Development
Total # of housing units disapproved	Annual Housing Element Progress Report	Residential Development
# of applications for streamlining under SB 35	Annual Housing Element Progress Report	Residential Development
# of streamlining applications approved	Annual Housing Element Progress Report	Residential Development
Total # of developments approved with streamlining	Annual Housing Element Progress Report	Residential Development
Total # of units constructed with streamlining	Annual Housing Element Progress Report	Residential Development

Measure	Source	Service
# of very low-income rental units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of low-income rental units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of moderate-income rental units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of above moderate-income rental units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
Total # of rental units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of very low-income ownership units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of low-income ownership units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of moderate-income ownership units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of above moderate-income ownership units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
Total # of ownership units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of very low-income units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of low-income units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of moderate-income units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
# of above moderate-income units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development
Total # of units constructed with SB 35 streamlining permits	Annual Housing Element Progress Report	Residential Development

Source: Auditor analysis of most recent Adopted Operating Budgets, Annual Impact Reports, Housing Production Reports (Affordable Housing Dashboards), Homelessness Dashboards, and state-required reports on affordable housing (Annual Housing Element Progress Report and Housing Successor Report) and homelessness (Emergency Bridge Housing (AB 2176) Annual Report.

Note: We did not include the Homeless Response Team Annual Report, since it has been discontinued. We also did not include measures reported in the Consolidated Annual Performance Evaluation Report (CAPER) submitted to HUD since those measures are provider- and program-specific, or the Santa Clara County Continuum of Care Benchmarks as those are not City-specific. Additional reports and measures, outside the focus of this audit, may relate to services beyond from affordable housing and homelessness prevention and solutions.

TO: JOE ROIS
CITY AUDITOR

FROM: Rosalynn Hughey

SUBJECT: See Below

DATE: September 11, 2023

Approved

Date 9/12/2023

SUBJECT: RESPONSE TO THE AUDIT OF HOUSING PERFORMANCE MEASURES: THE CITY SHOULD FOCUS AND ALIGN MEASURES TO BETTER SUPPORT DECISION-MAKING

BACKGROUND

The Administration has reviewed the Audit of the Housing Department's Housing Performance Measures and agrees with the recommendations identified in the report. The Administration's responses to each of the City Auditor's recommendations are provided in this response to the report.

Housing and homelessness are major concerns in San José, and the City Council has prioritized producing new affordable housing and reducing unsheltered homelessness. On average, in 2022, an apartment cost over $2,700 per month to rent in San José. An estimated 6,600 residents were homeless in the City on any given night during 2022.

The Housing Department supports the City's work in these areas. The City has identified short- and long-term goals to address homelessness and create affordable housing. For example:

- The City Manager's Fiscal Year 2023-2024 Budget Message describes a "path of achieving the goal of moving 1,000 people by December 31, 2023, into newly-created, City-funded safe alternatives for people who are experiencing homelessness and are unsheltered." The path includes assisting individuals through permanent supportive housing, emergency interim housing, and other opportunities.

- The Housing Element, supported by the Housing Department and Department of Planning, Building and Code Enforcement, sets market-rate and affordable housing goals toward the Regional Housing Needs Allocation (RHNA) set by the Association of Bay

Area Governments. For the cycle that runs from 2023 to 2031, the City's RHNA goal is 62,200 new housing units.

Performance Reporting

City departments, including the Housing Department, publish performance measures in the City's Annual Operating Budget and other reports. For example, the Housing Department reports performance measures in its Annual Impact Report and in reports to the federal government, the California Department of Housing and Community Development (HCD) and the Governor's Office of Planning and Research. Performance measures are also provided in status reports to the City Council and through online dashboards. Many of these are found on the Housing Department's website.

Measures can also provide information about the levels of resources dedicated to a program (inputs), the amount of work performed (outputs), or levels of efficiency or effectiveness. Broad measures can also provide context for additional factors related to a program. These are referred to as "preconditions" and can relate to such things as the cost of living or other environmental factors.

RECOMMENDATIONS AND ADMINISTRATION'S RESPONSE

Finding I: The Housing Department Can Streamline and Improve Current Performance Measures

> **Recommendation #1: In conjunction with the Administration's initiative to revise performance measures in the Operating Budget, and implement the City Focus Areas, the City Manager's Office and Housing Department should, using logic models or some other means:**
> a. Revise the Housing Department's performance measures in the City's Operating Budget to reflect better indicators of performance for the Department.
> b. Reduce and align the number of performance measures across the City's Operating Budget and other Housing-related performance reports or dashboards (to the extent allowable based on funding sources).

Administration's Response: The Administration agrees with this recommendation.

Green: As part of the City Service Area (CSA) performance modernization through the Outcomes, Community Indicators, and Performance Management Initiative, the Housing Department will revise its performance measures in the Operating Budget in coordination with the City Manager's Office of Administration, Policy, and Intergovernmental Relations, the Budget Office, and the Office of Racial Equity. In doing so, the Housing Department will make its performance measures more reflective of current programs and make them better aligned with other recurring reports that leverage Housing Department performance measures. The Housing

Department will phase out performance measures that are no longer meaningful for decision-making. The performance modernization will utilize the CSA structure as a type of logic model that aligns measures around inputs (budget resources), activities (core services and budget programs), outputs (activity and workload highlights), processes (performance measures), and outcomes (community indicators).

Target Date for Completion: Spring 2024 as part of City Manager's Proposed Operating Budget for Fiscal Year 2024-2025.

Recommendation #2. To ensure consistency and reliability of performance measures, the Housing Department should document methodology for measures in the Operating Budget and other year-over-year reports and dashboards.

Administration's Response: The Administration agrees with this recommendation.

Green: As part of the City Service Area (CSA) performance modernization through the Outcomes, Community Indicators, and Performance Management Initiative, Housing Department staff will collect historical performance data and document the methods used for collecting and visualizing that data. This work will be done in coordination with the City Manager's Office of Administration, Policy, and Intergovernmental Relations. This documentation will help the Department demonstrate accountability, share progress, and inform stakeholders in a manner that is both repeatable and reliable, which is essential to build trust and confidence in the Department's reporting.

Target Date for Completion: July 2024

Recommendation #3. The City Manager's Office and the Housing Department should identify and report meaningful targets to provide context for reported results for key performance measures in its different reporting platforms.

Administration's Response: The Administration agrees with this recommendation.

Green: Following the revision of its performance measures in the Operating Budget and documenting the process by which Department performance metrics are collected, the Department will review those metrics for the entirety of Fiscal Year 2022-2023. Based on those results, which will give the Department a strong understanding of its performance in both producing new affordable housing and addressing the City's homelessness crisis, the Department will establish and report on meaningful performance targets for Fiscal Year 2023-2024. This will be done in coordination with the City Manager's Budget Office and Office of Racial Equity.

The intention is to give the Department a strong foundation for guiding service improvements, providing visibility into its challenges, and soliciting ideas in areas where they can have the greatest impact.

Target Date for Completion: August 2024

<u>CONCLUSION</u>

The Housing Department extends its gratitude to the City Auditor's Office for dedicating their time to the completion of this audit. It has been a positive experience that yielded opportunities to improve how the Department serves the residents and elected officials of San José.

<div align="center">

/s/
ROSALYNN HUGHEY
Deputy City Manager and
Acting Director of Housing
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For questions, please contact Rachel VanderVeen, Assistant Director of Housing, at rachel.vanderveen@sanjoseca.gov or 408-535-825