



Memorandum

TO: COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE

FROM: Rosalynn Hughey

SUBJECT: SEE BELOW

DATE: April 9, 2024

Approved 

Date 4/15/2024

**SUBJECT: HOUSING DEPARTMENT PERFORMANCE MEASURES AUDIT
RECOMMENDATIONS #2 AND #3 STATUS REPORT**

RECOMMENDATION

Accept the status report on the Housing Department's efforts to implement Recommendations #2 and #3 of the City Auditor's Report 23-04, *Housing Performance Measures: The City Should Focus and Align Measures to Support Decision-Making* and revisit the Housing Department's mission, core services, and budget programs, consistent with City Council direction provided on October 17, 2023.¹

SUMMARY AND OUTCOME

The Community and Economic Development (CED) Committee will understand the progress made by the Housing Department and City Manager's Office to implement recommendations #2 and #3 of the City Auditor's Report 23-04: *Housing Performance Measures: The City Should Focus and Align Measures to Support Decision-Making*, consistent with the City Council direction provided on October 17, 2023.

This includes the Housing Department's work to set meaningful targets for the Department overall as well as for three case studies for key targets. These targets will be administratively published annually in the City Manager's Proposed Operating Budget.

¹ City Council Item 3.5, October 17, 2023.

<https://sanjose.legistar.com/LegislationDetail.aspx?ID=6370289&GUID=FC92694F-F752-48C2-A849-2AA99A31EAD1&Options=&Search=>

The Housing Department and City Manager’s Office will understand the CED Committee’s feedback on the Housing Department’s proposed updated mission as well as the approach for updating its core services and budget programs.

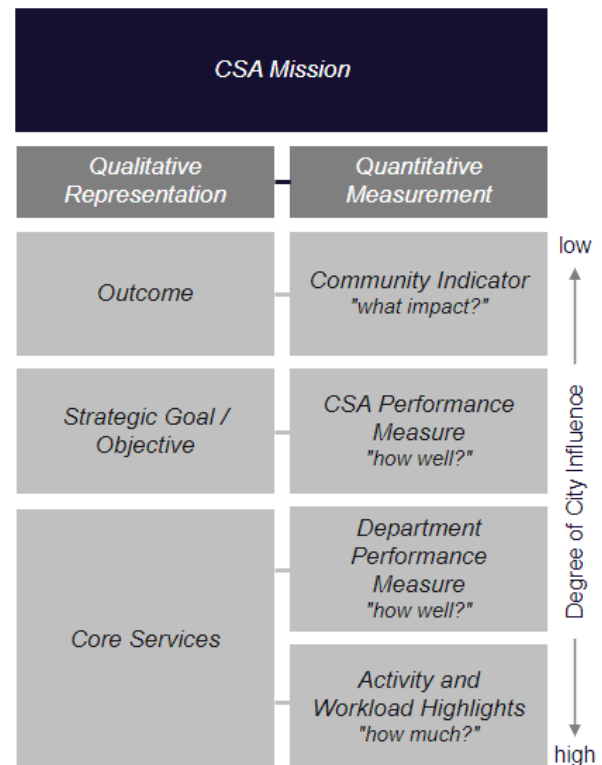
BACKGROUND

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, 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.

In the context of the City’s Annual Operating Budget, metrics provide information about the level of resources dedicated to a core service or program (inputs), the amount of work output performed (activity and workload highlights), levels of efficiency or effectiveness (performance measures), or population-level impact and wellbeing (community indicators²) for a City Service Area (CSA). **Attachment A** provides a glossary of terms for City Service Areas. In addition to the CSA structure described above and in the graphic to the right, the department mission describes core values of the department’s work, and the core services and budget programs delineate how the department structures its work to implement that department mission.

Setting Meaningful Targets

Setting goals or targets for performance is essential for assessing program effectiveness and where resource adjustments are necessary to achieve the CSA and department missions. At a high level, one-year targets and five-year goals are set for CSA performance measures, one-year targets for core service-level performance measures, and forecasts for core service-level activity and workload highlights. Targets and goals are commonly based on past performance, industry standards, customer expectations for performance, and the anticipated performance for the next one or five years. Forecasts are predictions of an output produced or level



² In the City’s 2023-2024 Annual Operating Budget, community indicators were published for the Neighborhood Services CSA only.

of service demand, and they can be zero. An example of a long-standing performance measure is the percentage of the affordable housing loan portfolio in default for both multi-family and single-family portfolio properties. The reported rate for both types has been 0% consistently year after year for an extended period. This operates as a hindrance to the underlying goal of the target and, over time, renders the goal ineffective. Targets, goals, and forecasts are not set for community indicators as they are not completely within the control of the City and reflect the overall well-being of the community for context.

On October 17, 2023, the City Council accepted the audit report on the Housing Department's performance measures audit (City Auditor's Report 23-04). The Housing Department agreed with the three recommendations identified in the report (summarized in the table below) and is actively working to implement these recommendations as part of the CSA performance management modernization initiative. The initiative is a collaboration between the following stakeholders:

- Community and Economic Development CSA;
- Housing Department;
- Information Technology Department; and
- Offices within the City Manager's Office:
 - Office of Administration, Policy, and Intergovernmental Relations;
 - Budget Office; and
 - Office of Racial Equity.

Furthermore, the City Council directed staff to revisit and propose possible updates to the Housing Department's mission, core services, and budget programs, which are being considered alongside the CSA performance management modernization project.³

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).

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

³ Memorandum from Mayor Mahan, Kamei and Foley, October 13, 2023: 23-1385 - <https://sanjose.legistar.com/View.ashx?M=F&ID=12372573&GUID=F0C4AE62-4B44-4ACE-9CAA-92DA48971CFD>

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.

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.

Target Date for Completion: August 2024

Consistent with City Council direction, the Housing Department and City Manager's Office presented an update to the CED Committee on January 22, 2024, outlining the status of the Housing Department's efforts to implement recommendation #1 (listed below in the Analysis section of this memorandum) of the City Auditor's Report 23-04, *Housing Performance Measures: The City Should Focus and Align Measures to Support Decision-Making*.⁴

ANALYSIS

The following analysis provides progress updates for several project areas that matter for building an overall picture of the Housing Department's impact and performance, including efforts towards:

1. Updating the department's mission;
2. Aligning the department's core services and budget programs;
3. Documenting methodologies for measures; and
4. Setting meaningful targets.

Updating the Housing Department Mission

In spring 2022, the Housing Department began its Racial Equity Diversity and Inclusion (REDI) Initiative in partnership with a consultant, ARC4Justice (formerly C4 Innovations). The scope of work for the REDI Initiative was created by the Housing Department's Government Alliance on Race and Equity (HDGARE) team in 2021. This priority project has several phases, including re-envisioning the Housing Department's mission statement to center racial equity.

The project is co-led by a committee of black, indigenous, and people of color residents with lived experience of homelessness, housing instability, living in affordable housing, and/or housing providers. This committee is called the Racial Equity Impact Team (REIT).

⁴ January 22, 2024, Community and Economic Development Committee Meeting, Item (d)2 - <https://sanjose.legistar.com/LegislationDetail.aspx?ID=6452421&GUID=BF9A952E-F497-4EA4-984D-9AE20FFD0962>

The REIT has met several times since November 2023 to draft vision, mission, and values statements that will provide the foundation on which to build the Housing Department's revised Racial Equity Action Plan. The REIT's work aligns with the City Manager's Office of Racial Equity request for all departments to update their existing Racial Equity Action Plans as they are expiring on June 30, 2024. In drafting the Housing Department's updated mission statement, the REIT shared the importance of the phrase "all people can thrive," expressing the critical nature of including everyone in the City, regardless of race or ethnicity, in the work of the Housing Department. In March 2024, the draft mission statement was shared in a department-wide meeting and subsequently, staff have had the opportunity to provide feedback.

The Housing Department draft mission statement aims to be concise and effortlessly communicable, enabling easy translation and dissemination within the community. The wording in the draft mission statement is designed to be simple and direct, aligning with these objectives.

Draft Mission Statement: *The Housing Department's mission is to make housing and neighborhood investments that create a more just community where all people thrive.*

The mission statement will be finalized in the Fiscal Year 2024-2025 budget process. The new mission statement will be published annually in the City's Operating Budget, on the Housing Department's website, and in the Housing Department's Racial Equity Action Plan.

Aligning the Department's Core Services and Budget Programs

As directed by the City Council, the Housing Department updated its core services and budget programs to ensure that its structure for service delivery aligns with the CED CSA mission and outcomes as well as the Housing Department mission. These new core services will be published in the Fiscal Year 2024-2025 Operating Budget. The updated core services for the Housing Department are:

- 1) Affordable Housing Portfolio Management;
- 2) Housing Production and Preservation;
- 3) Homelessness Response and Solutions⁵;
- 4) Neighborhood Investments;
- 5) Rent Stabilization and Tenant Protections; and
- 6) Strategic Support.

The Department made progress in updating the existing *Homelessness Interventions and Solutions Core Service* (updated to *Homelessness Response and Solutions*) with new budget programs that better reflect service delivery. These new programs will be published into the Fiscal Year 2024-2025 Operating Budget and will include the following budget programs, as part of the Neighborhood Services CSA:

⁵ Note that this core service is aligned to the Neighborhood Services CSA, mission, and outcomes.

- 1) Homeless Administrative Support;
- 2) Congregate Shelter;
- 3) Interim Housing Construction and Operations;
- 4) Homeless Hygiene and Meals;
- 5) Homeless Supportive Services;
- 6) Homeless Prevention, Shelter Diversion, and Rental Assistance;
- 7) Homeless Outreach and Engagement; and
- 8) Rapid Rehousing.

Documenting Methodologies for Measures

As part of the CSA performance management modernization project, departments document each methodology used wherein the data source, calculations, data collection methods, and program applicability will be documented. This documentation is a knowledge management best practice and ensures that the performance metrics can be consistently, accurately, and sustainably collected and reproduced regardless of staffing changes. Publishing data sources within the operating budget ensures transparency to the community for methods used. **Attachment B** provides definitions of performance metrics.

Staff will use a methodology sheet similar to the template in **Attachment C – Example Methodology Sheet**, which provides a standard, succinct way to capture key information related to each performance metric. The target is to complete the methodology sheets for the Housing Department by August 2024 in conjunction with the standard budget data collection process.

Areas of Future Work

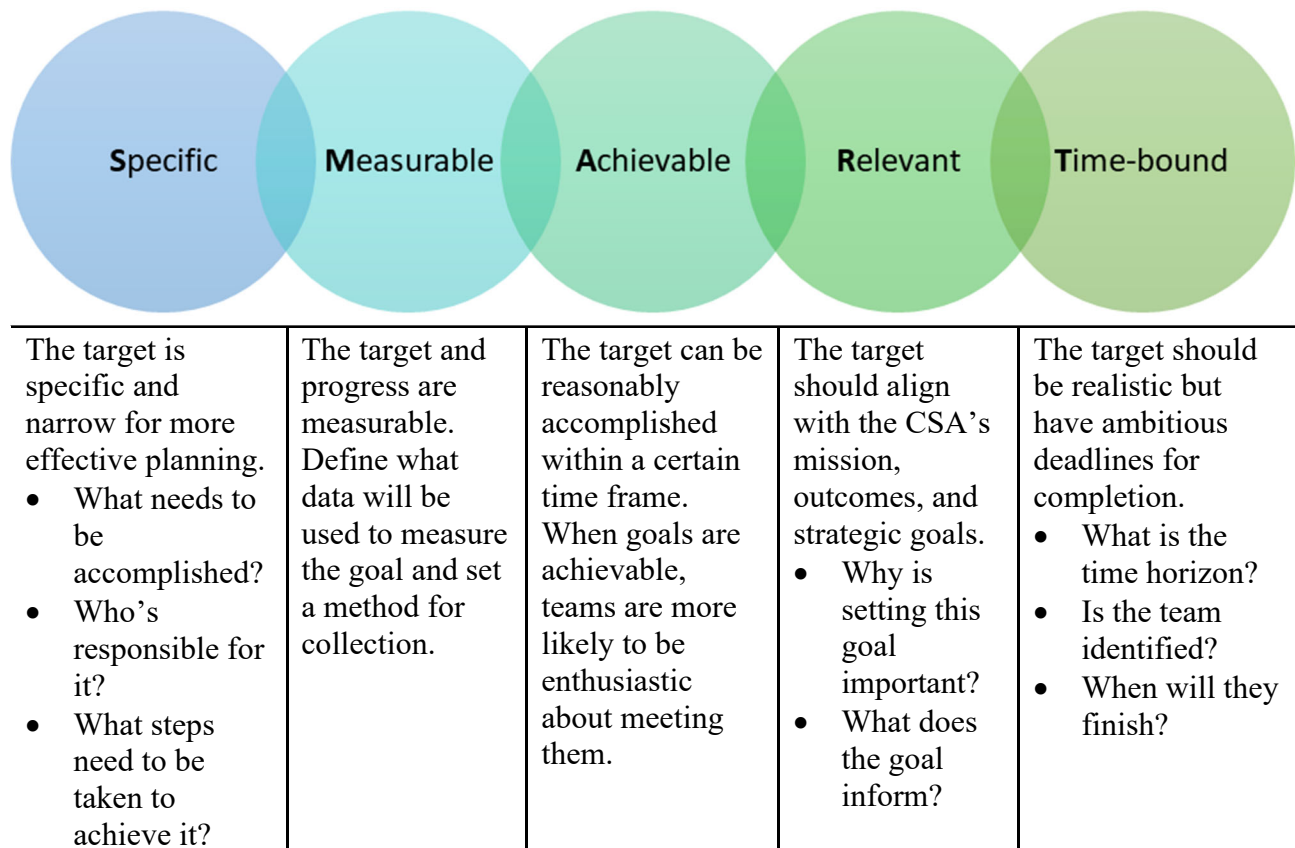
Areas of future work include methodology sheet storage and a data catalog. The City Manager's Office will work with the Budget Office and departments to identify the best place (near-term and long-term) to keep methodology documentation and establish a process to keep methodology sheets up to date. The City Manager's Office will also continue to partner with the Information Technology Department on two pieces of future scope to support the modernization efforts: CSA dashboards and CSA data catalogs. The dashboards will provide an interactive display of the City's Annual Operating Budget performance metrics, providing an easier way to see longer time histories of a metric, including disaggregated data, when available, and connect to the City's open data portal.

The data catalog is an ongoing Information Technology Department pilot initiative aimed to create a centralized catalog of data for the City allowing staff easier search and access to data resources. A complementary Information Technology Department pilot project is the creation of a data warehouse wherein the data noted in the catalog are stored. Pending the success of these pilot projects, these could be scaled across more CSAs.

Setting Meaningful Targets and Forecasts

The City's budget states that goals, targets, and forecasts represent a CSA or core service's anticipated performance level commitment for a particular performance metric given allocated resources. At a high level, one-year targets and five-year goals are set for CSA performance measures, one-year targets for core service-level performance measures, and forecasts for core service-level activity and workload highlights. Targets and goals are commonly based upon past performance, industry standards, customer expectations for performance, and the anticipated performance for the next one or five years. Forecasts are predictions of an output produced or level of service demand, and they can be zero. Targets, goals, and forecasts are not set for community indicators as they are not completely within the control of the City and reflect the overall well-being of the community for context.

Departments are encouraged to set targets that are "SMART" and that consider the following:



General Guidance on How to Set a Target

To set a meaningful target:

1. **Define the service delivery outcome/strategic goal/deliverable.** What are you trying to measure? What organizational goal is this aligned to? What is the intended outcome?
2. **Establish a baseline.** What are the existing conditions within the service delivery environment? What organizational activities are influencing the trajectory of the measure?
3. **Consider external factors.** What economic or environmental conditions are impacting the measure? What state and federal regulations might influence the measure? What are customer expectations and are they changing? What factors are driving resource availability? What external partners are impacting conditions?
4. **Consider internal factors.** What is the workload scale? What changes are planned to the service or program? What resources are realistically available? What internal service delivery coordination is involved?
5. **Determine the workload scale.** Determine how many units of workload (i.e., projects, calls, or customers) the program or employee receives or delivers during a specific time frame.
6. **Assess resource needs and availability.** Using the assumption that staff will spend only a part of their day on the service delivery, determine how long it typically takes to deliver the service to meet demand. If it exists, compare this target number to an industry standard, expectation of service delivery, or historical performance data to assess alignment.

Performance Measure Targeting Setting Case Studies

Below are case studies on three CSA performance measures that the Housing Department partners across the broader CSA to achieve. The following narratives describe how the Housing Department sets its targets for these three measures given the unique and complex service delivery environment.

Case Study 1: City-Funding Rates for Affordable Housing. CSA Performance Measure 3.1.1

Definition: % of city-funded affordable housing projects in housing expansion areas and continued investment areas.

The City utilizes a multifaceted approach in order to determine this target based upon both internal (e.g., staffing capacity, funding considerations, and City policies) and external (e.g., state and federal requirements and regulations, market conditions including interest rates and labor, and availability and costs of raw materials) factors that are analyzed. The Housing Department's Affordable Housing Siting Policy promotes City issuance of Notices of Funding Availability (NOFA) to projects located within either Affordable Housing Expansion Areas or Continued Investment Areas. Targets for NOFA funding is to place 35% of units in Affordable Housing Expansion Areas and 65% in Continue Investment Areas pursuant to the Affordable Housing Siting Policy.

Case Study 2: Affordable Housing Investment Targets. CSA Performance Measure 3.1.2

Definition: % of Housing Department funds committed to extremely low-income households.

The City Council directed the Housing Department to satisfy this target. As part of the approval of the 2019 Affordable Housing Investment Plan, the City Council, recognizing the dire need for building housing for the City's most vulnerable residents, directed 45% of all City funding for affordable housing exclusively to extremely low-income housing developments. Implementation of this directive is influenced by the existing pipeline of developments, state and federal regulations (including tax credit financing availability), and City and state policies.

Case Study 3: Housing Production Targets (Regional Housing Needs Allocation (RHNA)).

CSA Performance Measure 3.1.3

Definition: % of San José housing production compared to regional fair share number (RHNA).

The State Department of Housing and Community Development requires jurisdictions in California to identify land to accommodate their Regional Housing Needs Allocation (RHNA). The State does not require jurisdictions to build the units associated with the RHNA. However, the City uses its RHNA as a housing production target, tracking both building permits issued against annual RHNA targets, and building permits issued against the City's cumulative RHNA target appropriate for the elapsed portion of the current planning period. It is important to note that the use of RHNA as a housing production goal for affordable housing is aspirational and this number is extremely unlikely to be met given the inadequacy of local, state, and federal funding sources needed to create deeply affordable housing. However, in the past two cycles of the City's Housing Element, the City has met or exceeded its RHNA market-rate housing production goals.

CONCLUSION

As stated in City Council Policy 1-18, the City uses a performance-based budget. All performance at the core service level must be consistent with the mission statements at the department level and the outcomes of the CSA at the City level, meeting the performance as well as budget goals and policies established by the City Council. The CSA performance management modernization initiative allows the Administration to report more meaningful measures and performance targets in the budget in order to demonstrate accountability, guide service and program improvement, share progress, solicit input, influence change, and inform stakeholders.

EVALUATION AND FOLLOW-UP

After the Housing Department mission and performance measures are updated, these revisions will be published in the Fiscal Year 2024-2025 Proposed Operating Budget. These updates will then be used to drive the alignment and consistency of performance measures across the Housing Department's primary reporting mechanisms. These include the Housing Element Annual Progress Report, Affordable Housing Dashboard, and Housing Department Annual Impact Report. Following the approval of the Fiscal Year 2024-2025 Operating Budget, Housing Department staff will align the Department's primary reporting mechanisms to ensure they provide consistent and relevant data for elected officials and the public.

April 9, 2024

Subject: Housing Department Performance Measures Audit Recommendations #2 and #3 Status Report

Page 10

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the City Manager's Budget Office, and the City Manager's Office.

/s/

Rosalynn Hughey
Deputy City Manager and
Acting Housing Director

For questions, please contact Rachel VanderVeen, Assistant Director of Housing Department, rachel.vanderveen@sanjoseca.gov.

ATTACHMENTS:

Attachment A – City Service Area Glossary of Terms

Attachment B – Performance Metric Definitions

Attachment C – Example Methodology Sheet