



# Inter-Departmental Communication

DATE: September 10, 2001  
TO: Mayor Kay Barnes  
FROM: Mark Funkhouser, City Auditor  
SUBJECT: Housing Performance Measures

Recently, you asked me to recommend some performance measures that could be used to monitor the results of the city's housing activities. Based on recent efforts by my office to examine housing and my office's long standing interest in performance measures as a mechanism for monitoring and improving program effectiveness, I appreciate this opportunity to contribute to their development and use.

## CONCLUSIONS

Performance measures encourage accountability by providing useful, reliable information regarding the use of public resources. We recommend 12 measures that focus on the outputs and outcomes of the city's housing efforts and address some of the goals and policies recommended by the Citizen Advisory Committee on Housing. These performance measures would allow you and the City Council to more effectively monitor total spending to address housing priorities, compare housing units needed and available, identify the amount of private capital spent on housing, identify the number of housing units completed, and assess rehabilitation and home ownership assistance efforts.

## WORK PERFORMED

In response to your request, we reviewed our April 2000 special report, *Kansas City Needs a Housing Policy*, and our July 2001 audit report, *Review of Subrecipient Selection, Monitoring and Reporting*, both completed jointly with the U. S. Department of Housing and Urban Development's Office of Inspector General. In addition, we reviewed the city's adopted budgets for 2001 and 2002; the December 2000 report from the Citizen Advisory Committee on Housing; *Comparative Performance Measurement: FY 1998 Data Report*, by the International City/County Management Association; and performance measurement reports completed by our office.

## BACKGROUND

Our April 2000 special report, *Kansas City Needs a Housing Policy*, identified almost \$47 million in annual spending for housing-related activities, but also found that the city had no meaningful policy to guide this spending. We recommended a policy be developed and suggested it reflect the city's housing priorities.

In response to our report, the Mayor established the Citizen Advisory Committee on Housing. In December 2000, the committee issued a proposed housing policy that included six goals for the city's housing efforts:

- Encourage a coordinated and efficient delivery system for all housing related services.
- Provide for and protect Kansas City's most vulnerable citizens and neighborhoods.
- Promote housing as an asset for economic development.
- Coordinate and target housing incentives and resources.
- Integrate Public Housing Authority and city housing activities.
- Coordinate housing needs with other policy and regulatory documents.

Our July 2001 audit report, *Review of Subrecipient Selection, Monitoring and Reporting*, found problems with the Housing and Community Development department's process for selecting, monitoring, and reporting results of subrecipients contracted to provide housing services. Because we found that elected officials receive limited information on housing activities, there is no assurance the funds expended for housing-related activities best serves the needs of the city and virtually no accountability for determining what results the department and subrecipients achieved from the funds expended. Establishing and reporting housing performance measures would improve accountability.

Performance measurement encourages accountability by providing useful, reliable information regarding the use of public resources. Performance measures assist public officials to fulfill their obligation to use tax dollars well, provide quality services at a reasonable cost, and account to the public for results. They also help clarify an organization's priorities and expectations; what is measured and reported will influence what and how things get done.

Effective performance measures are related to a program's mission, of interest to a wide audience, and economical to calculate. A group of related measures provides a more representative overview of the service being measured than any single measure. Different types of measures describe activities, the resources devoted to those activities, and their results. Performance measures are most effective when they are:

- **Useful.** Measures should provide a means for assessing whether programs are accomplishing the expected results. Useful measures have a known purpose, provide information of value to identified users, and focus primarily on results (outcomes and outputs).

- **Relevant.** They should clearly relate to the organization's mission, goals, objectives, and strategies, measure items of interest to stakeholders, and measure things that the city's efforts can reasonably be expected to influence.
- **Reliable and verifiable.** Verifiable measures are obtained through consistent methods for collecting, analyzing, and reporting data. Consistent methods are based on: clear and complete measurement procedures; clear definitions of terms; available documents to describe measurement procedures and results; and periodic auditing and updating to maintain the measurement system's usefulness.
- **Economical.** Effective measures are generated and used as cost-effectively as possible. They use existing or readily obtainable data where possible. Measures are less effective if staff perceive that data collection and reporting increase their workload needlessly.

Our office has been suggesting improvements in the city's performance measures since 1990. In our 1990 budget review, we recommended city management begin establishing true performance measures for city programs. Setting objectives and standards, then measuring progress toward their achievement enables elected officials and the city manager to hold department managers accountable for managing resources. It also enables elected officials to allocate available resources and make rational decisions about the need for additional resources.

The fiscal year 2001 budget for the Housing and Community Development Department<sup>1</sup> includes a number of output performance measures, such as "multi-family units rehabilitated" or "households assisted," but both measures do not provide a context for assessing success. In these cases, additional measures such as "number of homes in need of rehabilitation" or "households needing assistance" would allow the city to better determine the extent to which the identified problems were addressed during the fiscal year, as well as provide an indication of the magnitude of the problem that remains. Over time, this information would help the Mayor and City Council determine the adequacy of funding for specific activities.

## **RECOMMENDED PERFORMANCE MEASURES**

Output and outcome measures focus on results. Output measures show the level of activity or quantity of services delivered. Outcome measures report program results, are often expressed as the degree to which specific objectives have been met, and are sometimes referred to as quality of service measures. Our previous audit work found little information on the results of the city's spending for housing. Measurement and reporting of the following performance measures would help correct this deficiency.

---

<sup>1</sup> The adopted budget for fiscal year 2002 only includes performance measures for the Housing and Community Development department's home weatherization program.

We recommend 12 measures that focus on outputs and outcomes of the city's housing efforts. The performance measures would identify:

- Funds spent to address housing priorities.
- Housing needs and availability.
- New housing spending and construction.
- Housing rehabilitation spending and completion.
- Home ownership assistance efforts.

The recommended measures would address some of the goals and policies recommended by the Citizen Advisory Committee on Housing.

### **Funds Spent to Address Housing Priorities**

- Percent of total housing dollars spent to address the Mayor and City Council's priorities.

This output measure seeks to identify the proportion of housing dollars spent to address the Mayor and City Council's housing priorities. Tracking this measure would help address the Citizen Advisory Committee's goals to coordinate and target housing incentives and resources. Following the Mayor and City Council's establishment of housing priorities, departments could routinely compare housing-related spending to these priorities, just as the City Manager determines how much of the annual budget is used to address the citywide priorities of the Mayor and City Council.

### **Housing Needs and Availability**

- Number of low/moderate housing units (including number requiring section 8) needed in the city.
- Number of low/moderate income housing units (including number requiring section 8) available in the city.

Both performance measures are currently included among the housing performance measures reported by the International City/County Management Association (ICMA) to assess housing opportunities. Taken together, these two measures would enable the city to determine the adequacy of the city's efforts to provide sufficient housing for those in need. It would also help address the Citizen Advisory Committee's goal to provide for and protect Kansas City's most vulnerable citizens and neighborhoods. These measures could also be modified to provide similar information on other housing segments including special needs, and middle and upper income residents.

## **New Housing Spending and Construction**

- Amount of private capital expended for housing construction.

This performance measure is also used by the ICMA as part of its new housing indicators. This measure assesses the ability of the city to attract significant amounts of private capital to finance housing construction. This measure increasing over time would be a positive outcome. Information for this measure could be obtained during the permitting process and could be further delineated by type of housing (single family, multi-family, low income, special needs, moderate, upper income, etc.) and/or by area of the city.

- Number of housing units completed.

This measure would help assess the effectiveness of the city's efforts to increase the city's supply of housing. Again, reporting on this measure could be segmented to include type of housing (single family, multi-family, low income, special needs, moderate, or upper income) and/or by area of the city.

## **Housing Rehabilitation Spending and Completion**

- Number of housing units rehabilitated.
- Total rehabilitation funding.
- Percentage of rehabilitation funding provided by the private sector.

These measures would address efforts to preserve the existing housing stock, and evaluate the extent to which the city has encouraged private investment for housing rehabilitation. They address the Citizen Advisory Committee's goal to encourage private investment in existing housing stock to stabilize neighborhoods and reverse deterioration. An additional measure would help determine the work that remains to be accomplished:

- Estimated number of housing units in need of rehabilitation.

Standards for determining which units require rehabilitation would be needed, along with a mechanism for routinely evaluating the city's existing housing stock. All four measures are used by the ICMA to assess housing rehabilitation efforts.

## **Home Ownership Assistance Efforts**

- Number of homes purchased through the home ownership plan.
- Total funding for home ownership plan.
- Percentage of homeownership funds provided by the private sector.

These measures would determine how well the city was accomplishing the goal of stabilizing neighborhoods with increased housing opportunities and further address the Citizen Advisory Committee's goal to promote private redevelopment of market-rate housing in the urban core. All three measures are used by the ICMA to assess home ownership assistance efforts.

If you have any questions, please feel free to contact me at 513-3306.

cc: Evert Asjes, Chair, Housing and Community Development Committee  
Members of the Housing and Community Development Committee  
Robert Collins, City Manager  
Stanley Barrett, Director of Housing and Community Development