



BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name: HCD
Department No.: 055
For Agenda Of: 06/19/07
Placement: Departmental
Estimated Tme: 45 Minutes
Continued Item: Yes
If Yes, date from: 11/14/06
Vote Required: No Vote Required

TO: Board of Supervisors
FROM: Department John Torell, CPA
Director(s) 568-3515
Contact Info: Jennifer Christensen
568-3514
SUBJECT: HCD Quarterly Update

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Other Concurrence:

As to form: N/A

Recommended Actions:

Receive and file quarterly update from Housing and Community Development Department.

Summary Text:

Since HCD's last report to the Board of Supervisors (11/14/06), emphasis has been placed by Department management and staff on addressing those process deficiencies and control weaknesses identified in two audit reports prepared by the County Auditor's Office. Initial corrective efforts, based upon the significance of reported audit findings, have been focused primarily in the following areas:

- Follow-up and resolution of all potential affordable housing program violations identified by the Auditor
- Pursue collection of \$350,000 of 'in lieu' fees owed to the County and identify any additional fees that may be owing
- Ensure an accurate inventory of affordable housing units
- Reorganization of HCD Department to maximize efficiency and improve customer service

In addition to the above areas identified by the Auditor, HCD has formed several process improvement teams to redesign HCD business processes, with the goal of making internal processes more efficient, less complicated and more effective.

From an organizational standpoint, HCD is in the process of simplifying its organization, redirecting staff resources to enhance our property management function (including compliance monitoring), and strengthening the Department's financial oversight of its accounting and financial activities.

Also, during this period, HCD staff has facilitated the Affordable Housing Policy Committee's review and report on the County's Inclusionary Housing Program.

HCD staff will continue to work on addressing and correcting each of the deficiencies identified in the Auditor's reports and will update the Board of Supervisors on progress made via our quarterly reports.

Background:

1. Follow-up on potential affordable housing program violators

A thorough review and legal analysis of individual potential housing program violations identified by the Auditor has been completed. A comparison of the covenant language applicable in each instance with the alleged non-compliance action(s) enabled us to determine the optimum method for resolving each case.

Individuals whose actions appeared to involve clear violations of applicable covenant restrictions were offered an opportunity to 'cure' any deficiencies prior to legal action being taken. We noted, however, numerous instances where clear cut violations of restrictive covenants could not be established due to insufficient or non-existent covenant language. An analysis of these instances will enable HCD, working with County Counsel, to re-draft all future covenant language for the purpose of strengthening the covenants and making them consistent over all future developments.

Monitoring efforts for HCD's current and future housing inventory have been enhanced by redirecting HCD resources as part of a departmental reorganization (see below), implementation of a database containing monitoring data on all HCD affordable 'for-sale' properties, establishment of a Violations Committee to review possible covenant violations, implementation of a mandatory annual survey of program participants, and a recently Board adopted owner occupancy ordinance.

2. Collection of \$350,000 of 'in lieu' fees and search for any additional fees owed

'In lieu' fees identified by the Auditor were billed by HCD to both applicable developers. Written confirmations of the amounts owed to the County and dates certain for payments of those amounts have been received from the developers involved. Payments due to date totaling \$224,220 have been received on schedule, and arrangements have been made to collect the balance owed on or before September 13, 2007.

Since the Auditor's examination of in lieu fees was limited to the two year period preceding the audit, HCD conducted a review of all pertinent documents in the Planning & Development Department since the inception of the County's affordable housing program, to assure that all fees owed have been identified.

A review and redesign of internal processes in HCD and Planning & Development will be initiated in response to audit report comments that criteria for fee calculation was found to be inconsistent and that there was no formal communication process in place to assure that fees are paid. Our efforts to implement a new, more effective process regarding in lieu fees will be presented in HCD's next quarterly report.

3. Ensure an accurate inventory of affordable housing units

The Auditor's report noted that HCD does not maintain an accurate inventory of all affordable units under its authority. The report noted omissions in the HCD inventory system of recently constructed affordable units, failures to track and record changes in ownership, and other inaccurate data.

In order to assure an up-to-date complete inventory of all affordable ownership units, HCD is examining all pertinent Planning & Development Department records to identify any affordable units that might not be included in the HCD inventory. Ownership and other critical data are being verified prior to being entered into the newly developed HCD housing database.

In addition, the development of an affordable housing database has been completed and will facilitate the department's property management functions. The database will track inventory at both the development level and individual unit level. The database will also facilitate the generation of reports including annual surveys, monitoring forms, and violations status.

4. Reorganization of HCD Department for maximum efficiency and customer service

The HCD Department until recently was comprised of four divisions: The Director's Office; Housing Finance; Management, Assessment and Planning; and Housing Development. The Housing Development division - a one person division, has been responsible, as the Auditor's report points out, for performing both the buyer advocacy role as well as the enforcement role. To strengthen internal controls, the Auditor recommended segregation of these duties between two individuals

In response to the Auditor's recommendation, HCD resources have been redirected internally to both strengthen internal controls and to enhance housing monitoring and enforcement activities. This was accomplished by eliminating the HCD executive secretary position and by eliminating the Management, Assessment and Planning division (also a one-person division) and moving those duties to the Director's office.

Funds saved are being utilized to add a second individual to the Housing Development division (renamed the "Property Management division) as well as an accountant to strengthen the Department's financial oversight, grant compliance and financial integrity.

In addition, a full time compliance officer, responsible for on-going monitoring of the affordable housing program has been added and will be funded with available program administration funds.

5. Improvement of business processes

In response to deficiencies in HCD business processes and controls reported in the Auditor's reports, we have organized process improvement teams, utilizing HCD staff, to review each of the Department's key business processes. This is a three-step effort to:

- a. Align each business process with one or more of HCD's goals/objectives

- b. Determine effectiveness of each business process in achieving those goals/objectives efficiently and effectively
- c. Re-design and streamline each key business process to optimize staff productivity, customer service, and departmental effectiveness.

To date, our project teams have completed reviews of HCD’s Lottery and Eligibility Certification processes and the HCD Homeowners’ Assistance Program. Each of the deficient HCD business processes identified by the Auditor will be addressed and results reported to the Board on a quarterly basis.

6. Housing Finance Division – Update

During the past several months, after a comprehensive public process, the HCD Finance Division has completed the Annual Action Plan for the HOME program and the first 3-year Consolidated Plan and annual Action Plan for the CDBG program for submission to HUD.

Currently, 229 affordable units, partially financed with federal ‘pass-through’ monies administered by the Finance Division, are under construction. Also, another 54 affordable units are currently in the planning/permitting stages.

HCD Finance Division staff were instrumental in producing the “Bringing Our Community Home”, the comprehensive report of the 10-Year Plan to End Chronic Homelessness throughout Santa Barbara County. Over 100 community members including business persons, government officials, nonprofit social services staff, funders, and interested citizens have been involved in this comprehensive effort to form a plan to end the community’s chronic homelessness.

Fiscal and Facilities Impacts: Fiscal Analysis:

<u>Funding Sources</u>	<u>Current FY Cost:</u>	<u>Annualized On-going Cost:</u>	<u>Total One-Time Project Cost</u>
General Fund			
State			
Federal			
Fees			
Other:			
Total	\$ -	\$ -	\$ -

Narrative: N/A

Staffing Impacts:

<u>Legal Positions:</u>	<u>FTEs:</u>
0	0

Special Instructions:

Attachments:

Authored by: John Torell, Director, HCD

cc: Michael Brown, County Executive Officer
 Ron Cortez, Deputy County Executive Officer
 Bob Geis, Auditor-Controller