



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: January 22, 2008
Placement: Departmental
Estimated Tme: 35 Minutes
Continued Item: No
If Yes, date from:
Vote Required: N\A

TO: Board of Supervisors

FROM: Department John Torell, CPA
Director(s) 568-3515
Contact Info: Christa Coski, Pat Gabel; 568-3520

SUBJECT: HCD Update

County Counsel Concurrence

As to form: N/A

Auditor-Controller Concurrence

As to form: N/A

Recommended Actions:

Set a Hearing to receive and file update from Housing and Community Development Department.

Summary Text:

1. Property Management Division: Since HCD's last report to the Board of Supervisors (6/19/07), HCD Department management and staff have continued to address the process deficiencies and program violations identified in the audit reports prepared by the County Auditor's Office.

Concurrently with the focus on resolving identified violations, HCD process improvement teams have continued to work on redesigning HCD business processes, with the goal of making such processes more efficient, effective, and less complicated for our customers.

From an organizational standpoint, HCD has strengthened internal controls by 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 by establishing a Chief Fiscal Officer position.

Also, during this period, HCD staff in conjunction with the Long Range Planning division of the Planning and Development Department, has developed a work plan to facilitate implementation of the recommendations of the Affordable Housing Policy Committee that were approved by the Board of Supervisors in June of this year.

2. HCD Finance (Grant Management) Division: The HCD Finance Division is responsible for the administration of all HUD Community Development Block Grant (CDBG) and HOME program monies received by the County. All funds are distributed by HCD, via a public process, to local agencies to be used for affordable housing and community development purposes. Since HCD's last presentation to the Board, the Finance Division has accomplished the following:

- Successfully completed program monitoring by HUD with no findings and very good comments;
- Submitted to HUD an Annual Action Plan for the HOME Program and a 3 – year Consolidated Plan and Annual Action Plan for the CDBG Program bringing a total \$4.1million to the County and its partners for projects and programs;
- Created Standard Operating Procedures, contracts, forms and training manuals and processed necessary Board letters to implement new federal CDBG project and program funds;
- Facilitated a national special needs housing funding commitment to Santa Barbara County;
- Completed the review and site visits required for compliance monitoring of 25 apartment complexes and 71 homeowner units and supervised corrections when required;
- Updated annual contract reporting system;
- Completed analysis and forecast of 2008 federal funding allocations to County
- Conducted two regional forums to inform public and professionals of funding and solicit housing project and human service program concepts; and
- Updated HUD Environmental Review procedures and created a Reference Guidebook for department use.

Background:

1. Follow-up on potential affordable housing program violators

Efforts to resolve program violations identified by the Auditor 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

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, and/or the unavailability of documentation. 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.

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

Uncollected fees - As reported in our prior update, unbilled 'in lieu' fees that had been 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. To date payments \$225,000 have been received on schedule. Approximately \$120,000 of in-lieu fees remains to be collected. Action has been initiated by County Counsel to assure timely collection of the remaining amount.

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. Since our last update to the Board, HCD has developed and implemented a new comprehensive data base that provides staff with a comprehensive overview, by individual unit, of all pertinent data and covenant language needed to effectively monitor program activity and compliance.

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

The Housing Development division – formerly a one person division, had 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 and by eliminating the Management, Assessment and Planning division position (a one-person division) and moving those duties to the Director's office.

Funds saved have been utilized to hire an accountant to strengthen the Department's financial oversight, grant compliance and financial integrity. A 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. To date, our project teams have completed reviews of the Lottery and Eligibility Certification processes, oversight procedures for monitoring rental property occupancy and HCD customer training efforts. Reviews have resulted in processes

redesign to streamline procedures, make forms and documents less complicated for our customers, and to enhance accuracy and minimize re-work.

Fiscal and Facilities Impacts:

Fiscal Analysis:

N/A

Staffing Impacts:

Legal Positions:

N/A

FTEs:

Special Instructions:

N/A

Attachments:

None

Authored by: John Torell, Director, HCD

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