

PRIORITIZATION OF HOUSING DEVELOPMENT AUDIT

City of Austin

**Neighborhood Housing and Community Development Office
(NHCD)**

*Response to the Office of the City Auditor's Prioritization of Housing
Development Audit Report*

December 8, 2015

Opening Statement

- ❖ NHCD appreciates the recommended improvements noted in the Audit Report and the opportunity to provide education around affordable housing
- ❖ Audit Findings are focused around Core Values and form the foundation of the audit process.
- ❖ Finding no.3 states – “Adopted” core values. Core Values are not codified nor adopted by Council as investment principles
- ❖ NHCD treats “longer, deeper and geographically dispersed” affordability as guiding principles that inform investment decisions related to direct funding opportunities
- ❖ NHCD has a sound strategic planning process reviewed independent of alignment with aforementioned core values

Audit Focus : Housing Developer Assistance Program

Rental Housing Developer Assistance

- Federal and local funding deployed/invested
- Creation/preservation of affordable, rental units
- Program administered by NHCD
- Units produced in this activity are S.M.A.R.T.™ Housing certified

Acquisition and Development

- Federal and local funding deployed/invested
- Creation/preservation of affordable, ownership units
- Program administered by NHCD
- Units produced in this activity are S.M.A.R.T.™ Housing certified

Developer Incentive Based Programs

- Two activities are included in the Developer Incentive Program, which are sections in the Land Development Code:
 - (1) S.M.A.R.T.™ Housing ordinance (Safe, Mixed-Income, Accessible, Reasonably-priced, Transit-Oriented) – Produces Mixed Income units
 - (2) Density bonus ordinances that provide incentives to developers for creating community benefits including affordable housing.
- NHCD has no direct funding involved in these activities. However, SMART Housing provides Fee waivers for development participation. For these activities, NHCD offers technical assistance and monitoring services. For SMART Housing, NHCD staff is also the lead department for certification

Prioritization of Affordable Housing Audit : Key findings

- Finding 1 : The City does not have an effective strategy to create housing with deeper affordability, longer affordability and geographic dispersion.
- Finding 2 : Incomplete and inaccurate data limits NHCD's ability to evaluate program success and to provide accurate information to public and decision makers
- Finding 3 : Gaps in NHCD's monitoring process limits the City's ability to enforce affordability restrictions and do not ensure the achievement of adopted core values

Response to Key finding No. 1: Strategies and planning efforts that drive NHCD investments

- 5-year Consolidated Plan and Annual Action Plans require goals, strategies to address housing and community development initiatives.
- HUD has highlighted NHCD's documentation as best practice for other participating jurisdictions who administer federally funded programs
- Additional reporting: Annual Needs Assessment; Housing Market Analysis; City of Austin Business Plan, Capital Improvement Program reporting
- Federal and local performance measures are reported regularly
- NHCD is developing a Strategic Housing Plan. This document will identify housing targets and goals based on identified gaps from multiple data sources, resources.
 - Document development will be a result of community, Council feedback
 - Discussion with the Council Housing and Community Development Committee underway
 - Proposed Strategic Housing Plan slated for Council consideration in 2016

Response to finding No. 1: Core Values are aligned with investments directly influenced by NHCD

- **Core Values**

- Deeper Affordability Targets: Reach deeper levels of affordability, i.e., to serve lower income households;
 - Long-term Affordability: Housing units that will remain affordable over the long term; and,
 - Geographic Dispersion: Affordable housing should be dispersed throughout the City of Austin.
- Affordable Housing Incentives Task Force Study (2007) first identified Core Values as guiding principles. Not mandated by Council.
 - NHCD Housing Developer Assistance Program effectively addresses longer, deeper affordability due to direct subsidy (local, federal funding)
 - Developer Incentive Ordinances / Land Development Code can provide additional opportunity for Geographic Dispersion of affordable housing
 - NHCD will initiate a policy discussion regarding the core values

Response to Finding No. 2: Data is available to evaluate program performance regarding Core Values

CORE VALUES

GOALS

PERFORMANCE MEASURES

DEEPER AFFORDABILITY



RENTAL:
50% of units produced under housing gap finance programs will assist households at 50% MFI or below

HOMEOWNER:
60% of units produced under homeownership opportunity programs will assist households at 60% MFI or below



RENTAL:
Percent of rental units created or retained serving 30% MFI or below

HOMEOWNER:
NONE

Available Performance Measure:

Performance Measure # 7470: tracked monthly - % of owner units created or retained serving households earning at 60% MFI or below

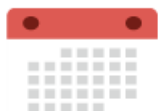
Available Data (Analysis provided):

Of all the directly funded RHDA projects with units affordable as of 2015, 53% of affordable units have an affordability period greater than 30 years.

Current Program Guideline:

A & D program guidelines stipulate minimum affordability of 10 years for all developments. Goal is 100% achieved

LONG-TERM AFFORDABILITY



RENTAL AND HOMEOWNER:
50% of all units produced will have affordability periods of 30 years or more

HOMEOWNER:
100% of units produced under homeownership opportunity programs will result in an affordability period of 10 years



RENTAL:
NONE

HOMEOWNER:
NONE

Available Data (Analysis provided):

Analysis is presented utilizing Kirwan Opportunity Map

GEOGRAPHIC DISPERSION



RENTAL:
NONE

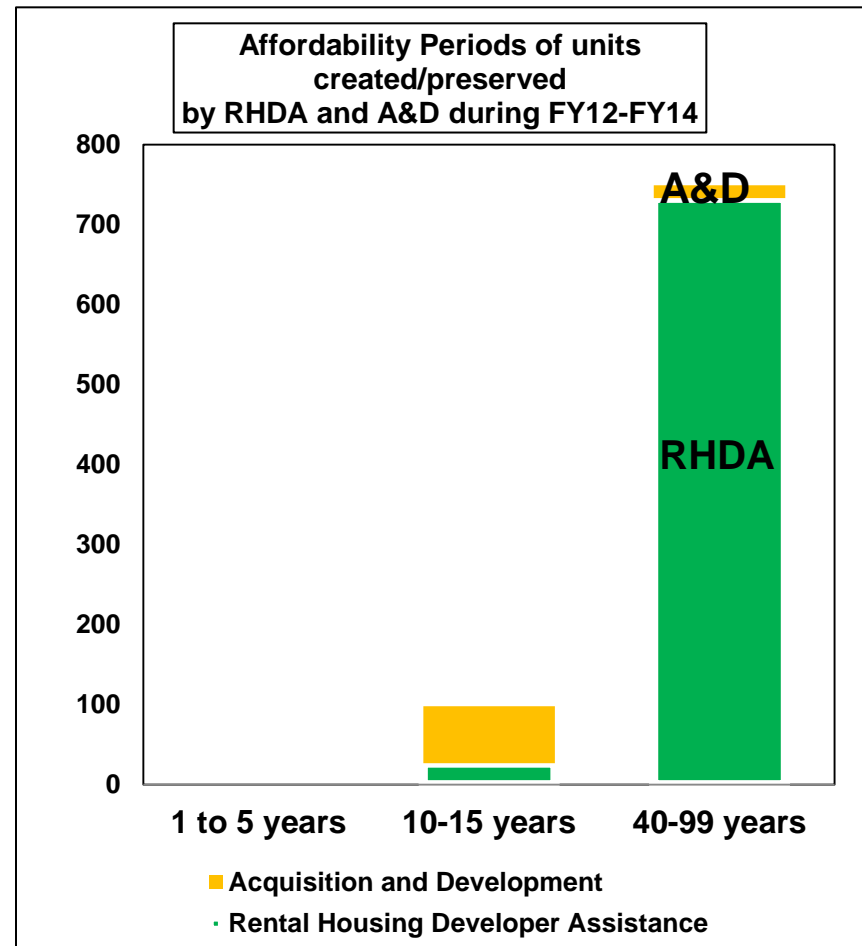
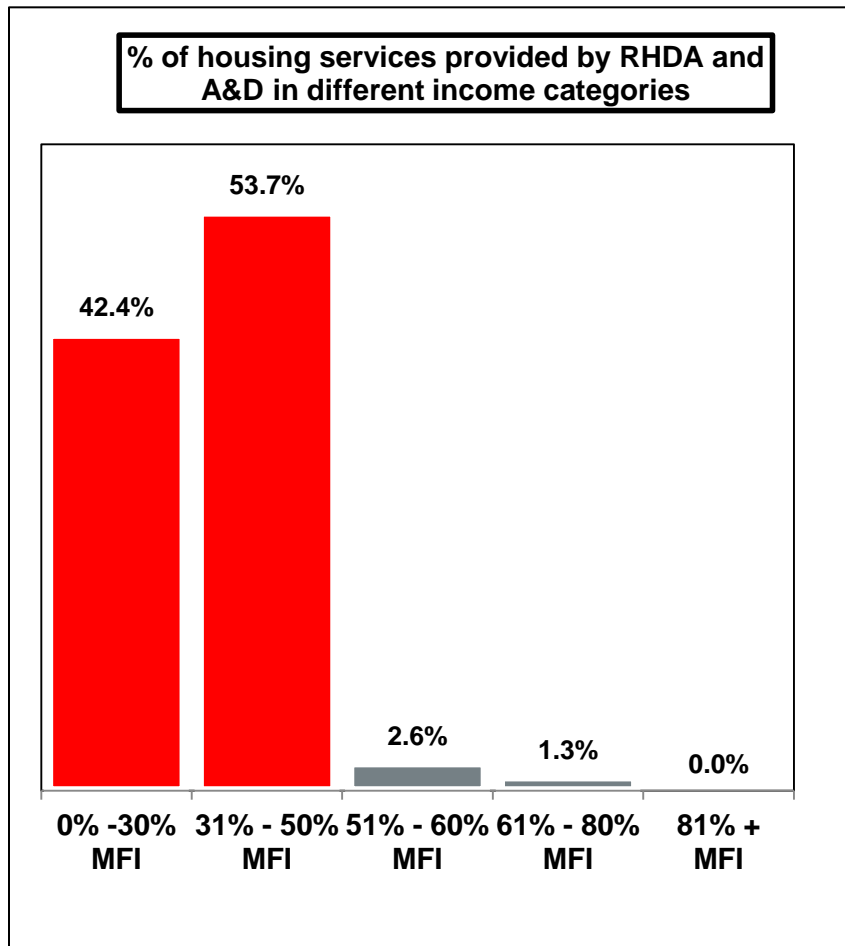
HOMEOWNER:
NONE



RENTAL:
NONE

HOMEOWNER:
NONE

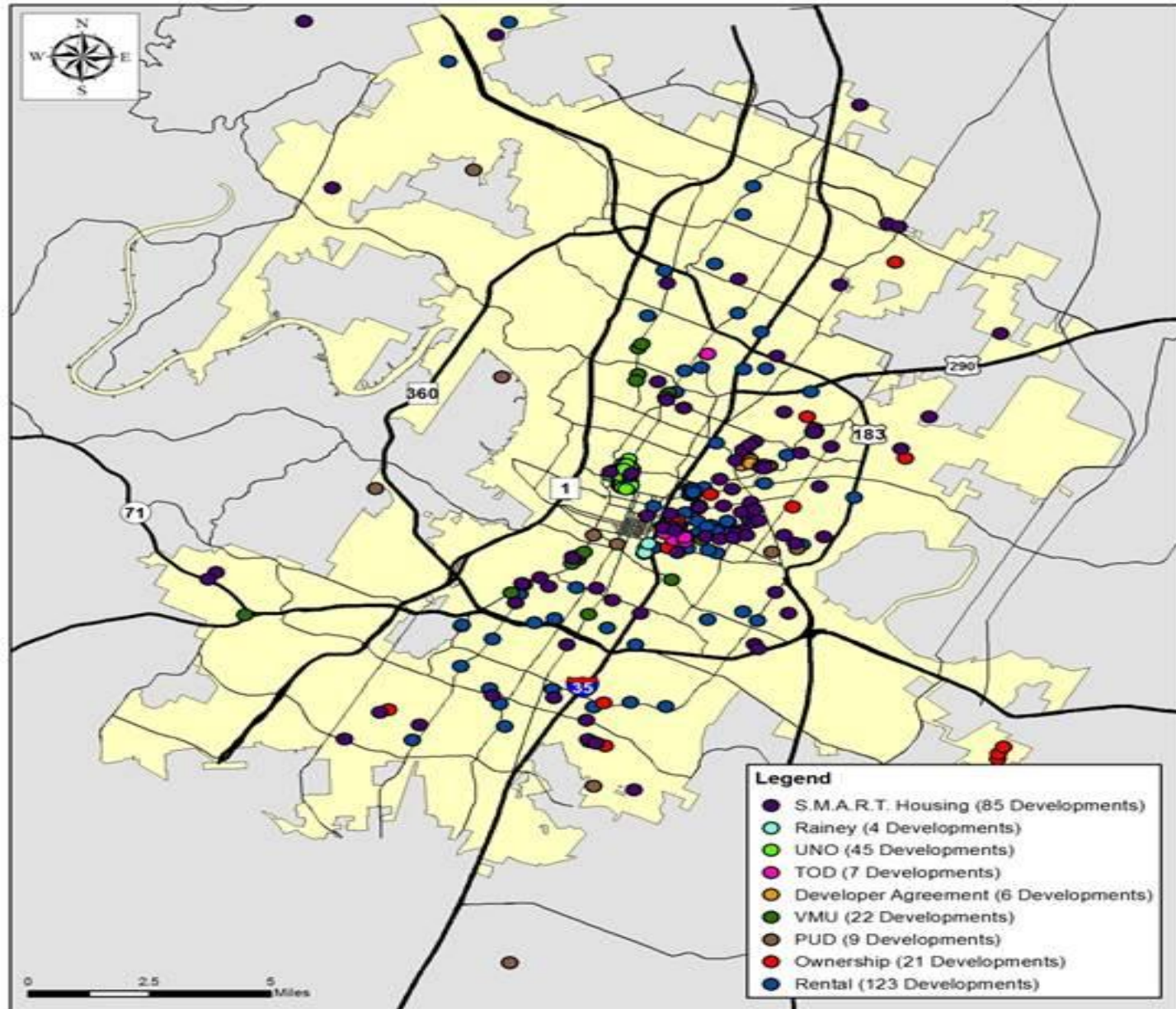
Response to Finding No. 2: Analysis to evaluate program success related to Core Values - Deep affordability & Long-term affordability**



****Developer Incentive based Program accomplishments are not included**

**Response to
Finding No. 2:
Analysis to
evaluate
program
success
related to Core
Value**

**Geographic
Dispersion of
affordable
housing
achieved
through direct
Investments
and developer
Incentive
programs**



Response to Finding No. 2: Action Plan addresses ways to enhance reporting of accomplishments

1. NHCD will **initiate a policy discussion** regarding the core values.
 - Discussion will include the definition of core values and applicability of core values for NHCD's direct investments and ordinances that result in income-restricted housing
2. NHCD will utilize policy discussion feedback to **create or refine performance measures** related to core values.
3. NHCD will **separate the performance measures** associated with the Developer Incentive Program from those associated with the Housing Developer Assistance Program.
 - This action will address possible reporting duplication when one affordable housing unit received multiple program benefits. Attachment 5 in the Audit Response identifies reporting change.
4. NHCD will **review/revise any departmental communication** that renders inaccurate reporting of number of affordable units ("Reasonably-priced") in the SMART Housing Program.
 - The PowerPoint presentation noted in the Audit Report has been revised and published online.

Response to Finding No. 3: Technology Solution is needed to strengthen monitoring program results

TWO AREAS FOR TECHNOLOGICAL IMPROVEMENTS:

1. Better access to real-time enterprise level financial data that links performance metrics to financial data
 - eCAPRIS is being explored as a business solution
 - Partnership with NHCD, Communications & Technology Management and Financial Services Department
2. Better access to City wide data related to developer incentive based programs achieved through an enterprise solution
 - NHCD has been engaged in the design for an enterprise solution for the past 5 years for efficient access to development incentive program data in AMANDA.
 - AMANDA Development Folder– significant investment of resources. Development underway.
 - Solution will require an interagency team to solidify a business solution for monitoring of affordable housing resulting from ordinances

Response to Finding No. 3: Strategies to address monitoring

- Organizational Re-design to provide for a centralized business unit under Chief Administrative Officer with audit, accounting, finance expertise
- Initiate 5-Year Monitoring plan to include an annual risk-based schedule/approach
- Explore all enforcement mechanisms. Initiate Council action for code amendments as needed
- Develop administrative program guidelines for monitoring all ordinances in the Land Development Code that result in income-restricted affordable housing
- End to end technology solution is needed including system triggers for monitoring, placeholders for monitoring results and feedback for future compliance checks

QUESTIONS /DISCUSSION
