



**A Report to the
Austin City Council**

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Prioritization of Affordable Housing Development Audit

November 2015



REPORT SUMMARY

The City does not have an effective strategy to meet its current affordable housing needs. Neighborhood Housing and Community Development has not adopted clear goals, established timelines, or developed affordable housing numerical targets to evaluate its efforts in fulfilling the City's adopted core values. Key information needed to evaluate program effectiveness is incomplete, inaccurate, or unavailable. Finally, current monitoring practices do not ensure consistent compliance with stipulated affordability restrictions.

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GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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Report Highlights

Why We Did This Audit

This audit was conducted as part of the Office of the City Auditor's (OCA) fiscal year (FY) 2015 Strategic Audit Plan, based on stakeholder concerns and issues identified in prior audits.

What We Recommend

NHCD should:

- initiate a policy discussion with the City Council to evaluate the effectiveness of the City's affordable housing policies in achieving the core values and community needs;
- ensure City affordable housing policies are prioritized and linked to achieving established values;
- regularly report outcomes related to achievement of core values;
- coordinate with other City departments to ensure tracking, monitoring, and reporting of housing projects; and
- allocate appropriate resources to ensure monitoring of affordability requirements.



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PRIORITIZATION OF AFFORDABLE HOUSING DEVELOPMENT AUDIT

BACKGROUND

The City's Neighborhood Housing and Community Development department (NHCD) supports the creation of affordable housing through its Housing Developer Assistance programs. These programs either provide financial assistance to developers to create affordable units or provide incentives, such as fee waivers or density bonus to developers, in exchange for setting aside affordable housing units.

The City has three affordable housing core values of deeper affordability, longer affordability and geographic dispersion.

OBJECTIVE AND SCOPE

The objective of this audit was to evaluate the effectiveness of NHCD strategic planning efforts to prioritize and address the City's affordable housing goals and needs through Housing Developer Assistance programs.

The scope included NHCD's strategic planning and operations for the Housing Developer Assistance programs for the three year period from FY 2012 to FY 2014.

WHAT WE FOUND

There is not an effective strategy to ensure that the City meets its affordable housing needs.

1. Although NHCD has implemented elements of strategic planning, these elements are not fully aligned. NHCD has developed some goals, but has not established timelines, or developed numerical targets to evaluate its efforts in fulfilling the City's affordable housing core values. For example:
 - there are no goals or numerical targets to measure progress towards the value of geographic dispersion; and
 - in the absence of clear goals and targets, it is difficult to evaluate the City's effectiveness in providing affordable housing, and any outcome can be seen as a success.
2. Key information needed to evaluate program effectiveness was incomplete, inaccurate, or unavailable:
 - We found flaws in how NHCD counts its affordable housing production, which resulted in NHCD significantly overstating its accomplishments in creating affordable housing;
 - NHCD has incomplete information on affordability restrictions for a large portion of affordable housing units produced; and
 - NHCD has incomplete information on the full costs of affordable housing production.
3. NHCD has gaps in their monitoring processes for affordable units.

BACKGROUND

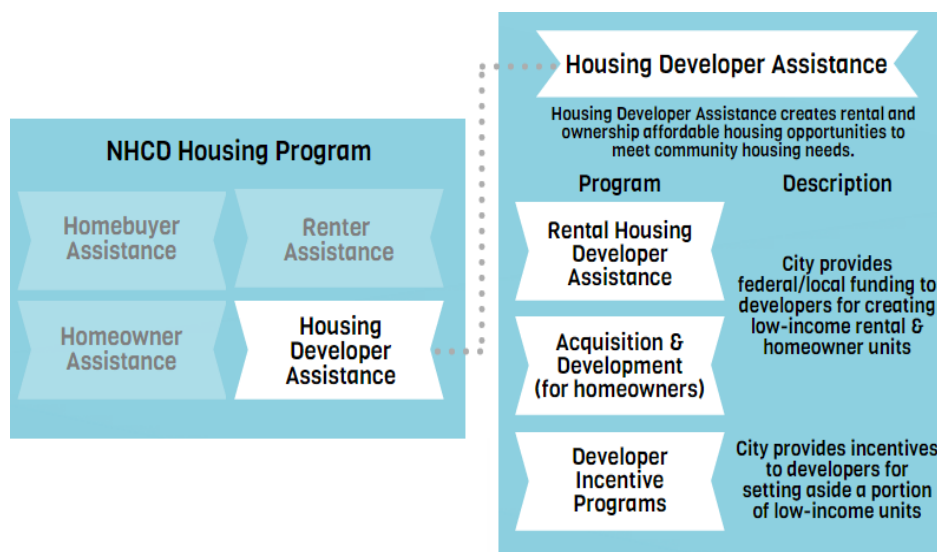
Austin has been growing at a rapid pace for the last several years. At the same time, there has been an overall slower growth in the housing stock, with growth involving more expensive homes and apartments. These trends have resulted in a mismatch between the housing that residents can afford and housing available locally. In the context of current market conditions, the City is facing significant challenges and plays a key role in addressing the needs of affordable housing for Austin's low and moderate income population.

The federal government defines **affordable housing** as housing, for which occupants pay no more than 30 percent of their income for gross housing costs, including utilities.

The Neighborhood Housing and Community Development (NHCD) department plays a critical role in addressing the City's affordable housing needs. Through a variety of programs (shown in Exhibit 1), NHCD provides housing services to eligible low and moderate income households. Such services range from counseling renters who wish to become homebuyers, to providing loans for qualifying homebuyers that help them buy their first home, or to renters so that rent is more affordable. NHCD also provides assistance to non-profit and for-profit developers to build rental and homeownership affordable housing.

Programs and activities aimed at supporting the creation of affordable housing units are grouped and administered under the umbrella of the **Housing Developer Assistance** program and are carried out primarily through three main programs, shown in Exhibit 1. We focused our audit on the Housing Developer Assistance program as it is the primary mechanisms through which NHCD increases the City's affordable housing stock and due to the significant amount of federal and local funding allocated to it. For example, in FY 2015, out of the \$17 million of total funding for housing programs, approximately \$10 million was allocated to this program.

EXHIBIT 1
NHCD Housing Programs



SOURCE: City of Austin Fiscal Year 2013-14 Budget, July 2015

As shown in Exhibit 1, through Rental Housing Developer Assistance and Acquisition and Development, NHCD provides **direct financial assistance** to developers to create affordable housing for rental and homeownership. These programs are entirely managed by NHCD. Through Developer Incentive programs, the City provides **incentives** such as fee waivers or density bonuses to developers who set aside a portion of units as affordable. These programs, which include the SMART (Safe, Mixed-Income, Accessible, Reasonably-priced¹, Transit-Oriented) Housing Policy Initiative and UNO (University Neighborhood Overlay), are implemented in coordination with other City departments. Based on City policies for SMART housing, NHCD is the lead agency empowered to assume a leadership role in working with other City departments to assist in the successful development of SMART housing projects. For other developer incentive programs, such as density bonuses, NHCD has the responsibility for establishing compliance and monitoring rules and criteria for implementing the affordability requirements.

Affordability requirements associated with Housing Developer Assistance programs include restrictions on the income level of the occupants and on the period of time units are to remain affordable. Exhibit 2 includes the affordability restrictions for Housing Developer Assistance programs.

EXHIBIT 2
Affordability Restrictions for Housing Developer Assistance Programs

Program	MFI Served	Affordability Period
Direct Funding: Rental Housing Developer Assistance	Below 50% MFI, preferably below 30% MFI	5 to 15 years minimum for federally funded projects
Direct Funding: Acquisition & Development	Below 80% MFI, preferably 50-65% MFI	40 years minimum for GO bond- funded projects 99 years preferred for all projects
Developer Incentive Programs (SMART Housing)	Below 80% MFI	Minimum of 1 year (homeowner) Minimum of 5 years (rental)

SOURCE: OCA review of NHCD Program Guidelines, May 2015

Income levels are defined based on the area median family income (MFI). Federal housing programs divide low and moderate income households into different categories based on their relationship to the MFI. The current MFI for Travis County, Texas is \$76,800 (4-person household). Current income limits by household size based on the formula used by the federal government are shown in Exhibit 3 below.

¹ Reasonably priced refers to units that have affordability restrictions.

EXHIBIT 3
Current Median Family Income (MFI) Limits by Household Size (June 2015)

MFI	1-Person Household	2-Person Household	3-Person Household	4-Person Household
30% MFI	\$16,150	\$18,450	\$20,750	\$24,250
50% MFI	\$26,900	\$30,750	\$34,600	\$38,400
80% MFI	\$43,050	\$49,200	\$55,350	\$61,450
100% MFI	\$53,750	\$61,450	\$69,100	\$76,800

SOURCE: City of Austin Website, June 2015

OBJECTIVE, SCOPE, AND METHODOLOGY

This Prioritization of Affordable Housing Development Audit was conducted as part of the Office of the City Auditor's (OCA) Fiscal Year (FY) 2015 Strategic Audit Plan, as presented to the City Council Audit and Finance Committee. This audit was included on the Strategic Audit Plan due to risks observed through prior work by our office, as well as concerns raised by City Council.

Objective

The objective of the audit was to evaluate the effectiveness of NHCD strategic planning efforts to prioritize and address the City's affordable housing goals and needs through Housing Developer Assistance programs.

Scope

The audit scope included NHCD's strategic planning and operations (housing production and monitoring activities) for Housing Developer Assistance programs for the three year period from FY 2012 to FY 2014.

Methodology

To accomplish our audit objectives, we performed the following steps:

- interviewed NHCD personnel responsible for strategic planning, reporting, and monitoring of production data;
- interviewed community members, including those that have served on the Community Development Commission, Housing Bond Advisory committee, and Affordable Housing Incentives task force;
- selected a judgmental sample of projects, for which outcomes were reported by NHCD, and reviewed reported outcomes for accuracy and completeness using source data;
- analyzed the reported outcomes of the developer incentive programs for reasonably priced units and reconciled to available source data;
- evaluated judgmental samples of projects for monitoring activities based on established requirements for various programs;
- researched best practices for the strategic planning process;
- reviewed applicable NHCD policies and procedures;
- reviewed NHCD goals and performance measures;
- reviewed relevant external reports, including consultant market studies and reports published by the City in FY 2009 and FY 2014 and the Fair Housing Choice report in May 2015;
- evaluated internal controls related to strategic planning, reporting, and monitoring of production data; and
- evaluated risks of fraud, waste, and abuse relevant to reporting and monitoring of production data.

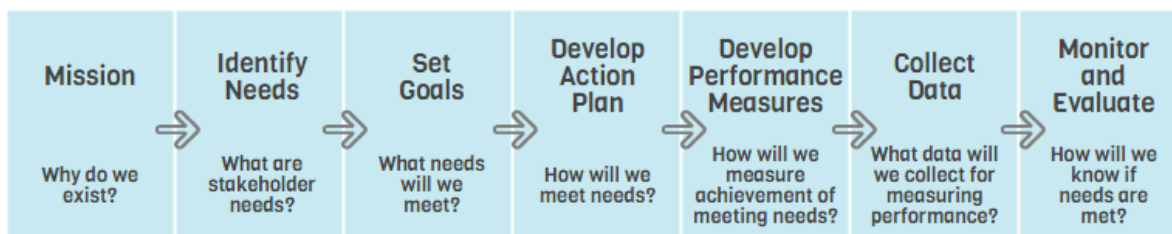
WHAT WE FOUND

The continuing high cost of housing in Austin increases the need to provide affordable housing to households with varied income levels, especially those with low and very low income levels. The provision of adequate affordable housing remains a significant challenge for Austin. We found that the City does not have an effective strategy to meet its current or anticipated affordable housing needs. NHCD has not adopted clear goals, established timelines, or developed numerical targets to evaluate its efforts in fulfilling the City's adopted affordable housing core values. Key information needed to evaluate program effectiveness was incomplete, inaccurate, or unavailable. Finally, current monitoring practices do not ensure consistent compliance with stipulated affordability restrictions.

Finding 1: The City does not have an effective strategy to create housing with deeper affordability, longer affordability, and geographic dispersion.

According to best practices, a strategic planning process as depicted in Exhibit 4 below is important to identify priorities, set goals, define key actions, and communicate to stakeholders. In this manner, organizations can influence the future rather than simply preparing for or adapting to it. Best practices also identify performance measures as an important link between the goals, strategies, actions, and objectives stated in the strategic plan and the programs and activities funded in the budget. Performance measures provide information on whether goals and objectives are being met.

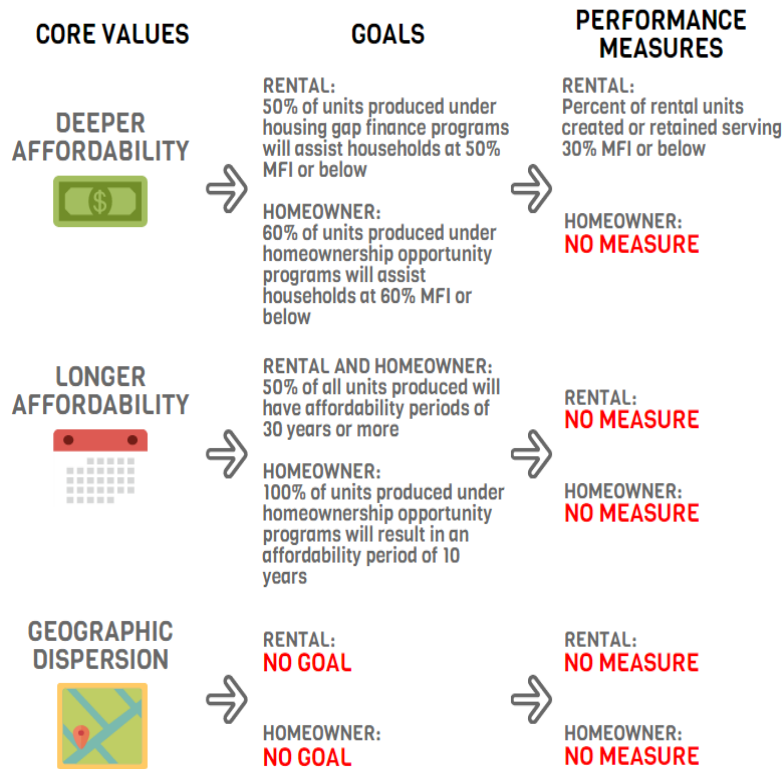
EXHIBIT 4
Strategic Planning Best Practice



SOURCE: OCA Analysis of Government Finance Officers Association – Establishment of Strategic Plans, July 2015

Although NHCD has implemented elements of strategic planning, these elements are not fully aligned. For example, NHCD has adopted guiding principles, identified affordable housing needs, and set some goals. It has also developed operational plans and performance measures. However, based on our analysis, these elements are not clearly aligned and linked to illustrate how all elements support the achievement of the identified needs and guiding principles. NHCD does not have a comprehensive document that clearly communicates to the public and stakeholders all key priorities, goals for addressing them, and numerical targets to evaluate the department's efforts. As shown in Exhibit 5, available documents include some goals and performance measures, but some do not directly align or measure achievement of core values.

EXHIBIT 5
Goals and Performance Measures Do Not Align with Core Values



SOURCE: OCA analysis of City of Austin Budget for Fiscal Years 2012 through 2015, July 2015

Furthermore, recent studies have recommended that the City establish a target for affordable housing and that all City programs and policies should be linked to the achievement of the established Citywide target. NHCD has initiated a discussion aimed at identifying relevant goals to address specific affordable housing gaps for both the City and the community. NHCD has also initiated a process of revising goals and measures and has already implemented some changes in the FY 2016 budget cycle. However, our observations are still applicable. For example, there is still no measure of the efficacy of geographic dispersion, and there is no longer a goal that speaks to the core value of longer affordability. We also noted there are limited measures of efficiency for housing programs overall (comparing outcomes to resources consumed to achieve those outcomes).

Austin's Affordable Housing Core Values

Deeper Affordability
 More affordable housing for deeper levels of affordability (30% MFI)

Longer Affordability
 Make affordable housing remain affordable long-term

Geographic Dispersion
 Spread affordable housing throughout the City

The core values mentioned above were adopted by the City of Austin in 2007 to serve as guiding principles for all City's housing policies and programs. Also, in 2008 and 2014, the City hired a consultant to conduct a comprehensive housing market analysis. Such studies, which are conducted to be in compliance with federal grants requirements, are used to identify the most significant housing needs of the community. The most significant needs identified in the 2014 comprehensive housing market study were:

- 48,000 rental units for households at 30% MFI or less, and
- homeownership units for households at 50% MFI or less.

In the absence of clear goals and numerical targets, it is difficult to evaluate the City's effectiveness in providing affordable housing, and any outcome can be seen as a success.

Having relevant performance measures related to a defined goal enables tracking of actual outcomes and reporting of accomplishments. Without such information, it is difficult to evaluate NHCD's effectiveness in providing affordable housing in alignment with the affordable housing core values. Furthermore, in the absence of clear goals and numerical targets, any outcome can be treated as a success.

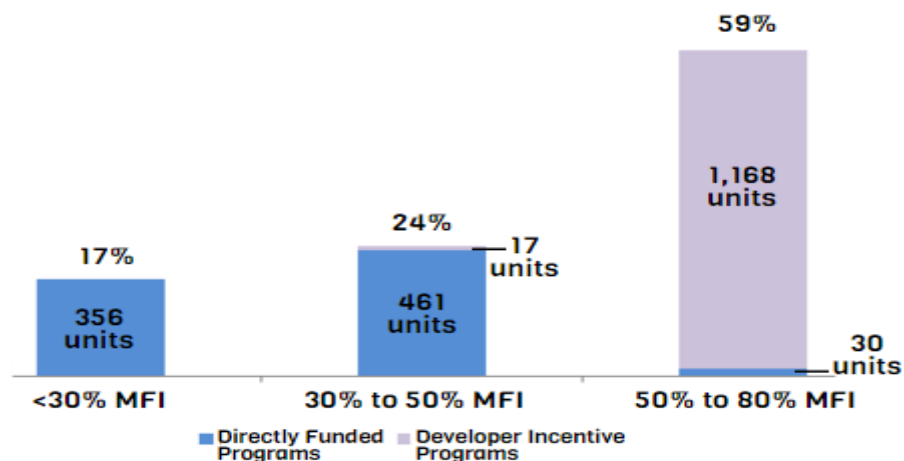
As discussed in the background section of this report, Housing Developer Assistance programs promote affordable housing through the Rental Housing and Developer Assistance (RHDA) and the Acquisition & Development programs (A&D), which provide direct funding to developers of affordable housing. Affordable housing is also achieved through providing incentives to developers, such as the SMART housing initiative, which waives all or a portion of development fees in exchange for a portion of affordable units. For the directly funded programs, NHCD manages all aspects of the program and thus has more flexibility in defining program requirements and influencing program outcomes. For developer incentive programs where there is an affordable housing component, NHCD's role focuses on monitoring and compliance to ensure that the affordability restrictions established by the City Council are met.

As discussed later in this report, we identified several limitations regarding available data on affordable housing units created. However, for the purpose of evaluating NHCD's accomplishments in addressing the adopted values, we estimated Housing Developer Assistance program's production. While we believe these revised numbers are not exact, they can be used as a general indicator of NHCD accomplishments in contributing to increasing the affordable housing stock.

Deeper affordability

Based on available documentation and our estimates of affordable units created in the scope period under Housing Developer Assistance, it appears that the majority of outcomes resulted in affordable housing opportunities that benefit households in the 50% to 80% MFI bracket, as shown in Exhibit 6.

EXHIBIT 6
Estimated FY 2012 - FY 2014 Production Data of Housing Developer Assistance Programs by MFI

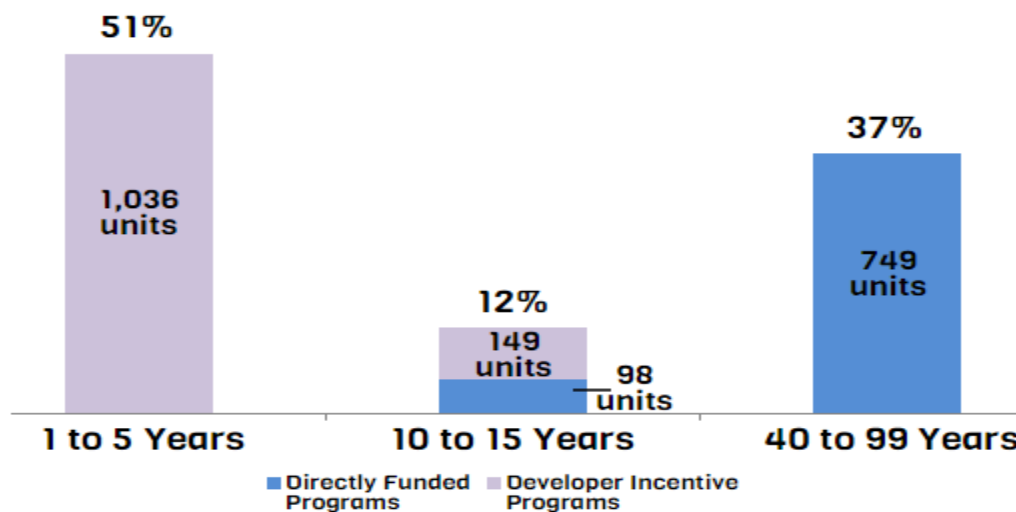


SOURCE: OCA analysis of NHCD production data, September 2015

Longer affordability

Looking at the overall number of affordable units created in our scope period under Housing Developer Assistance programs, based on our estimated numbers and available documentation, it appears that the majority of units have affordability restrictions for 5 years or less², as shown in Exhibit 7.

EXHIBIT 7
Estimated FY 2012 - FY 2014 Production Data of Housing Development Assistance Programs by Affordability Period



SOURCE: OCA analysis of NHCD production data, September 2015

Geographic dispersion

In this audit, we did not comprehensively evaluate whether NHCD production was in alignment with the core value of geographic dispersion. However, we did note that a number of studies reported that City initiatives to create affordable housing may not be equitably distributed throughout Austin and may not serve the households with the greatest needs. Although some of these studies cited data limitations, the reports consistently concluded that there are geographically limited opportunities for low-income households in Austin. While NHCD applies a specific tool of measurement (the Kirwan Opportunity Map) in scoring geographic dispersion of project applications and provides high points for geographic dispersion if the project is in high opportunity area³, the department does not have a specific goal or measure as shown in Exhibit 5.

² Includes units that received funding from the Texas Department of Housing and Community Affairs; although these units may have a longer affordability period, the City monitors affordability requirements for 5 years.

³ High Opportunity Area: geographic criteria used by NHCD that considers quality of life and self-advancement through indicators of neighborhood conditions and proximity to opportunities such as high performing education or sustainable employment.

Finding 2: Incomplete and inaccurate data limits NHCD’S ability to evaluate program success and to provide accurate information to the decision-makers and public.

As stated in Exhibit 4, data is an important component of the strategic planning process. Based on best practices, policy makers, executives, managers, and staff must have performance data in order to track and understand results. Data-informed decision-making allows the organization to learn from experience, replicate successful strategies, and improve on efforts that fail to meet expectations. Data should be timely, accurate, and meaningful. Information related to performance should also be transparent and easy to access, use, and understand.

In the context of this audit, in order to have a complete picture of the impact of its programs and be able to present complete and relevant information for decision-making, NHCD should have accurate and meaningful data on its affordable housing production. This includes a complete count of affordable units created, information on the affordability period and income levels served, as well as information on how much it costs the City.

We reviewed the data on affordable housing production reported by NHCD under Housing Developer Assistance programs and found that key information needed to evaluate program effectiveness was incomplete, inaccurate, or unavailable. These issues were prevalent for data related to the developer incentive programs, in which the City waives developer fees. NHCD reported production of developer incentive programs in FY 2012-14 include units resulting from SMART housing projects (87% approx.) and from UNO projects (13% approx.).

Inaccurate counting of affordable housing production resulted in NHCD overstating the City’s accomplishments in creating affordable housing.

Through our analysis, we found flaws in the manner NHCD counts affordable housing units produced. Exhibit 8 illustrates, for the Housing Developer Assistance program, the count of affordable housing units produced as reported by NHCD compared to the count as verified through our testing.

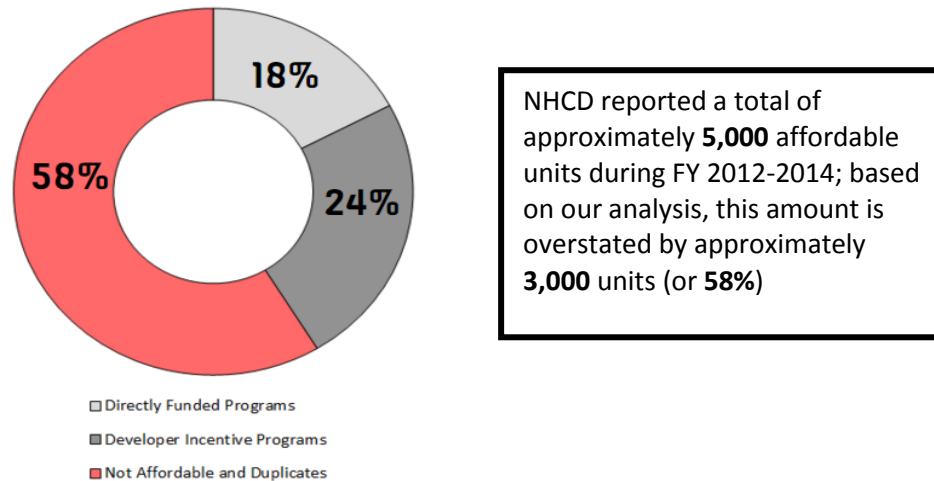
EXHIBIT 8
Flaws in FY 2012-2014 Production Data Resulted in Overstated Outcomes

NHCD Reported Affordable Housing Units				OCA Calculation of Affordable Housing Units			
	Directly Funded Programs	Developer Incentive Programs	TOTALS		Directly Funded Programs	Developer Incentive Programs	TOTALS
FY 2012	551	953	1504	FY 2012	551	298	849
FY 2013	183	1465	1648	FY 2013	183	358	541
FY 2014	113	1749	1862	FY 2014	113	529	642
TOTALS	847	4167	5014	TOTALS	847	1185	2032

NHCD overstated production by approximately 3,000 units

SOURCE: OCA analysis of NHCD production data, September 2015

EXHIBIT 9
Over Half of Units Reported as Affordable Housing by NHCD Were Not Affordable



SOURCE: OCA analysis of NHCD production data, September 2015

As shown in Exhibit 9, errors in the counting of affordable housing production for developer incentive programs have resulted in NHCD overstating its accomplishments and in providing inaccurate information to the public and decision-makers, as detailed below.

- Market value units counted as affordable housing outputs: we found that NHCD reported as affordable all units resulting from the SMART and UNO housing projects in the scope period, regardless of whether they had affordability requirements. This resulted in NHCD incorrectly reporting approximately 2,600 market value units as affordable.
- Duplicate counting among different programs: we found approximately 400 units that were counted twice as outputs, once under each of the programs they benefitted from.

In addition to overstating affordable housing production, these errors also impact other performance indicators. For example:

- total number of households served through housing services (one of NHCD's key performance indicator) was overstated by approximately 28%; and
- total number of households served through all NHCD services (one of the Citywide "dashboard" measure) was overstated by approximately 15%.

Incomplete information on affordability restrictions for housing units limits NHCD's ability to evaluate whether it is achieving the intent of its programs.

City policies establish that affordable housing units created through City programs meet certain affordability restrictions regarding income eligibility (MFI served) and length of time each unit is required to be kept affordable (affordability period) as shown in Exhibit 2 of the background section. As such, for program evaluation purposes, it is important to have complete and accurate data on the manner in which these affordability restrictions are met.

However, we found that NHCD does not track and report complete information on the actual income levels (MFI) of the households served and the actual affordability period of the units created. For units created through directly funded programs, NHCD tracks MFI data and affordability period information based on actual information obtained at the time an affordable unit is occupied. However, for the units created under the developer incentive programs, NHCD does not have

information about the actual MFI⁴. Rather, available information is limited to the commitments made by the developers prior to beginning construction.

Incomplete information on the full cost of affordable housing production limits NHCD's ability to evaluate program effectiveness.

When resources are scarce, it is essential to know where program activities are making a difference and where they are not. Cost is an important component of evaluating program success.

Under the SMART housing policy, NHCD has the authority to waive fees to those developments that meet the SMART housing requirements. However, NHCD does not have complete information on the numbers and amounts of fees waived, resulting in incomplete project costs. Specifically:

- NHCD does not regularly track amounts of fees waived under SMART housing projects.
- NHCD project cost includes only funding received from the City and does not capture other costs to the City, such as fee waivers for SMART Housing or tax subsidies provided through partnership agreements.

According to NHCD data, the total amount of fees waived in our scope period is approximately \$4.6 million. Fees are waived by several departments at various stages in the development process. However, there is no routine tracking of information on the number or types of fees waived and their associated cost. As already noted in a 2002 audit performed by our office, fee waivers are not accounted for in any City budget program. Also, fees are not entirely captured in the City's permitting system, as there are several fees that are manually assessed and recorded.

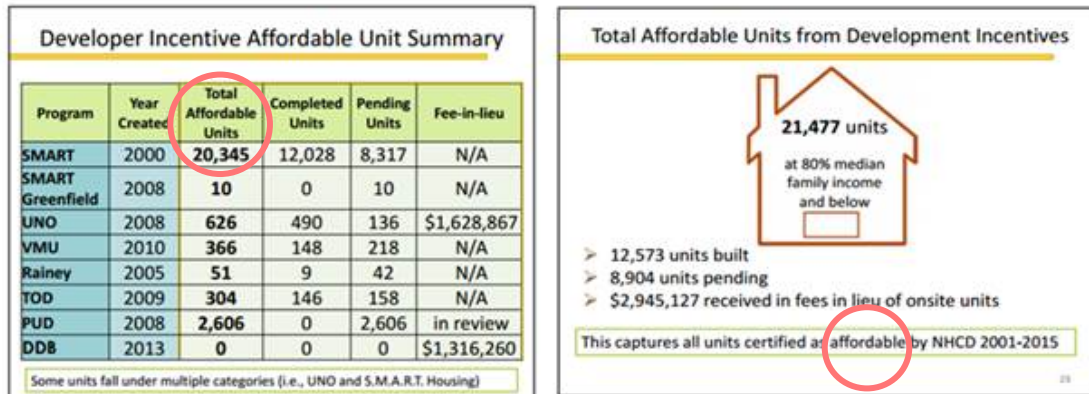
Without timely, relevant, and accurate information, it may be difficult for NHCD to evaluate the success of its programs and to provide meaningful information to the City Council.

As discussed earlier in this finding, an incorrect count of affordable housing production resulted in NHCD reporting overstated performance information. We also noted some limitations in the information provided to the City Council as part of the recent discussion on revisions to the Development Incentives and Density Bonus policies. Specifically, for the two slides shown in Exhibit 10, which were presented to Housing and Community Development Committee on March 25, 2015, we noted that:

1. Total affordable units reported for the SMART Housing program is incorrect, as NHCD's count of affordable units was overstated.
2. Data does not take into account the affordability period. As the data presented to Council included the units produced since 2000, a large portion of the units reported are no longer affordable. In fact, units developed under the SMART housing program are required to be kept affordable no more than 5 years, which means that a large portion of the units reported in the slide are no longer required to be affordable.
3. An additional piece of information that might be useful to inform the decision-making process is that units developed through development incentives (as opposed to directly funded) are not bound by specific requirements on affirmative marketing and tenant selection.

⁴ With the exception of those produced under the Robert Mueller Municipal Airport (RMMA) development agreement, which are monitored by a third party.

EXHIBIT 10
Example of Inaccurate Data Presented to City Council



SOURCE: City Council Housing Committee, March 25, 2015

Affordable housing production data is stored in several stand-alone systems rather than one central system. Systems include the City's performance measure database, the federal government's reporting system, and the City's permitting system. In addition, these systems do not always provide user-friendly reporting. For example, we noted that the reports generated through the permitting system are adjusted manually by staff to report production.

Further, we noted gaps in the communication and coordination among the groups that have responsibilities for the three programs we looked at. We observed that not all staff responsible for tracking units produced has the same understanding of how to track and report units.

NHCD management informed us that NHCD currently lacks a comprehensive, integrated system that can be used for reporting of its production. NHCD management indicated that they have been working with the City's Communication and Technology Management department to identify an enterprise system that can capture information on affordable housing units created and other relevant performance data. NHCD has identified the need for investments in technology for enhanced services and surfaced it as horizon issue during previous years' business planning processes.

Finding 3: Gaps in NHCD's monitoring process limit the City's ability to enforce affordability restrictions and do not ensure the achievement of adopted core values.

As stated in Exhibit 4, monitoring is an important component of the strategic planning process. Monitoring serves many significant purposes, including accountability, responding to community needs, and maximizing resources. In the context of this audit, monitoring helps ensure that City funding of housing programs is in line with applicable laws, rules, and City procedures as well as the intent of established policies.

While evaluating NHCD strategic planning and data, we identified gaps in NHCD's monitoring of affordable housing projects. According to NHCD policies, agreed upon terms for units should be verified when initially occupied and throughout the life of the project. When units are initially occupied, NHCD should verify documentation of incomes of tenants and owners provided by developers to ensure that these align with established affordability restrictions. Then, throughout

the life of projects, in order to ensure continued compliance, NHCD should perform ongoing monitoring which may include review of documentation submitted by developers and site visits.

We reviewed documentation for a sample of affordable housing projects that were completed in our scope period. We found that monitoring was not performed timely and not all affordability restrictions were enforced for the sampled projects, as shown in Exhibit 11.

EXHIBIT 11
Monitoring Is Not Performed Consistently and Timely

Program	Monitoring Compliance		OCA Observations
	Initial	Ongoing	
Direct Funding: Rental Housing Developer Assistance (for renters)	YES	NO	All 8 items sampled were initially monitored; 4 were not monitored during affordability period and 3 not monitored as per established timeline.
Direct Funding: Acquisition & Development (for homeowners)	YES	N/A	All 6 sampled items were initially monitored.
Developer Incentive Programs: Single Family (SMART)	NO	YES	Projects are monitored for compliance (of MFI only) once all homes in the development are built.
Developer Incentive Programs: Multi-Family (SMART and UNO)	NO	NO	None of the items selected were monitored.

SOURCE: OCA analysis of NHCD monitoring documentation, July 2015

During our testing, we also noted some additional issues; for example, for a sampled project which received City funding to develop a single-family subdivision (49 homes) the City enforced shorter affordability restrictions than established by City policy. The affordability period per City policy should be 40 years when general obligation bonds fund are used, but the affordability period per the sampled sales deeds was 10 years.

Also, we noted that for projects that receive fee waivers in exchange for setting aside a portion of the development for affordable housing, NHCD does not consistently require the developers to provide an assurance (in the form of a promissory note or bond payable to NHCD for the waived amount) as required by contract terms. Not collecting such assurance may limit the City's ability to enforce the affordability requirements or recover the amount of fees waived in case of default.

As indicated in Finding 2, NHCD does not have complete information of affordable housing units. In the absence of such information, it is difficult to determine the requirement of resources to ensure compliance with affordability restrictions. Based on our interviews, management also cited resource

limitations as a reason for limited monitoring and indicated that it is in the process of assigning more resources for monitoring the assisted units in accordance with established program guidelines.

RECOMMENDATIONS

1. **The NHCD Director should initiate a policy discussion with the City Council to:**
 - a) **evaluate whether City policies and programs which support the creation of affordable housing are effective in achieving the City's affordable housing core values and in meeting the affordable housing needs of the community; and**
 - b) **seek direction on the role of NHCD for programs involving developer incentives for affordable housing.**

MANAGEMENT RESPONSE: CONCUR. Refer to Appendix A for management response and action plan.

2. **The NHCD Director should organize affordable housing efforts to ensure that City policies and programs which support the creation of affordable housing are clearly prioritized, and are linked to the achievement of the established affordable housing values and to needs of the community. (see Appendix B for guidance)**

MANAGEMENT RESPONSE: CONCUR. Refer to Appendix A for management response and action plan.

3. **The NHCD Director should regularly report to the public and decision-makers outcomes related to achievement of core values to ensure accountability.**

MANAGEMENT RESPONSE: CONCUR. Refer to Appendix A for management response and action plan.

4. **The NHCD Director should coordinate with other City departments to ensure accurate tracking, monitoring, and reporting of projects which results in affordability restrictions on housing developments.**

MANAGEMENT RESPONSE: CONCUR. Refer to Appendix A for management response and action plan.

5. **The NHCD Director should allocate appropriate resources to ensure that compliance and monitoring of affordability restrictions occurs timely and in a manner that is consistent with policy requirements.**

MANAGEMENT RESPONSE: CONCUR. Refer to Appendix A for management response and action plan.

APPENDIX A

MANAGEMENT RESPONSE