Audit Report

RENTAL HOUSING DEVELOPMENT ASSISTANCE

March 2003

Office of the City Auditor
Austin, Texas

Audit Team

Julie Nathanielsz
Corrie Stokes, CIA, CGAP
Alicia Bakowski

Additional Contributors
Susan Wynne, CIA, CGAP
Kay McAllister

Assistant City Auditor
Page Graves, CPA, CIA

On March 25, 2003, the Office of the City Auditor presented this audit report to the City Council Audit and Finance Committee. The Committee accepted the audit report.

A hard copy of this report may be requested, or you may download a copy in PDF format, from our website at http://www.ci.austin.tx.us/auditor. You may also request a copy from our office or email us at oca_auditor@ci.austin.tx.us. Please request Audit No. AU02305.

Alternative formats are available upon request. Please call (512) 974-2805 or Relay Texas #711.

Printed on recycled paper

City of Austin

Office of the City Auditor
206 E. 9th Street, Suite 16.122
P. O. Box 1088
Austin, Texas 78767-8808
(512) 974-2805, Fax: (512) 974-2078
email: oca_auditor@ci.austin.tx.us, web site
http://www.ci.austin.tx.us/auditor

To: Mayor and Council Members
From: Stephen L. Morgan, City Auditor
Date: March 25, 2003
Subject: Rental housing development assistance audit

I am pleased to present this audit report on rental housing development assistance activities in the Neighborhood Housing and Community Development office (NHCD), and its nonprofit subsidiary, the Austin Housing Finance Corporation (AHFC).

Affordable housing is a complex operation. In our report we present a basic explanation of the affordable rental housing "life cycle" and focus our findings on one aspect of that cycle: the management and administration of outcomes. In other words, without overlooking the output or production of rental housing, we looked at whether the rental units produced were serving the targeted population and how NHCD and AHFC were reporting performance.

Lack of centralized tracking and internal control weaknesses have resulted in an inability to effectively identify rental housing projects and contracts (and associated developers and addresses). Rental projects initiated by programs other than Rental Housing Development Assistance, and projects that never achieved initial occupancy, being cancelled before completion, were most difficult to detect. We found that historically inadequate emphasis on monitoring throughout the affordability period of each project and managing the files of project-related information has led to an inability to ensure contract compliance. Importantly, NHCD and AHFC have several initiatives underway to address internal control weaknesses detected in the audit work, specifically the ongoing monitoring of rental projects throughout their life cycle.

The Community Development Officer has agreed with ten of the recommendations, partially agreed with one, and disagreed with one. We appreciate the cooperation and assistance of NHCD and AHFC staff during this audit.

Stephen L. Morgan

Stephen L. Morgan, CIA, CGAP, CFE, CGFM
City Auditor

[This page intentionally left blank.]

RENTAL HOUSING DEVELOPMENT ASSISTANCE
COUNCIL SUMMARY

In light of Austin's housing crisis of the late 1990s and current decade, Council approved two audits of City housing functions. Rental housing development assistance is the focus of this audit, as the related program serves our lowest income citizens.

The Neighborhood Housing and Community Development Office (NHCD), and its subsidiary Austin Housing Finance Corporation (AHFC), support rental housing creation and preservation through a number of strategies. We audited

- the projects of AHFC's Rental Housing Development Assistance (RHDA) program, and
- like-projects that, due to changes over time of organizational structure, have been implemented by other related programs.

Rental housing assistance refers to the provision of direct, partial financing for new construction or rehabilitation of affordable rental units. We found that through this assistance activity, RHDA has leveraged public and private funds for rental housing development at an average annual ratio of $6 for every dollar of City funds spent.

We found that in addition to demonstrating a positive output trend since fiscal year 1997, NHCD/AHFC has diversified the types of rental housing it funds, focusing on assisted, transitional, and low-moderate income rental units. According to available data, the majority of RHDA rental units serve families making less than 50 percent of area median family income, or $35,550 for a family of four in 2001. Of new projects initiated between FY 97 and FY 02, 529 units are completed and occupied, and 549 units are substantially underway.

While rental housing productivity and diversity trends are positive, NHCD/AHFC is not yet systematically collecting, reviewing, and verifying information from developers for the duration of the housing affordability period agreed to in loan contracts. This has resulted in

- approximately $52,000 in uncollected program income due to NHCD/AHFC on rental housing contracts from sold or foreclosed properties financed since FY 97,
- inability to provide assurance that funded housing is serving eligible tenants throughout affordability periods, and
- inability to report compliance with other contract requirements, throughout the affordability period.

Importantly, NHCD has an initiative underway to operationalize such a monitoring function. In some cases, we also found lack of documentation verifying initial occupants' eligibility. In this area too, AHFC has an initiative underway to complete these files.

NHCD does not currently measure and report the impact its services have upon achieving its mission to move people toward self-sufficiency. RHDA's demand, output, efficiency, and effectiveness measures can be improved by redefining some measures, disaggregating performance as it is currently reported, and aligning outcome measures with housing continuum concepts.

ACTION SUMMARY
RENTAL HOUSING DEVELOPMENT ASSISTANCE

Rec. #	**Recommendation Text**	**Management Concurrence**	**Status Proposed Implementation Date**

NHCD/AHFC has begun a number of initiatives to address internal control weaknesses. We recommend the continued implementation and completion of these initiatives:

01.	In order to ensure that accounting for housing-related single-purpose entities is performed fully and timely, the Community Development Officer should continue to strengthen the accounting role for these entities and ensure accountability through continuous monitoring.	Concur	Implemented October 2002
02.	To manage records in an efficient and effective manner, the Community Development Officer should ensure the establishment of a centrally located filing system that includes an indexing system, allows access to any file within a short period of time, and complies with NHCD/AHFC internal policy VII.A.1 for reporting.	Concur	Underway May 2004
03.	To ensure that NHCD/AHFC's newly piloted Oracle information management system is effective, the Community Development Officer should monitor deployment of the new system, and ensure that staff is trained to effectively use the system.	Concur	Underway April 2003

Rec. #	Recommendation Text	Management Concurrence	Status Proposed Implementation Date
04.	The Community Development Officer should continue to ensure that file deficiencies are identified and corrected for all open rental housing contracts still within their affordability period.	Concur	Underway September 2003
05.	In order to more easily manage and monitor the NHCD/AHFC rental housing inventory, the Community Development Officer should ensure that staff responsible for long-term monitoring continue to design, implement, and maintain a system to systematically check contract compliance with lien documents and detect lost or ineligible units. This system should yield: • the baseline number of rental housing contracts within their affordability period, • the number of rental units gained and lost each year, and • the income levels of tenants served by units funded.	Concur	Underway April 2003
06.	In order to efficiently collect documentation about rental housing occupants, the Community Development Officer should ensure that staff responsible for long-term monitoring continue to notify project developers of documentation deadlines for contracts within their affordability period.	Concur	Implemented April 2002

Rec. #	Recommendation Text	Management Concurrence	Status Proposed Implementation Date
In order to further improve internal control, we recommend the following:			
07.	In order to ensure accountable and effective use of housing funds, the Community Development Officer should ensure that loan contracts with Community Development Housing Organizations (CHDOs) specify the acceptable uses and time frames for expenditure of program income realized on City-funded projects and that income be spent on Austin housing development.	Partially Concur	Implemented March 2002
08.	In order to verify loan terms are appropriately enforced, the Community Development Officer should require loan officers to apply the methodology for borrower payoff as stated in the Note, and to document the calculation of those payoffs within project files.	Concur	Underway March 2003
09.	In order to control complex housing operations throughout the lifecycle of housing projects (from inception through affordability period), the Community Development Officer should assign and align accountability roles according to the recently drafted AHFC Project Underwriting, Development, and Management system.	Concur	Underway March 2003

Rec. #	Recommendation Text	Management Concurrence	Status Proposed Implementation Date
10.	To have the capability to assemble a complete inventory of all funded projects, including those within their affordability period, the Community Development Officer should continue efforts to ensure the reliability and completeness of the following information systems within the scope of their designated purpose: Nortridge, IDIS, and the long-term monitoring database. In addition, the Community Development Officer should ensure that all future projects from inception through their affordability period, whether funded by federal, state, local, or private funds, are entered into the new Oracle database.	Concur	Underway April 2003
11.	The Community Development Officer should reexamine the current family of performance measures for rental housing development and determine whether those measures appropriately reflect the activities of the program and provide useful information to stakeholders. For example, disaggregating measures by type of project, e.g. construction versus rehabilitation, would provide more meaningful information for stakeholders.	Concur	Planned March 2004

Rec. #	Recommendation Text	Management Concurrence	Status Proposed Implementation Date
12.	In order to demonstrate that the RHDA program contributes to movement on the housing continuum to a number of beneficiary households, and to further operationalize the continuum concept as a way to evaluate performance results, the Community Development Officer should, in collaboration with RHDA program staff and developers, negotiate a contract in the next calendar year that pilots the collection of data on tenants' housing type and quality prior to becoming housed in an RHDA-funded unit. This requires identifying a developer-partner willing to collect this type of tenant information.	Disagree	

[This page intentionally left blank.]

RENTAL HOUSING DEVELOPMENT ASSISTANCE
TABLE OF CONTENTS

CHAPTER 1: BACKGROUND, OBJECTIVES, SCOPE & METHODOLOGY

CHAPTER 2: PROGRAM PERFORMANCE

CHAPTER 3: AGENCY and PROGRAM ADMINISTRATION

Exhibits

Appendices

CHAPTER 1
BACKGROUND

Neighborhood Housing and Community Development and the Austin Housing Finance Corporation implement the City of Austin's affordable rental housing strategies for serving low- to moderate-income families.

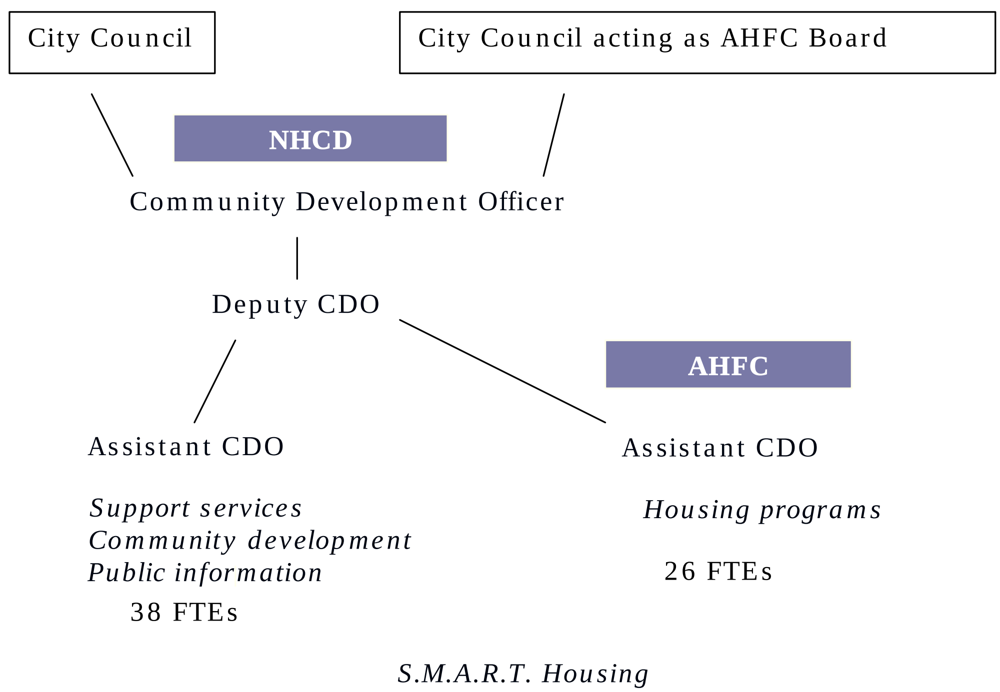
The Neighborhood Housing and Community Development Office (NHCD) contracts with its nonprofit affiliate to implement housing strategies for serving low- and moderate-income households. Rental housing acquisition, construction, and rehabilitation activities enjoy a significant portion of housing funding, which is used as a project-financing product by the Rental Housing Development Assistance (RHDA) and Community Housing Development Organization (CHDO) programs.

NHCD oversees a number of programs designed to provide affordable housing to families making less than 80 percent of Austin's median family income. To describe the scope of its housing policy and supporting activities, NHCD uses the concept of a housing "continuum" comprising eight graduating steps, from emergency shelters to owner-occupied housing. According to current policy, NHCD invests in these diverse housing types and beneficiary populations, rather than devoting its resources to one housing type or family income strata.

To fulfill its annual plans, NHCD contracts with its nonprofit affiliate, Austin Housing Finance Corporation (AHFC), to implement housing strategies and deliver housing services. The majority of the City's housing activities are carried out by AHFC, with the consent and oversight of NHCD. In this arrangement, NHCD is the participating jurisdiction for receipt of federal funds, and AHFC is its primary sub-recipient of these funds. While legally a separate entity from the City of Austin, AHFC looks like a branch of the City government, as the City Council serves as its Board of Directors, its staff is on the City's payroll, and its most senior manager reports directly to the Deputy Community Development Officer of NHCD. In 1999, management transferred housing staff from NHCD to the AHFC with the intent to more effectively implement housing strategies. Regulatory requirements governing Texas housing finance corporations differ from those governing the City of Austin. Notable among these differences is the AHFC purchasing rules, which require Board approval on RHDA or CHDO contract awards or loans exceeding $44,000 and all real estate purchases exceeding $250,000. Non-RHDA and CHDO contract awards exceeding $300,000 also go to the Board for approval.

Referring to NHCD and AHFC as one organization - NHCD/AHFC – can be useful. With regard to housing functions, NHCD's role is to coordinate the development of the City's annual and five-year consolidated housing plans, in compliance with federal rules governing the use of its funds, and to ensure that AHFC, a sub-recipient, achieves goals laid out in those plans. These two organizations must work with a shared vision in order to meet housing goals. Exhibit 1.1 is a simplified illustration of NHCD and AHFC functional areas and relationships.

EXHIBIT 1.1
Functional Areas and Reporting Relationships, NHCD/AHFC



SOURCE: Office of the City Auditor

Oversight responsibility through the life cycle of a City-financed rental project crosses from NHCD to AHFC and back, and requires the involvement of several specialized staff. Looking at NHCD/AHFC's contributions in the rental arena demonstrates the critical need to track the life cycle of rental housing investments throughout the life of the asset, from policy definition to release from the contract with the City. Briefly sketched below is an outline of that life cycle.

- First, NHCD annually facilitates the federally required community planning process, in order to formulate its housing policy and program budget allocation. The plan is approved by the City Council.

- AHFC, having been allocated funds through the budget process, adjusts its public notice of funds available accordingly.
- AHFC's rental housing staff works intensively with developers in project proposal review.
- AHFC and NHCD conduct pre-contract compliance and project eligibility review.
- Council, acting as the AHFC Board, approves contracts with developers when loans exceed $44,000.
- NHCD secures fund release, i.e., eligibility approval from Housing and Urban Development (HUD).
- AHFC staff monitor compliance through the service delivery phase.
- AHFC confirms initial tenant occupancy.
- NHCD compliance confirms close out of federal reporting requirements.
- AHFC's lien and other legal instruments protect the asset through the affordability period.
- AHFC releases lien, restrictive covenant, etc. at the close of the affordability period, or renegotiates the terms of the loan agreement.

AHFC's rental housing construction and rehabilitation activities enjoy significant funding. According to NHCD's FY 02 budget, the Rental Housing Development Assistance (RHDA) program received 17 percent of the total NHCD housing and community development budget. However, while RHDA is NHCD/AHFC's best-funded budget program over all, other programs such as the Housing Investment Program, CHDO program, SCIP I, and others, either have in the past or currently finance rental housing development. Current strategies for addressing needs in the rental-housing sector include:

- very limited tenant-based rental assistance,
- architectural barrier removal for renters (service is contracted out to a sub-recipient),
- low- to no-cost loans to developers of small and large scale rental projects in need of rehabilitation, which may include support for property acquisition (an RHDA strategy),
- low- to no-cost loans to developers of new, small and large scale rental housing, which may include support for land acquisition (an RHDA strategy), and
- using bond authority to attract private investment in affordable multifamily construction in Austin.

In this audit report, we look at RHDA's rental project loans, in addition to the few loans extended through an allied program for community housing development organizations (CHDOs). As of FY 03, CHDO program activities are now managed under either RHDA or the single-family acquisition and development program, depending on the CHDO's project housing type.

RHDA's foremost financial product is gap financing for acquisition, rehabilitation, new construction, or a combination of these. In essence, RHDA offers low-cost financing to bridge the gap between what low- to moderate- income households can afford in rent and the cost of financing available in the private market place. RHDA's equity investment is thus intended to reduce a developer's debt load (from private lending institutions) to a level that can be supported by low-income rents. This relationship between debt load and the future stream of projected rental income determines the viability of affordable housing projects, and should be the core consideration in project selection. The City thus makes rental housing affordable in two ways:

- by adding units to the supply of lower-cost housing, i.e. being competitive in the housing market and
- by reducing the cost of supplying that housing.

The RHDA program's main partners are housing developers, while NHCD is accountable to HUD and citizens for ensuring the social benefits to low-income residents of Austin.

The City uses a number of funding sources to finance rental development and rehabilitation.

Funding flows to support the cost of affordable housing production are highly complex, and developers typically partner with multiple investors to successfully finance and support projects. Besides federal entitlement grants, the City also uses fee waivers, some general fund dollars, and capital improvement project (CIP) and bond monies. See Exhibit 1.2 for a detailed presentation of funding sources and their flow through public agencies to renters.

The City uses federal entitlement grants to bridge gaps in rental development finance, often in combination with other funds. The federal government has annually awarded the City of Austin two formula-based grants: Home Investment Partnership Program (HOME) and Community Development Block Grant (CDBG) funds. Regulations for these two major City resources differ significantly. HOME funds must be spent on housing, and at initial occupancy 90 percent of HOME-funded units must serve households at 60 percent of area median family income (MFI) or below. Following initial occupancy, 80 percent of units must serve families at 80 percent MFI or below. Additionally, a portion (15 percent at a minimum) of HOME funds must be distributed to CHDO housing projects. In contrast, CDBG grant funding is more flexible in its application: 40 percent of beneficiary households must have incomes below 80 percent MFI. While CDBG-funded projects need not necessarily include housing, the City of Austin elects to use a significant part of its block grant on housing programs. NHCD is also in receipt of two other

Federal entitlement grants for housing, the Emergency Shelter Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA). NHCD sub-contracts out the administration of these grants to the City's Health and Human Services Department.

Development fee waivers further subsidize affordable rental housing. The City's S.M.A.R.T. Housing policy, originated in 2000, offers incentives to aid developers in the creation of affordable housing in the City of Austin. Eligibility for S.M.A.R.T. Housing fee waivers, like gap financing loans, is contingent on the income of families served and the proportion of family income being spent on housing. In addition to these waivers, Balcones Canyonland Conservation Plan (BCCP) credits present another example of fee waivers made available to an affordable housing developer. Based on its geographic location, one development in our scope was required to pay acreage fees linked to public habitat acquisition, yet secured BCCP waivers from the City in lieu of payment.

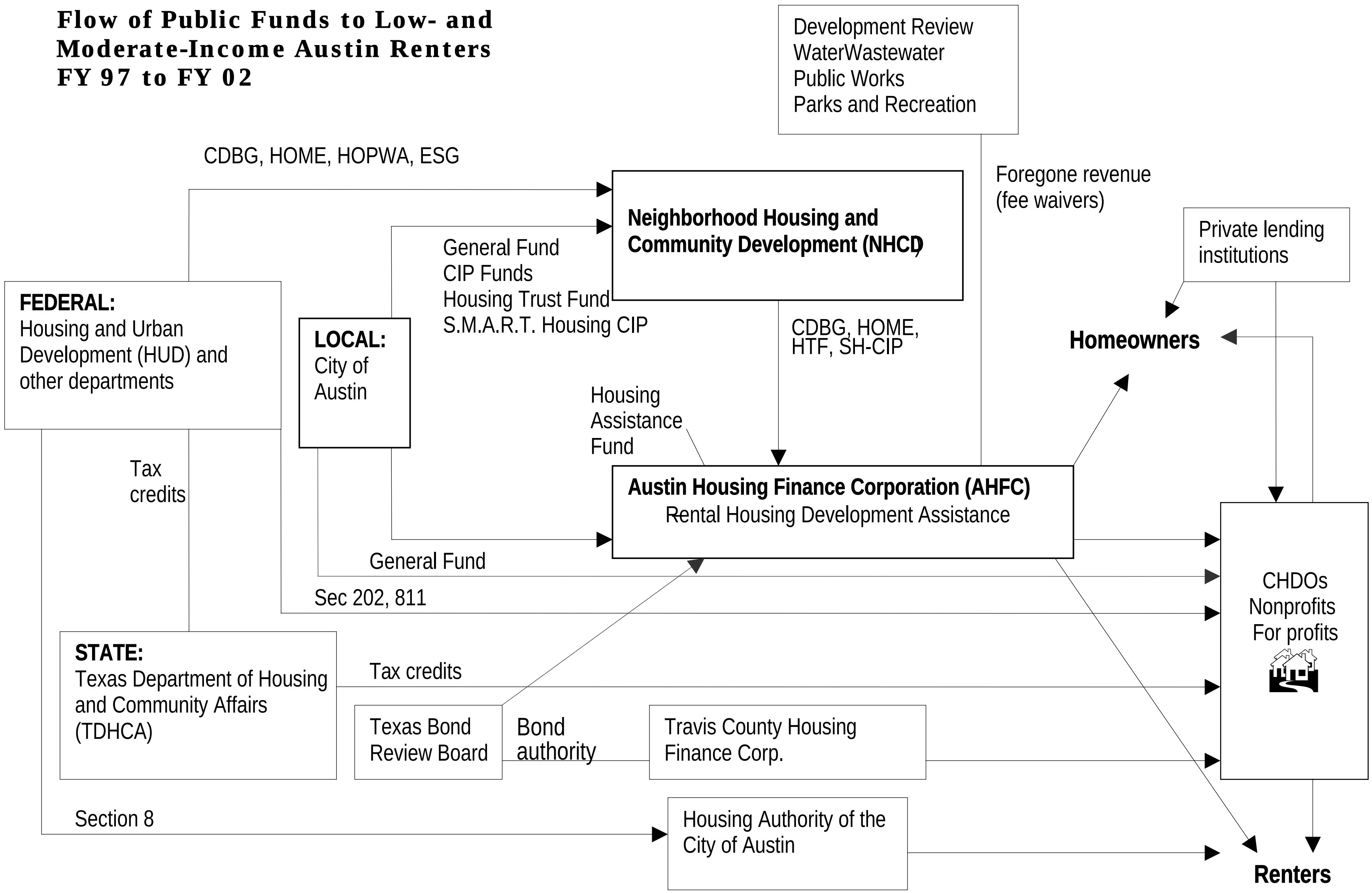
The City uses general fund dollars to support rental housing development. In FY 00, the City Council established the Housing Trust Fund Grant Program (HTF) by City ordinance in order to serve very low-income families. All HTF-funded units must serve households with incomes of 50 percent MFI and below. Since then, the Council has approved the transfer of $4 million of general funds to the HTF, 75 percent of which is earmarked for Rental Housing Development Assistance (RHDA) projects.

The City Council has approved a "S.M.A.R.T. Housing CIP" Fund (SH-CIP), which can be used on rental housing development. SH-CIP has two funding sources. First, Council approved transfers of $3 million each year from the Sustainability Fund to the SH-CIP fund over the FY03-05 period. In addition, the fund marginally benefits from the City of Austin's first mandated, dedicated revenue source for affordable housing funding specified by Council resolution (September 7, 2000). The resolution states that 40 percent of incremental tax revenues derived from eleven new developments in the Desired Development Zone are dedicated to a fund for rental housing development. SH-CIP received $100,000 infusions in FY 02 and FY 03 based on a methodology suggested in the resolution for calculating incremental tax revenues. None of this fund was used for rental development assistance in our scope.

AHFC's Housing Assistance Fund (HAF) originated in the late 1980s with the refinancing of bonds. The HAF is essentially AHFC's cash balance. The HAF has been used to fund special NHCD/AHFC projects, and rental housing development, drawing down the original corpus to an audited closing balance of $1.8 million at close of FY 01.

EXHIBIT 1.2

Flow of Public Funds to Low- and Moderate-Income Austin Renters FY 97 to FY 02



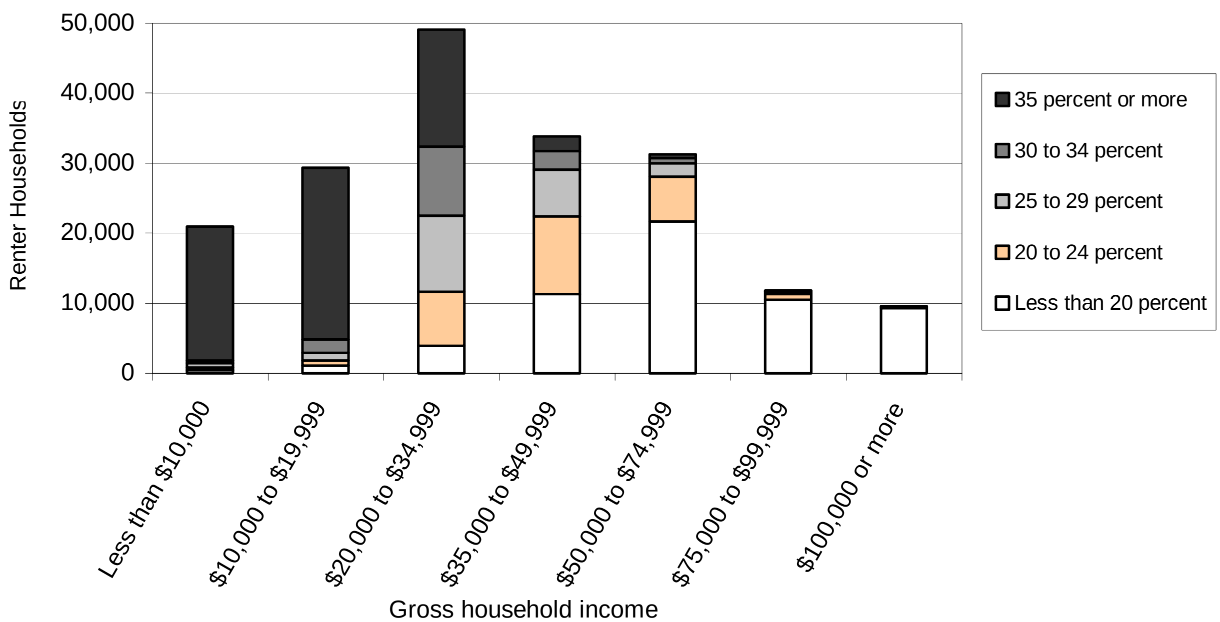
SOURCE: Auditor summary, after a diagram by the City of Portland Office of the City Auditor

Multiple players, including the City, ameliorate Austin's rental housing needs.

Austin renter households earning less than $20,000 typically spend more than 35 percent of their income on rent. A number of public agencies finance the development of rental housing in Austin affordable to low- and very low-income households. AHFC provided funding, or facilitated private investment with bond issues, for roughly 12 percent of all multifamily development in the City of Austin from 1997 to 2002.

Austin needs more affordable rental housing. Low- to middle-income households struggle to find affordable rental housing in Austin. A 2001 report by the Community Action Network indicated that half of all renters in the Austin metro area could not afford the average two-bedroom apartment at $820 per month if using only 30 percent of their income for housing. Census data from 1999 supported this finding, indicating that Austin residents often pay 35 percent or more of their income for housing, and that families earning no more than $35,000 bear more of a rent burden. Exhibit 1.3 illustrates percentages of gross household income paid towards rent. Due to limitations of available census data, household incomes could not be adjusted for family size, in keeping with HUD's conventions for expressing relative household incomes.

EXHIBIT 1.3
Rent Burden as Percent of Gross Household Income (incomes not adjusted for family size) Austin-San Marcos MSA, 1999



SOURCE: US Bureau of Census, 1999.

In 2001, the median family income (MFI) for a family of four in the Austin-San Marcos area, either homeowners or renters, was $68,000. A four-person household at 50 percent MFI made an estimated $35,550 in gross household income.

NHCD/AHFC is one participant in a group of public agencies that is financing the development of affordable rental housing to meet local need. The need for affordable housing is addressed not by the City alone, but also by the state, county and federal governments, private foundations and lending institutions. Affordable housing developers typically use layers of low-cost financial resources in order to ensure debt loads are sufficiently supported by low-income rents. In order to give a sense of the relative size of NHCD/AHFC's contribution to Austin-area rental development, Exhibits 1.4 and 1.5 illustrate state, county and city financing activities and the gross multifamily development trend of the last six years. Not included in these tables are projects for which federal funds were used when *not* used in combination with a Texas-based source of finance.

Note that the term 'multifamily' used in Exhibit 1.4's column headings refers to large-scale project units. For RHDA, however, in Exhibit 1.5, the heading used is "rental units." Unlike tax credit and bond programs, RHDA supports both large-scale multifamily projects and smaller scale rentals that are single-family neighborhood properties.

EXHIBIT 1.4
New Construction of Multifamily Housing
1997-2002

	PERMITS ISSUED on ALL MULTIFAMILY UNITS *Fiscal Year*			**LOW/MOD MULTIFAMILY UNITS financed with Tax Credits** *Calendar Year*		
Year	**Within City limits**	Austin Region*	Share within City limits, all MF	**Within City limits**	Austin Region*	Tax credit-financed MF within City limits
1997	5,261	5,291	99%	96	611	16%
1998	5,134	5,184	99%	469	723	65%
1999	5,729	5,939	96%	543	930	58%
2000	7,155	8,355	86%	1,105	1,761	63%
2001	5,242	6,052	87%	1,077	1,462	74%
2002**	5,095	5,841	87%	520	596	87%
Totals	**33,616**	36,662		**3,810**	6,083	

SOURCES: City of Austin PIER database, Real Estate Center, Texas A&M University,
* The Austin Region is defined here as the Austin Metropolitan Statistical Area, or the five county collection of: Bastrop, Caldwell, Hays, Travis and Williamson.
** August and September Regional permit data are estimated, City of Austin figures are actual.

Exhibit 1.4 shows the total number of permits issued each year for multifamily rental housing located in the Austin metropolitan statistical area, and the subset of those permits issued for units within the Austin city limits. The table lists the number of units financed with low-income housing tax credits (LIHTC) issued by the State, and the sub-set of these units located in the City of Austin.

As shown in the exhibit, the City of Austin has been receiving a greater share of tax-credit financed, low-mod units even though its share of the region's multifamily construction in general is decreasing.

Exhibit 1.5 indicates the total outputs of AHFC's bond financing and RHDA programs, in terms of rental units financed and completed or substantially underway. Also indicated are counts of units where the developer of the units used tax credits in combination with RHDA or bond financing. The exhibit presents county bond-financed, low-income housing, the vast majority of which is built within the City limits. When the data below is adjusted for duplicates, AHFC provided funding or facilitated investment (through bond issues) for roughly 11 percent of all multifamily development in the City of Austin in the six year period, or 3,664 *unduplicated* units of rental housing.

EXHIBIT 1.5
City and County Rental Units
Approved for Development Finance Loans
1997-2002

	CITY OF AUSTIN				COUNTY	
	LOW/MOD MULTIFMILY UNITS financed with AHFC BONDs *Calendar Year*		**LOW/MOD RENTAL UNITS financed through AHFC RHDA Program** *Calendar Year*		**LOW/MOD MULTIFAMILY UNITS financed withTravis County Housing Finance Corporation Bonds** *Calendar Year*	
Year	Program Total	Funds combined with tax credits	Program Total	Funds combined with tax credits &/or AHFC bonds	Program Total	Funds combined with City &/or state
1997	288	0	228	13	ND	ND
1998	294	0	219	0	314	0
1999	222	0	67	0	156	0
2000	934	734	440	410	250	250
2001	696	696	238	176	812	0
2002	280	280	94	0	930	490
Totals	**2714**	1710	**1286**	599	**2462**	740

SOURCES: AHFC files, other date from Travis County Housing Finance Corporation
ND = no data

Notable here is that AHFC's multi-family bonds have recently been combined with tax credits in project financing packages. With regard to RHDA rental projects, RHDA funds have been combined with AHFC bonds and/or tax credits for about 50 percent of units.

[The balance of this page is intentionally left blank.]

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

How well has Rental Housing Development Assistance (RHDA) performed in the last six years? In light of the housing crisis in Austin in the late 90s and the new decade, Council approved two audits of City housing functions. The Office of the City Auditor issued the first report in May 2002, looking at the City's new S.M.A.R.T. Housing policy and related activity. We selected the RHDA program for our second housing audit based on three main considerations:

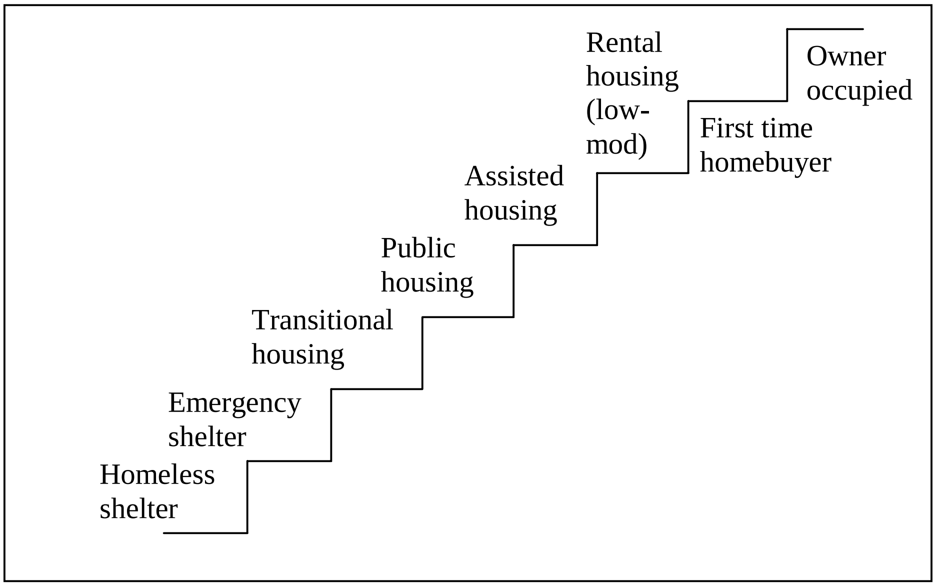
- RHDA's budget is approximately one fifth of the housing and community development budget as a whole.
- Program benefits accrue to low- and very low-income households.
- Program performance information, while compliant with federal requirements, is limited.

In addition to reviewing all RHDA projects, we had to look at a small number of rental development projects initiated under the auspices of other Neighborhood Housing and Community Development/Austin Housing Finance Corporation programs, in order to pick up all projects in the rental housing development category. This approach is consistent with the department's housing continuum concept that organizes all housing activities across graduating steps, or categories, of housing types regardless of program or strategy. See Exhibit 1.6 on the following page.

Six sub-objectives guided our fieldwork.

- What trends can be observed in output volume of City-funded rental projects?
- Is the City meeting its bottom line: is it serving income-eligible families for the length of the agreed affordability period?
- How efficient is RHDA's use of housing funds, as measured by the leveraged portion of total project cost?
- How effectively has the City capitalized on available funding sources?
- How do customers rate their satisfaction with program services and staff?
- How effective are the systems and processes that support achievement of mission and goals?

EXHIBIT 1. 6
Housing Continuum Model



SOURCE: City of Austin Consolidated Plan, 2000-2005.

Scope

Our audit scope covered loan contracts for rental housing acquisition, development and rehabilitation dating from FY 97 to FY 02. In addition, we touch on open rental project contracts initiated prior to this scope in the event that the contract agreement included revenues for the City within the FY 97 to FY 02 period.

We reviewed gap loans extended through RHDA and its predecessor programs to developers of multifamily projects and single family or duplex investment properties over a six-year period. In addition, we included all CHDO Program rental projects within the FY 97 to FY 02 time frame. This scope comprises 32 projects, or 1,300 rental units. See Appendix B for details. In order to present a picture of most current NHCD/AHFC rental development activity, our scope includes projects where development is significantly underway but not yet completed; this differs from HUD's reporting requirement, which tabulates only units of rental housing that are completed and occupied by income-eligible tenants.

Rental activities excluded from the scope are the City's tenant-based rental assistance (TBRA), architectural barrier removal (ABR) services for rental property tenants, two special rental housing projects managed outside the RHDA and CHDO programs, and AHFC's multifamily bond financing activities. Comparatively, rental assistance and barrier removal strategies command smaller program budgets than rental development: $554,000 for TBRA and $500,946 for rental ABR in FY 02. (ABR's total budget was $1.9 million for FY 02, when including funds for barrier removal in owner-occupied homes.) The Anderson Hill development (originated as its own program called SCIP II) and the Colony Park project (just within the acquisition stage of development) may include rental components but are excluded from the scope, as plans for rental components to these projects are not in the construction phase. Multifamily bond financing has a small budget, as its outputs are financed entirely through private bond investors. Our scope also excludes all activities and strategies serving homeless persons and homeowners.

While we did analyze property appraisal data to estimate revenues that are forgone by the City in support of nonprofit housing organizations that are developing rental housing, we did not analyze new property taxes that may be generated by for-profit agencies developing affordable housing. We also did not identify a good methodology for quantifying the impact, if any, of developing or rehabilitating rental housing in the City on utility billings and sales tax revenues.

Also, we did not audit the methodologies used to calculate rents in these various RHDA-assisted housing projects; a criterion for such a test would be the standard 30 percent of gross household income. We also did not expressly audit compliance with federal regulations.

Methodologies

In the course of fieldwork, we built an Access database to compile information gathered from sources within NHCD/AHFC, as well as from the Travis County Appraisal District and City Clerk. We interviewed staff in order to develop a complete list of loans made to housing-related projects; the limited number of loans in the last six fiscal years (32) allowed us to test 100 percent of these cases. We reviewed case file contents such as financing statements, terms of contract, original applications for funds, and payment vouchers. In limited cases, we obtained legal documents on file with the county but absent from case files. We obtained loan servicing reports and accounting data from financial managers and loan officers concerning program income. We also coupled data available from the International City/County Management Association (ICMA) with our own calls to other cities, in order to assess the sufficiency of the City's approach to funding affordable rental housing development. To get an overview of housing operations, and then to evaluate the control environment and causes for performance issues, we talked to many NHCD/AHFC staff.

This work was conducted in accordance with generally accepted government auditing standards.

[The balance of this page is intentionally left blank.]

CHAPTER 2
PROGRAM PERFORMANCE

Neighborhood Housing and Community Development, through its subsidiary Austin Housing Finance Corporation, has funded developments that supply much needed low- and moderate-income rental housing.

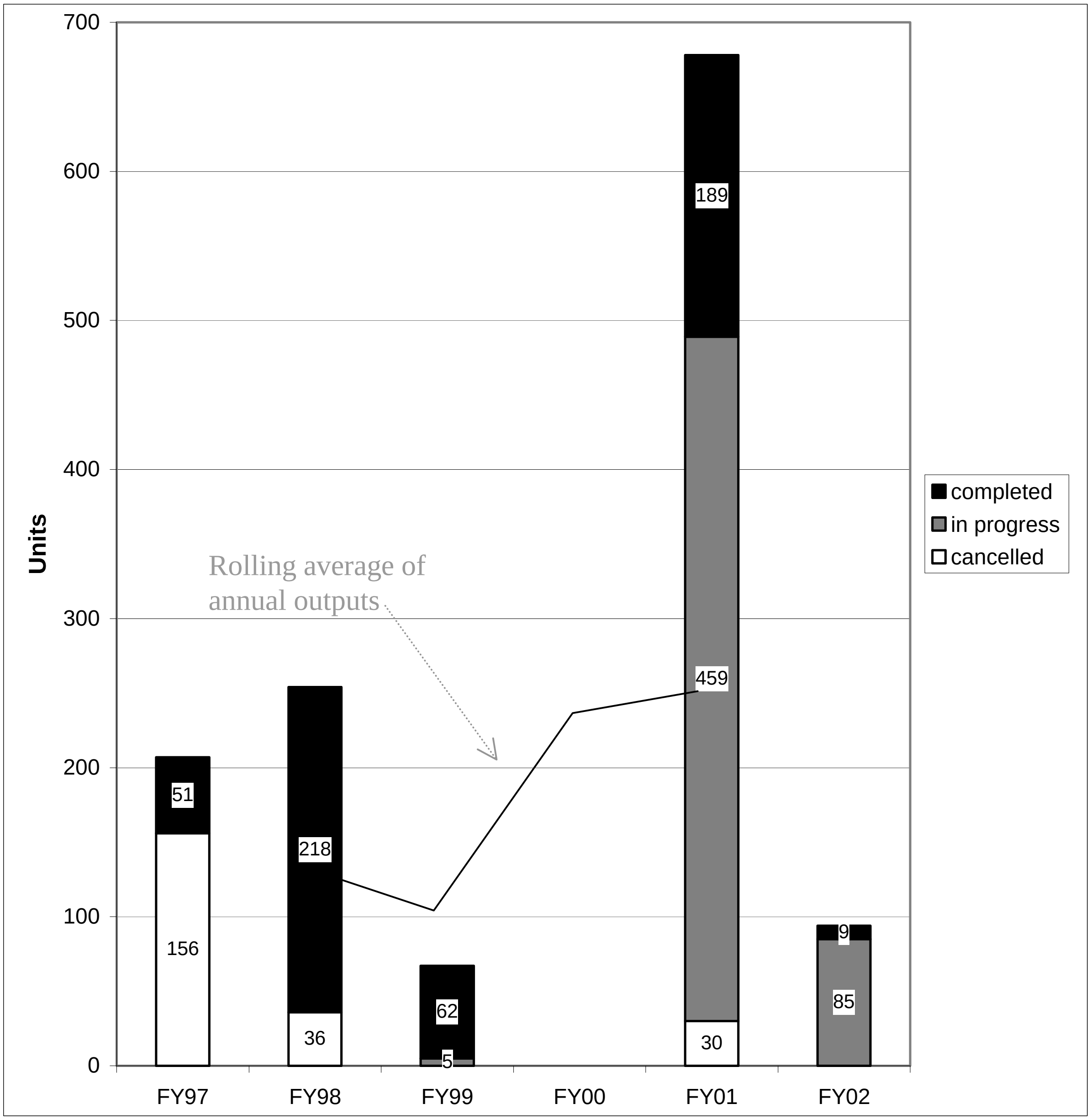
In addition to demonstrating a positive output trend, NHCD/AHFC has diversified the types of rental housing it funds, focusing on assisted, transitional, and low-moderate income rental units in the more recent years of our scope. According to available data, the majority of NHCD/AHFC-financed rental units serve families making less than 50 percent of area median family income.

From FY 97 to FY 02, NHCD/AHFC productivity trends improved in terms of the number of rental units funded. Within our scope, AHFC partially funded 32 rental projects through the Rental Housing Development Assistance (RHDA) program or related programs. While annual outputs fluctuated sharply over this six-year period, the general trend was positive. The 32 projects comprise 529 units completed and occupied, 549 units substantially underway, and an additional 222 units initiated but cancelled. See Appendix B for details. Cancelled projects are those for which AHFC committed funding, but the projects were never completed. Funds returned to HUD on such projects are ultimately returned to the City as entitlement for reinvestment.

RHDA's positive productivity trend coincides with NHCD/AHFC efforts to achieve a broad production capacity goal. Strategizing to increase its impact on the supply of affordable housing, NHCD/AHFC has pursued a goal over the last three years to expand its capacity and reach a 5,000-unit annual output capacity by FY 05. Departmentwide outputs may be newly constructed or purchased units financed through an AHFC program (created), or units made decent through rehabilitation and repair (retained). RHDA, which provides gap financing for rental housing projects, is a significant contributor to meeting this target.

The chart below presents rental units, both newly constructed and rehabilitated, funded each fiscal year. The spikes and dips evident in this graph are attributable in part to the length of the front-end processes of the project life cycle. In FY 00, RHDA staff negotiated some projects that failed to result in a project loan agreement; hence the reported output of zero funded units. In light of the natural volatility in annual outputs, we have chosen to overlay a "smoothed" line indicating a rolling average for FYs 99-01. To explain, the FY 00 data point is an average of three years – FYs 1999, 2000, and 2001. In FY 01, a spike in output reflects two cases (or 336 units) out of all 32 cases in the scope where AHFC bond financing was combined with RHDA funds, enabling higher outputs for the program.

EXHIBIT 2.1
Rental Units Funded by Fiscal Year, FY 97 - FY 02



SOURCE: OCA analysis, Appendix B, as of 11/1/02.

Since FY 97, AHFC has made significant contributions to developing affordable rental housing units by providing financing assistance to developers. As shown in Exhibit 2.1, in FY 97, RHDA originated loans for only 51 units that reached completion, while in FY 01 originating loans on over 600 units, many of them currently under construction. Most recently, in FY 02, RHDA partially funded construction of 94 units. In FY 97, RHDA successfully assisted small-scale projects, while in FY 01 and FY 02 the program pursued larger projects. In FY 97 most loans paid for rehabilitation of one- or two-unit single-family rental housing, while the typical project of FY 01 was a large multifamily project, such as the 250-unit Fort Branch apartments.

In addition to the expanding productivity trend, NHCD/AHFC has turned its focus to providing special needs housing in recent years through RHDA. Austin has a shortage of special needs housing, such as senior, transitional, and supportive housing for individuals with physical or mental disabilities. By definition, transitional housing caps the length of stay at 24 months, serving people transitioning from either homelessness or temporary housing situations, to rental housing. Since FY 97, the types of AHFC-assisted projects indicate an increased focus on serving special needs populations.

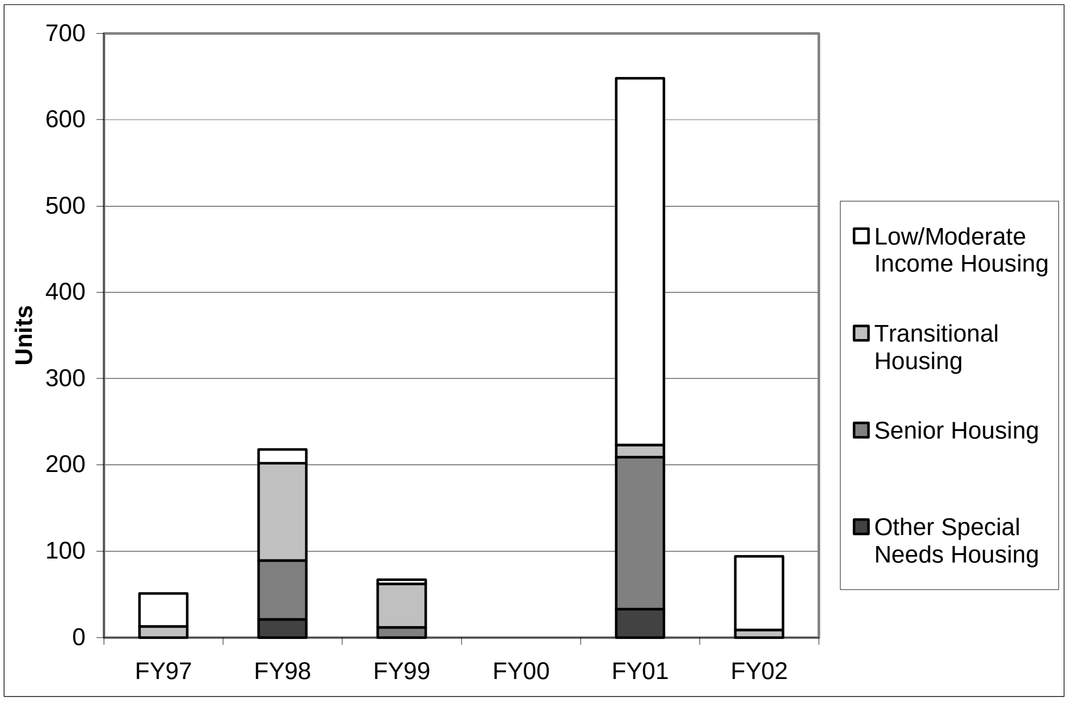
In FY 97, only one NHCD/AHFC project comprising 13 units served a special needs population and included supportive services. Most of the projects funded in FY 97 were single-family, investor-owned properties. However, in FY 01 and FY 02, more than half of the projects funded, or 392 units, either served special needs populations or included supportive services, such as job training or case management.

Newer RHDA projects offer supportive services for tenants of low- and moderate-income rental housing. For example, the Southwest Trails project is a 160-unit development for low- and moderate-income tenants and includes residential services such as youth programs and literacy classes. Also, the Garden Terrace project is an 85-unit rehabilitation project that offers supportive services, including case management, to its residents.

A 1999 report by the Community Action Network determined that near the end of FY 98, transitional housing served only 209 individuals and families, while over 1,000 applicants were denied services due to a shortage in supply. Since that time, RHDA-assisted projects have created an additional 73 units of transitional housing serving more than 180 individuals and families.

Recent RHDA-assisted projects also serve other special needs populations including seniors, people with HIV/AIDS, and people with mental illness. The graph below indicates this increase. These housing projects often include additional supportive services for residents.

EXHIBIT 2.2
Rental Units Completed or Substantially Underway by Population Served, FY 97 - FY 02

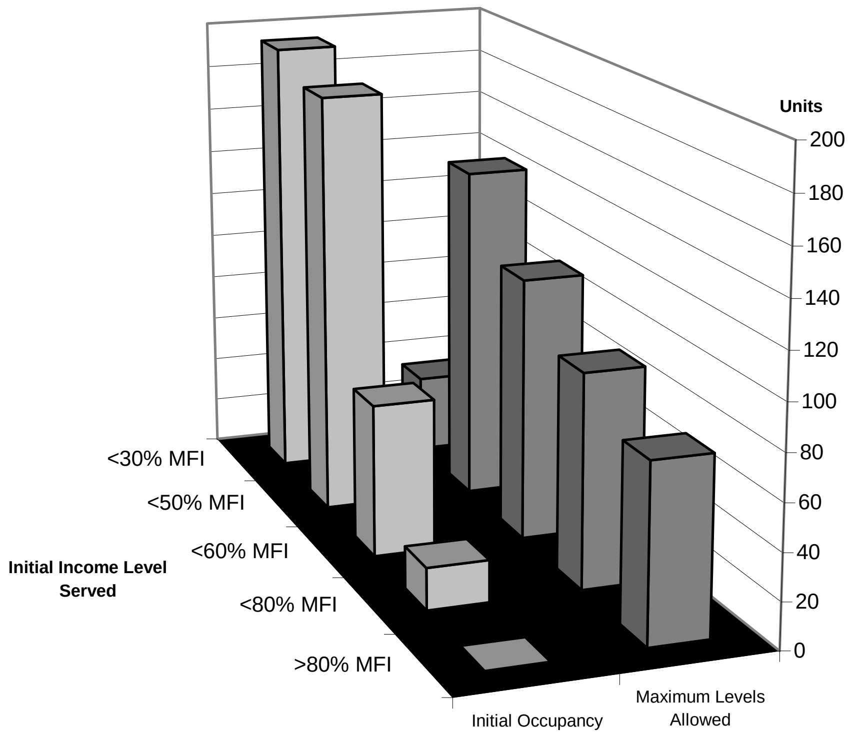


SOURCE: OCA analysis, as of 11/1/02.

According to available data, the majority of RHDA-financed rental units serve families making less than 50 percent of area median family income. HUD establishes eligibility requirements explicitly designed to expand the supply of affordable housing for low- and very low-income households. Eligibility requirements vary by loan and project, but most projects must serve a certain percentage of units at less than 80 percent, less than 50 percent, and less than 30 percent MFI. These ceilings allow funded projects to serve more than the minimum requirement at lower income levels and serve very low-income households in the place of low-income households.

For the RHDA projects with initial occupancy reports on file, reported tenant incomes were in compliance with allowances and, in most cases, units served many more lower income households than the contract required. For example, one project's contract allowance indicated that nine units should serve households making 80 percent or less of the median family income. In actuality, all nine of the units served households making 50 percent or less of the median family income. Exhibit 2.3 compares contract requirements and actual income level of initial occupants for new units FY 97 to FY 02.

EXHIBIT 2.3
Units by Initial Income Level Served, FY 97 – FY 02



SOURCE: OCA analysis of initial occupancy in 15 available case files, as of 11/1/02.

Many types of RHDA-financed projects tend to serve families at the lowest level of family income. Transitional housing projects, for example, often serve primarily residents at less than 30 percent of the median family income. In four out of five of the transitional housing projects we reviewed, all of the initial occupants had incomes falling into the less-than-30 percent MFI range.

As shown on the chart above, more units initially served households with less than 50 percent MFI than specified in original contracts. As a result, however, families who make between 50 and 80 percent of the median family income are not being served to levels allowed in project contracts.

While efforts to track rental housing contracts during the affordability period are underway, NHCD/AHFC cannot report the status of many of these contracts.

While rental housing productivity and diversity trends are positive, NHCD/AHFC has not continuously monitored the affordability period agreed to in contracts with those developers providing affordable housing. This results in an inability to report current compliance status of open contracts initiated within our scope. Importantly, NHCD has an initiative underway to operationalize such a monitoring function, and this initiative is discussed in more detail in Chapter 3. In some cases, we also found lack of documentation verifying initial occupants' eligibility. In this area too, AHFC has an initiative underway to complete these files.

NHCD/AHFC files lack documentation verifying tenant eligibility through the span of the affordability period, and in fewer cases lack information regarding initial occupancy of new units. AHFC loan contracts establish specific requirements for tenant eligibility for both initial occupancy and the life of the contract. In order to satisfy HUD requirements, the program manager must obtain initial occupancy reports, which document gross household incomes and the rents charged to the first tenant households to reside in units once constructed or rehabilitated. Each contract further specifies an affordability period, ranging from five to 20 years in the projects we reviewed. Throughout the affordability period, project owners must rent units to income-eligible tenants.

In our review of file documentation regarding initial and affordability period tenant eligibility reporting, we noted that documentation of income-eligible tenants was not present in many files. Initial occupancy reports were only available in files for 15 of the 23 completed projects. (Exhibit 2.3 presents this initial tenant income data made available during our fieldwork.) Affordability period reports, subsequent to initial occupancy, were available for only 3 of the 19 projects that are completed and have been in operation for more than one year, thus creating barriers to verifying compliance.

Without exception, all AHFC staff we spoke to, in addition to NHCD staff, refer to projects as "old" once the construction or rehabilitation is complete and the units are occupied. This may reflect AHFC's functional emphasis on assisting developers, and NHCD's focus on goals for units created or retained. Production goals may have promoted a lack of attention to tracking and verifying tenant eligibility following initial occupancy.

Currently, initiatives are underway at NHCD/AHFC to operationalize long-term monitoring and improve case file management. In 2001, NHCD employed an individual to develop a long-term monitoring function. In 2002, this staff person concentrated on establishing baselines for rental housing project monitoring. The staff member began work by reviewing some of the same rental projects that we examined; in addition, our scope included rental projects initiated under the CHDO and other programs. NHCD's initiative resembles efforts made in other cities, such as the Portland Development Commission's Asset Management function and Seattle's and Dallas' now-defunct monitoring functions, designed to provide compliance assurance and asset management. Termination of monitoring frameworks employed in the latter two cities suggests that the NHCD/AHFC initiative is inherently at risk.

AHFC has also continued to pursue an initiative to restore initial occupancy documentation to all rental housing files.

The City draws upon several funding sources for rental housing development, although there are opportunities to develop other sources.

The City has used entitlement, general, and special funds, in addition to development fee waivers, to subsidize the costs associated with acquisition, development, and rehabilitation of rental housing. Forgone taxes on some of the rental development projects present additional "costs" absorbed by the City; we did not develop a methodology to estimate any impacts on utility or sales tax revenues that such development may have.

NHCD/AHFC uses entitlement and nonentitlement funding to enable the development of affordable rental housing. The City draws upon several sources for rental housing development, as outlined in Chapter 1. The chart below indicates City funding source types and amounts used for the 32 projects within our scope of review. As indicated in Appendix C, project costs are often financed with multiple layers of City, other public, and private funds. See also Exhibit 1.2, which describes funding flows.

According to case files, federal entitlement funds contributed just over half the funds used to support RHDA low- to no-interest loans for rental housing development. Development fee waivers comprised 3 percent of project costs contributed by the City, since the inception of the S.M.A.R.T. Housing program in April 2000. The Housing Trust Fund was a significant contributor at 12 percent of all funds. One project, SafePlace's transitional housing, benefited from direct general fund support, constituting roughly one quarter of all funding used over the last six fiscal years.

EXHIBIT 2.4
City of Austin Sources for Rental Housing Projects, Funded FY 97 – FY 02

FUNDING SOURCE	PROJECTS	FUNDING	
HOME (federal entitlement)	16	$2,813,110	22%
CDBG (federal entitlement)	17	$4,615,426	36%
Development fee waivers (S.M.A.R.T. Housing, FYs 00-02)	7	$448,776	3%
Housing Trust Fund (FYs 00-02)	3	$1,500,000	12%
Housing Assistance Fund (an AHFC fund)	1 (Primrose)	$500,000	4%
City General Fund	1 (SafePlace)	$3,000,000	23%
Balcones Canyonland Conservation Plan Credits	1 (Southwest Trails)	$30,000	<1%
Subtotal		**$12,907,312**	**100%**
Property tax exemptions (estimate)	19	≈ $81,680	
Total		**≈ $12,988,992**	

SOURCE: OCA analysis of AHFC's Rental Housing Projects FY 97-02, as of 11/1/02.
NOTE: Projects can receive multiple sources of funding.

The Housing Trust Fund (HTF) is not linked to a dedicated revenue source, putting the fund at risk in times of budget austerity. According to housing literature, local government housing trust funds are characterized by their linkage to dedicated, on-going revenue sources. The City Council has dedicated such a source to the S.M.A.R.T. Housing CIP Fund (a fund which was not used for projects within our scope) rather than the HTF. Austin's HTF is supported by general fund appropriations, not a dedicated revenue source.

A survey of 34 cities regarding housing trust funds indicated that most revenue sources are associated with land development activity, secondly with local property, sales, and use taxes. According to trust fund research, the most common and most productive dedicated source is charges on new development. (The City adopted a policy, at roughly the same time as the HTF, to waive fees on new affordable housing development only.) Counties surveyed, by and large, use deed and mortgage recording fees to fund their housing trust funds.

For RHDA, the HTF has been a significant source of financing; the program has so far drawn $1.5 million of the $3 million earmarked for RHDA projects. To date, Council has approved transfer of $4 million to the HTF. In FY02, Council dedicated $1.25 million of HTF to repay HUD on the failed FY 97 Vision Village project. Management expects this money, once returned to NHCD as new entitlement funds, to be used by RHDA for new affordable rental housing projects.

In addition to contributing the funding above, the City also foregoes property taxes for nonprofit developers. According to property tax law, charitable organizations and government property are exempt. Also included in Exhibit 2.4 is our estimate of property taxes that the City has foregone due to exemption rules. Using data readily available from the Travis County Appraisal District and a web-based property appraisal tool, we estimated the property tax exemptions benefiting CHDO-, not-for-profit-, and City-owned rental housing projects. Within the audit scope, the City forewent an estimated $81,680 in property taxes on projects originating since FY 97. All taxing entities forewent an estimated $448,600 in total on these projects. We can only estimate foregone taxes because properties are no longer assigned a market value once removed from the tax rolls.

In one special case, Primrose at Shadow Creek, the benefits of City government tax exemptions accrue to the City's own single asset entity called Arbor Housing Partners, Limited. In this case, the City owns and leases land to the developer. City staff refer to this financing arrangement as Austin's answer to tax increment financing, an approach to affordable housing finance where

EXHIBIT 2.5
Financing Tools for Rental Housing in Austin and Other Cities

	CDBG	HOME	Fee waivers	Multi-family Bonds	Local Housing Fund	General Fund	Property Tax Exemption	Federal Home Loan Bank	Housing Levy	Tax Increment Finance	Transfer Devt. Rights
Austin	✓	✓	✓	✓	✓	✓	✓	✓			
Houston	✓	✓		✓	✓						
Phoenix	✓	✓		✓							
Portland	✓	✓				✓	✓			✓	
Seattle	✓	✓			✓			✓	✓		✓
Tucson	✓	✓									

SOURCE: Data was self-reported to the International City/County Management Association (ICMA) in FY 00. Self-reported Austin data, in addition to some ICMA data, is supplemented with audit evidence.

taxing entities mutually agree to return taxes to the benefit of a project or geographic region. Because the City is exempt from paying property taxes, the City's ownership of the land takes this senior living project off the tax rolls. AHFC won a special recognition award from the Texas Association of Local Financing (Organizations) for structuring this deal.

Additional opportunities exist for financing rental housing projects. For the most part, Austin is using the same or more sources of funding than other cities for rental housing. However, some additional opportunities exist for financing rental housing projects. As previously discussed in this chapter, dedicating resources to the Housing Trust Fund is one way to expand financing options for rental projects. In our research on how other communities are financing rental properties, illustrated in Exhibit 2.5, we found one community using a housing levy, a voter-approved tax on property owners, exclusively dedicated to regional housing projects. Seattle also uses transfer of development rights (TDR). To implement a TDR program, the local legislature identifies a "sending district" of the desired zoning, and a "receiving district" for desired development. If Austin adopted such tools, RHDA would not necessarily be the administrator of any one of these programs.

Since 1997, RHDA has effectively used City funds to leverage additional public and private funds for rental housing development at an average annual ratio of 1 to 6.

Using a variety of City-controlled funding sources, NHCD/AHFC has leveraged significant funds for rental housing development. The City uses funding sources, described in the previous section and shown in Exhibit 2.4, to leverage other public and private funds. To achieve the most efficient use of funds, AHFC staff requires loan applicants to have identified other sources of investment, grants, loans, and donations for their proposed projects. Each project proposal presents a different set of opportunities and constraints, weighted by a "desirability factor" of the housing type. The application assessment tool rates special needs housing or housing with supportive services as more desirable than low-moderate housing without these services. While each project application presents unique considerations for review and approval, the efficiency of the City's use of its limited federal entitlement funds and other available City sources is fairly indicated by the proportion of total project funds leveraged from non-City sources.

Current guidelines oblige RHDA to finance no more than 50 percent of a project's cost. Note that different guidelines govern CHDO program investments. So the four project loans that were managed by the CHDO program operate without caps on developer equity or on the City's portion of total project funding. However, CHDO funds do require a local match to the grant. For one RHDA project, the SafePlace transitional housing facility, the City committed general fund dollars and some RHDA funds, amounting to 59 percent of total project financing. RHDA itself committed less than the 50 percent cap.

The City leveraged approximately $6 for every $1 it spent on rental housing development from FY 97 to FY 02. Looking at the City investment as a portion of total project investment helps evaluate the City's success encouraging private and other non-City investment. For the 32 projects in our scope the City provided over $11 million in funding, leveraging $60 million in non-City funds for rental projects. In other words, sixteen percent of the total project costs spent on affordable rental housing projects reviewed came from City funding sources. Exhibit 2.6 shows the amount of funding and the percent of City funds contributing to project costs. Most leveraging occurred in FY 01, when AHFC bond financing was used in combination with RHDA funds on two large projects.

EXHIBIT 2.6
Leveraging Using City Funds for
Rental Projects Underway or Completed, FY 97 – FY 02

	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	All Years
City Funds Committed	$ 274,300	$ 4,334,500	$ 742,860	-	$ 4,436,876	$ 1,349,510	$ 11,138,046
Other Funds Leveraged	$ 303,065	$7,241,946	$ 372,200	-	$ 50,559,613	$ 1,819,737	$ 60,296,561
Total Project Investment	**$ 577,365**	**$ 11,576,446**	**$ 1,115,060**	-	**$ 54,996,489**	**$ 3,169,247**	**$ 71,434,607**
City Investment as Percent of Total	48%	37%	67%	-	8%	43%	16%
Other Investment as Percent of Total	52%	63%	33%	-	92%	57%	84%

SOURCE: OCA analysis, as of 11/1/02.
Note: Does not include cancelled projects.

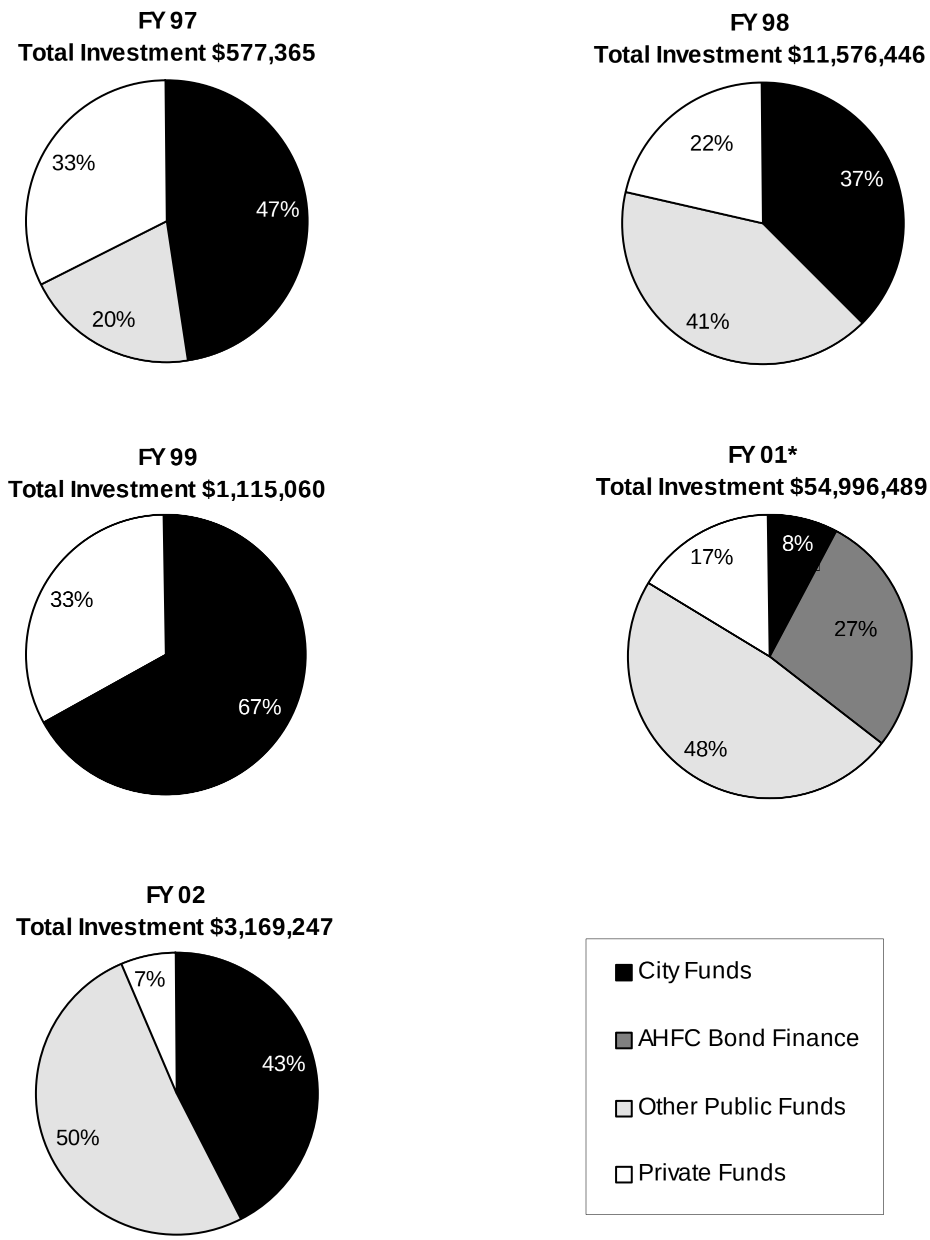
The pie charts on the following page (Exhibit 2.7) break down leveraging of other funding sources for the period reviewed. In this exhibit, we classified funding as one of four types:

- City-controlled funds, discussed in a previous section
- AHFC multi-family bonds, funded by private investors
- Other public funds, including federal grants, state tax credits, and county bonds
- Private funds, including owner equity or funding obtained from a private lender.

The exhibit indicates exceptional leveraging results in FY 01, when the City funded just 8 percent of total project costs. Importantly, leveraging for a small number of projects is understated when considering the cost recovery associated with low, applied interests rates, or loan fees. In such cases a portion of City money is paid back through the life of the loan.

[The balance of this page is intentionally left blank.]

EXHIBIT 2.7
Funds Leveraged for Rental Projects Underway of Completed
FY 97 – FY 02



SOURCE: OCA analysis, as of 11/1/02.

NHCD/AHFC's two rental housing single-purpose entities formed prior to 2002 have experienced accountability control weaknesses.

NHCD/AHFC occasionally creates single-purpose entities (SPEs), either for-profit or not-for-profit, to manage rental housing development. Insufficient accountability control has resulted in some weaknesses in SPE management. According to finance literature, single-purpose entities "answer the needs and demands of lenders and owners seeking asset protection... Lenders usually do not permit the special purpose entity to own more than one asset so they have a greater ability to gain control over the asset in the event of the owner's bankruptcy." In other words, for higher risk ventures, single-purpose entities protect other City assets.

NHCD/AHFC's use of single-purpose entities assists in the creation of much needed rental housing. NHCD/AHFC staff view the option to use SPEs as a last resort, when funding partners in the market and nonprofit arena cannot be found, and a critical need for the housing type exists, such as senior housing. Consequently, by providing a means of transferring or limiting risk, NHCD/AHFC encourages production of units that would otherwise not be created.

Though serving a useful function, single-purpose entities present the appearance of a conflict of interest, and the risk of ethical dilemmas for City staff. Reviewing NHCD/AHFC's approximately 120 multi-family/rental housing cases dating back to 1987, we identified three SPEs:

- Austin Inner-City Redevelopment Corporation (AIRC), founded in 1993
    - Project: Scattered Infill Project (SCIP) I
- Austin Redevelopment Corporation (ARC), founded in 1993, dissolved 2001.
    - Project: Monarch Apartments
- Arbors Housing Partners, Ltd, founded 2000
    - Project: Primrose at Shadow Creek

In each of these cases, some City staff serve as board members and others are responsible for either oversight or performing the accounting functions of the entity. This arrangement can lead to a conflict of interest if or when the board member's role of the SPE is to provide oversight checks and balances of their own actions. Further, assigned City staff could find themselves presented with an ethical dilemma when inappropriate actions must be reported.

In addition to the potential for perceived conflict of interest, City staff assigned to these entities can experience a conflict of responsibilities, attempting to balance responsibilities of their duties at NHCD/AHFC and the SPE. On the two older SPEs, NCHD/AHFC staff was assigned accounting responsibilities for the entities in addition to their daily duties.

For example, NHCD/AHFC management repeatedly transferred accounting responsibilities for Monarch among employees. The assignment may have been viewed as a collateral duty with lower priority than other responsibilities, because, ultimately, financial accounting was not performed in a timely manner, resulting in the need to create records. This SPE was dissolved in 2001.

In the case of AIRC, the NHCD/AHFC management assigned the Financial Manager accounting responsibilities for the SPE. However, the City's external auditor reported in the annual financial statements for 2000 (issued September 2001) that approximately $10,000 of expenses could not be accounted for in the AIRC books. Staff reported delays to us earlier in the year regarding timely accounting for AIRC, due to staffing other initiatives.

In conclusion, for the two older projects we found a lack of

- continuous, sufficient monitoring,
- sufficient resource planning and allocation for accounting, evidenced by delays and transfers of duties, and
- externally assigned accounting responsibilities.

In fact, the lack of ongoing monitoring or accountability measures is consistent with our broader monitoring accountability finding for all rental projects. At this early stage in the project, we cannot evaluate the performance of the most recently formed SPE (Arbors Housing Partners).

Some of these identified issues have been addressed. Currently NHCD/AHFC staff is in the process of closing out the Monarch project. Also, accounting duties for the AIRC project are being contracted out externally.

NHCD/AHFC needs additional controls to effectively collect its revenues due from sale and foreclosure of rental housing developments during the contracted affordability period.

Rental housing loan contracts have improved through the audit scope period. However, contracts can be further improved by specifying the developer's appropriate use and timeframes for use of project-related program income. Furthermore, controls have not been in place to ensure that program income due to NHCD/AHFC on rental housing contracts has been collected in the event that properties are sold, foreclosed upon, or owners abandon agreements to serve eligible tenants.

Since 1997, legal instruments used to secure loan contracts have improved in their power to protect City assets and secure longer-term benefits to low-income families. In 1997, NHCD/AHFC was using restrictive covenants and liens on property to secure agreements with developers of low-income rental properties. These contracts included no audit clauses or clear performance measures. Furthermore, loan contracts were "deferred forgivable", meaning no payments were warranted during the affordability period, and the total loan amount was forgiven at the end of the affordability period as long as contract terms were being met. In effect, the loans were grants, and the City's position on the property was automatically lost at the end of the affordability period. By 2001, NHCD/AHFC extended "deferred payment loans", meaning that the City retains a position on the property, even when no payments are warranted during the affordability period; this leaves open the option to renegotiate terms at the end of the affordability period.

Additionally, the affordability period is longer for more recent loans in our scope. In FY 97, many loan contracts established a five-year affordability period. In contrast, more recent FY 01 and FY 02 loan contracts establish twenty-year affordability periods.

Rental housing development contracts occasionally secure modest program income. "Program income" refers specifically to income generated on a federally subsidized project. According to HUD guidelines, participating jurisdictions such as the City of Austin may extend low-interest loans and reinvest the resulting revenues, or program income, in rental housing. In the event that a borrower exits a loan contract before its term expires, the jurisdiction should also collect the outstanding portion of the loan. The jurisdiction must reinvest program income in advance of entitlement fund expenditures.

NHCD/AHFC originated four conventional (i.e., interest-bearing) multifamily/rental loans in the fifteen-year period 1987 to 2002. According to staff, one of these four contracts is in need of renegotiation with the borrower, due to consistent defaults.

In one other example of program income earned on an RHDA project, Lifeworks entered into a lease-to-own contract in addition to a deferred forgivable loan. The City transferred property ownership to Lifeworks in October 2002, having collected an estimated $204,000 from monthly rents since 1993.

Use of single purpose entities also presents a rare case of program income associated with multifamily construction and preservation. AHFC anticipates some revenues from its newest single-purpose entity, Arbors Housing Partners. AHFC staff report that anticipated flows from leasing the land will amount to about $60,000 a year on land lease, plus 75 percent of any net cash flows. On the other hand, SCIP I has never been profitable. NHCD has never collected on the note, as a result of the structure of the deal. Collections made last year were returned because AIRC could not afford the payments on the note.

NHCD failed to collect approximately $52,000 in program income on rental projects funded since FY 97, and an unknown amount of income on contracts originating between 1987 and 1997. We reviewed each of the 32 rental housing projects originated since FY 97 to identify income-generating projects, and requested that NHCD identify any rental projects originated since 1987, many of which remain in force, that had generated income. A large percentage of cases originating since 1987 were deferred forgivable loans, with a small number of recently written deferred payment loans; we identified a total of four conventional loans requiring repayment, one of these since 1997. We noted several problems associated with income-generating loans, which are described in detail below.

- We detected one case, within the audit scope (FY 97 – FY 02), where a grantor made an early payoff within the affordability period. However, City staff improperly calculated the release of lien, forgiving all interest, and costing the City about $500.
- NHCD/AHFC failed to collect on two additional cases of early exit from the terms of the contract: Rosewood (original loan amount $36,900), which sold , and Sol Wilson (original loan amount $15,000), which was foreclosed by another lender. Lack of monitoring procedures resulted in NHCD/AHFC's failure to detect these property transfers, and to pursue a process for collecting the unforgiven portion of principal and interest on these loans. NHCD/AHFC does not know whether these properties are still part of the affordable housing stock. Also, in these two examples it appears that liens on property did not serve as effective triggers to signal ownership transfers. Audit contacted one of the involved title companies, who did not return calls.
- NHCD/AHFC was unable to confirm for us that any additional rental property cases originating *prior to FY 97* had been paid off within the last six fiscal years. According to NHCD's own research, there may be as many as nine additional cases of unknown fiscal impact.
- We also detected one rental project loan, originated in the audit scope, for which the contract technically required a monthly payoff, but no collection has ever been made. Staff believes the negotiated terms did not require repayment, and that the contract was written incorrectly. This raises the possibility that other cases, originating prior to our scope, were not appropriately serviced per the legal agreement.

If not corrected, underlying causes for not collecting all due revenues will result in continued losses in the future. Program income is collected either periodically (typically monthly) or a one-time payoff. Effective revenue collection thus requires systems for servicing loans and monitoring of the City's liens. Furthermore, these systems must be using appropriate methodologies for calculating current payments and require clear terms of agreement in the original contract. Therefore, NHCD/AHFC must be able to ensure that they have both strong contracts and a strong contract enforcement function to protect their assets.

While the losses identified above may not be significant losses, the underlying causes for not effectively detecting and collecting all due income may result in continued losses in the future, and lost opportunities to reinvest income in rental housing projects. This is particularly important given the significant increase in the average size of RHDA loans in more recent years.

With regard to CHDO contracts, weak provisions related to program income use and time frames for reinvestment may compromise effective and efficient use of income realized on City-funded projects. Federal and City guidelines allow CHDOs to keep and reinvest program income. However, we found that CHDO contracts have not specified how and when CHDOs should reinvest their income. In addition, the contracts do not specify that the returned money must be reinvested in Austin housing. For one project by the Corporation for Affordable Housing and Economic Development, the original loan contract states only that program income does not need to be returned to the City. Staff explains that this is intended to stimulate capacity building; however, the how, when, and where reinvestment should occur is not specified. This specific CHDO sold sixteen units (eight properties) rehabilitated with City funds and has not identified projects for reinvesting the income. At the same time, on another CHDO project, the borrower (Blackland) was required to repay a small portion of its loan as program income to NHCD/AHFC, rather than hold the funds for reinvestment in housing.

Rental development programs receive positive reviews from developers.

We contacted several developers, who have successfully obtained funding through the RHDA or CHDO programs, in order to obtain input regarding the programs' customer service. For the most part, developers were very pleased with their experience with the programs and had very positive comments. For example, developers reported that program staff are knowledgeable and accessible, that the website provides useful information, and improvements in City housing policy (namely S.M.A.R.T. Housing) have made it easier to obtain funding from the City. Developers also commented that compared to other cities, the application process is less cumbersome and more straightforward.

However, when developers compared AHFC to private sector lenders, they noted that RHDA's process took much longer and was less organized. Specific mention was made regarding the time it takes staff to report the level of funds available and the time it takes from application to release of funds. CHDO developers in particular felt they would benefit from ongoing communication following the initial occupancy of project units, in order to avoid being inconvenienced by "surprise" requests for project information.

One reason that developers have been pleased with their experience at RHDA is that experienced staff is available to provide assistance and information. In addition, information on the AHFC website assists developers in accessing information, especially regarding funding application. However, AHFC's web-based information could be better segregated for developers and the general public.

[This page is intentionally left blank.]

CHAPTER 3
AGENCY AND PROGRAM ADMINISTRATION

NHCD/AHFC cannot assure compliance or report efficiencies on an ongoing basis due to the absence of adequate information and monitoring systems.

NHCD/AHFC is not yet systematically collecting, reviewing, and verifying information from loan recipients as part of a long-term contract monitoring process, following initial service delivery. As a result, NHCD/AHFC cannot provide assurance that requirements are being met and that funded housing is serving eligible tenants throughout affordability periods. In addition, NHCD/AHFC's fragmented and incomplete information management systems compromise consistent and comprehensive asset monitoring. However, changes are underway at NHCD/AHFC, which begin to address monitoring and information system issues.

NHCD/AHFC has not had a system in place for monitoring and enforcing contracts for some time. Three types of monitoring for compliance can be used to assess the completeness of contract oversight and monitoring.

- File reviews, to determine whether project documentation is complete. For example, a file review would detect that a file is missing or that certain contract documentation, such as initial occupancy or housing quality standard verification reports, is not in the file.
- Desk reviews, to compare project documentation to contract requirements. This type of review detects discrepancies between reported information and contract requirements. In the case of initial occupancy reporting, a desk review determines whether initial occupants meet the conditions set forth in the contract.
- On-site inspections, to confirm that reported information matches actual condition at the property.

During our review of file documentation for projects within our scope, we found evidence that NHCD/AHFC had conducted one file review on many of the projects within our scope, and no evidence of desk or site reviews.

As discussed in Chapter 2 of this report, contracts in our scope are in force for an affordability period of 5 to 20 years. There are multiple requirements in these contracts such as insurance coverage, property maintenance standards, and tenant eligibility. We were told that contract managers at NHCD/AHFC prior to 1999 were responsible for set-up, managing, and monitoring through the project life cycle. In fact, however, contract managers did not monitor rental housing projects throughout the affordability period for several reasons.

- No system was in place to guide monitoring.

- Contract monitoring was time-intensive especially in light of other contract management duties.
- Organizational focus was on securing contracts and producing units.

In our recent review of rental housing cases, we noted that many project files lack required documentation. In this audit, we conducted both a file review and a limited-scope desk review for initial occupancy reporting. In our file review, we found that files were missing required documentation, such as initial occupancy reports that are needed to close out the service delivery phase of the contract or required ongoing reports of continued tenant eligibility.

In our desk review, we compared initial occupancy reporting to contract requirements. When reports were present, we noted that initial occupancy met contract requirements. However, in several cases either initial occupancy reports were not in the file and could not be checked, or the contract was unavailable to check against. In just one case, we approached a project owner and requested a current report on tenant incomes. The owner reported that current occupants were income-eligible, but stated it was his best guess.

EXHIBIT 3.1
Documentation of Initial Occupancy

DOCUMENTATION STATUS	NO. OF PROJECTS
Initial occupancy report on file	15
Occupancy terms not on file	4
Initial occupancy report not on file	4
Initial occupancy report not yet required (Project not yet occupied)	5
Project cancelled	4
Total Projects	**32**

SOURCE: OCA analysis, as of 11/1/02.

Although our limited file review found some deficiencies, we also noted improvements in documentation. In FY 02, temporary RHDA staff began assembling rental housing project files starting with the most recent projects and working backwards using a file checklist. This file checklist identifies the requirements for project files as outlined by HUD.

For the projects in our scope, we noted the consequences of inadequate monitoring ranging from no recovery of loan dollars to the risk of subsidizing units that do not remain affordable. In addition, if our scope were extended further into the past, we would expect to find more problems resulting from this absence of monitoring. These negative effects are discussed in Chapter 2 and include 27 units that have been sold without the City's knowledge. NHCD/AHFC could have potentially recovered approximately $52,000 of foregone revenue from this sale. Furthermore, the absence of complete documentation and ongoing monitoring means that AHFC cannot provide assurance those units continue to house low- to moderate-income tenants throughout the affordability period.

Beginning in FY 02, following an internal risk assessment, NHCD began an initiative to operationalize ongoing monitoring of all inventories, including rental project units. From 1999 to 2001, NHCD staff conducted a departmentwide risk assessment identifying many deficiencies in project files. At this time responsibility for monitoring contract compliance was shifted to a contract compliance and review team at NHCD. The staff reviewed a number of rental housing files to determine compliance. Our audit work indicated that staff had since located several files unavailable for this original risk assessment. Also, RHDA staff have since updated some files with previously missing information and included a checklist of required file contents in many new project files. Comparing our file review results to the original risk assessment, we determined that improvements had been made to ensure better file documentation.

During their file review, contract compliance review staff noted that not all contract-sections were included in several files. In addition, many project files were not available for review. On contracts between 1990 and 1999, staff found

- 75 percent of files were missing post-occupancy tenant information,
- 100 percent were missing annual financial reports, and
- 98 percent were missing required annual audit information.

NHCD has since dedicated resources – one full-time staff person and some temporary assistance – to an ongoing monitoring initiative. Currently, the long-term monitor is setting up systems to track and verify contract compliance throughout the affordability period. The proposed system should result in identifying and bringing into compliance older contracts and establishing mechanisms to detect transfers of ownership and ensure collection of monies owed to NHCD/AHFC.

Fragmented and incomplete information management systems shared by NHCD and AHFC compromise consistent and comprehensive monitoring. Performance data collection is an important function of program monitoring. Information systems allow staff to collect and analyze information for their complete inventory of cases and allow auditors, managers, and customers to obtain timely project information.

NHCD/AHFC uses a number of systems, none of which are designed to store comprehensive, centralized data on projects. We identified four information systems used to track various aspects of project information. Even with these multiple systems, staff could not compile a complete inventory of rental housing projects. Instead, we pieced together a comprehensive project list using available data from information systems in conjunction with off-line research into institutional knowledge, outside parties, and hard files. However, despite efforts, we cannot be certain that all projects within our scope are accounted for.

The information systems used to track project information at NHCD/AHFC, and their limitations are described below:

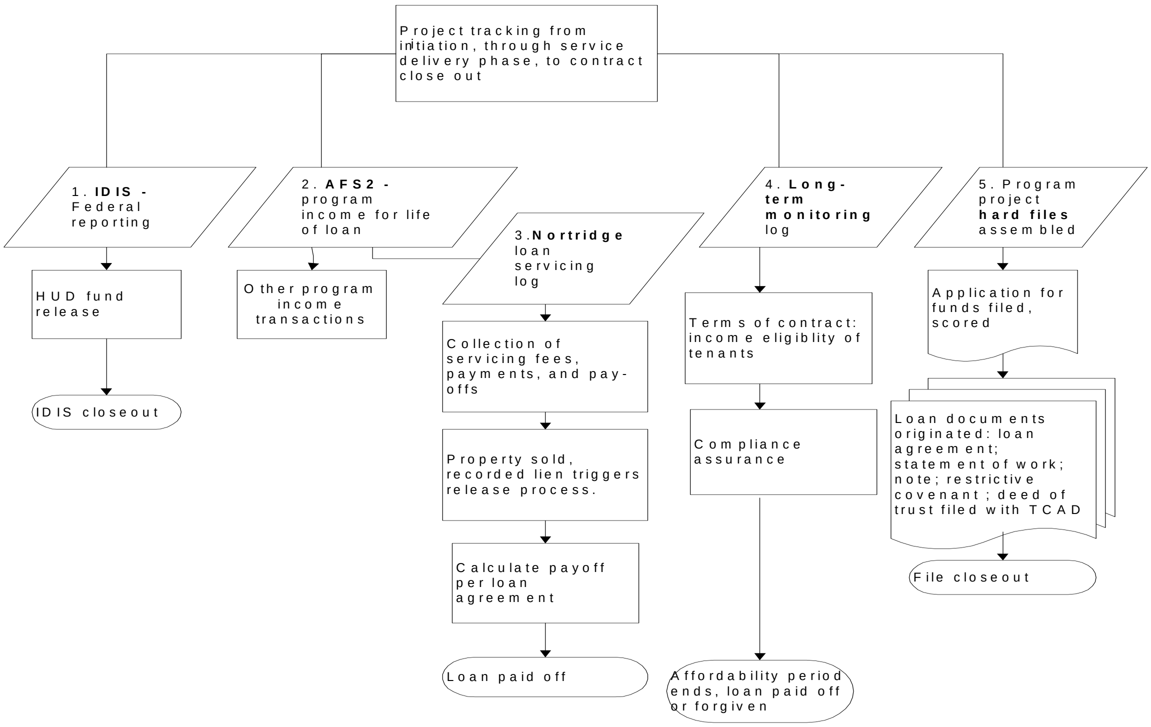
- U.S. Department of Housing and Urban Development (HUD) tracks NHCD's and its sub-recipients' activities using the Integrated Disbursement Information System (IDIS). IDIS is the required system of record for projects funded with HUD dollars. While the department's IDIS "clean up" initiative was reported as complete for CDBG and HOME funds at the time we audited, only 15 of the 30 federally funded projects within our audit scope appeared in the IDIS database.

- NHCD/AHFC loan officers use the Nortridge database to track loans for projects for which revenue is collected (called serviceable loans). We noted that only three of the four revenue-generating rental loans in our scope appeared in the system, while the fourth is managed off-line in an Excel spreadsheet. When we looked for other projects with serviceable loans prior to 1997, we found two other loans, namely to AIRC and Lifeworks, neither of which appeared on this system. No forgivable loans (the majority of loans in our scope) are loaded into this system, as they have no regular payments due.

- NHCD/AHFC also uses a spreadsheet of multifamily projects that was developed during the contract risk assessment of 1999-2001. This spreadsheet was the most comprehensive list of projects we found. This list contained contract information and file compliance information, but did not include CHDO rental projects, more recent RHDA projects, a "cancelled" project, or "special" project' that include rental managed outside of RHDA, such as Anderson Hill (also known as SCIP II), SCIP I, and Colony Park. In our scope, seven of our thirty-two projects were not included on this list.

- AFS2, the City's financial system of record, tracks financial information by project address for projects originated since late 2001, but older individual projects cannot necessarily be individually identified in the system. Rental project loan payments are recorded off-line and bundled under a "Miscellaneous" category in AFS2, making it impossible to track activity on these loans through the central accounting system.

EXHIBIT 3.2
NHCD/AHFC Information Management



SOURCE: Auditor summary.

Fragmentation of case information, across a multiplicity of systems, has negative implications. First, NHCD/AHFC does not have a firm grasp of its inventory by housing type. In the last two years since beginning work in the housing area, we made two requests for a complete project list and both times received incomplete information. At the same time, managers, customers, and external auditors cannot get timely project information on an as-needed basis. This condition partially results from the complexity of housing operations.

NHCD/AHFC management has been aware of these information management deficiencies and taken steps to correct some chronic problems. At time of press, ISD and NHCD have launched a pilot of a new Oracle database designed for case tracking in NHCD/AHFC. This system has the capacity to improve project information management and broaden coverage to include projects not funded by federal dollars. But by design, the system will not solve all information management problems. Namely, the database will not include contracts dating prior to system implementation and will not improve program manager access to fund availability per program allocations. While the database is expected to provide financial information on total and remaining project budgets, which has previously been difficult for managers to obtain, it is not expected to provided frequently needed, real-time information on funds available at the program level, which would improve upon the well-established monthly "grant status" reports.

NHCD/AHFC does not report measures that indicate its programs' impact on the housing continuum.

NHCD does not currently measure and report the impact its services have upon achieving its mission to move people towards self-sufficiency.

The housing continuum is a useful concept, embraced by NHCD in its five-year Consolidated Plan, to articulate the salient features of its housing investment policy. A housing continuum, according to NHCD's City of Austin Consolidated Plan, extends across eight graduating categories of housing services from homeless services to first-time homebuyer and owner-occupied housing services. (See Exhibit 1.6.) The continuum concept reflects at least three distinct dimensions of the NHCD/AHFC mission, goals and strategies, which are also *measurable*. These three aspects of the concept in practice are

1) Catalyzing movement of low- to moderate-income households
    a. along the continuum, towards self-sufficiency or home ownership, or
    b. laterally, improving the decency or affordability of a housing type, particularly rental and owner-occupied housing.
2) Encouraging infusions of private investment to all steps of the continuum, with an emphasis on affordable rental, transitional, even emergency housing.
3) Striking a balance in NHCD's housing portfolio, across all eight housing types, serving the exceedingly low-income to moderate-income households.

According to NHCD's 2000-2005 City of Austin Consolidated Plan, a key to the success of supporting movement on the continuum is the degree to which the "different housing service providers in the city communicate, cooperate and coordinate their activities." Furthermore, according to the plan, NHCD will measure its success with respect to impacting movement along the housing continuum "...by the number of residents that transition from one progressively more independent housing stage to the next." NHCD's ultimate goal is to link the stages that make up the Austin housing continuum to facilitate movement upward from homelessness through public housing then into the private sector housing market. The plan states that NHCD will assist residents with this by building stronger linkages between service providers at consecutive stages of the continuum.

NHCD cannot currently show the impact its services have upon achieving its mission to move people towards self-sufficiency. Furthermore, NHCD has not measured its success attracting private investment for each graduating step of the continuum, but it could. However, NHCD does present outputs disaggregated by housing types of the continuum. By using the continuum concept to underpin its mission and goals, NHCD may have difficultly justifying the need and utility of additional HUD funds if achievement of stated goals cannot be demonstrated.

The Rental Housing Development Assistance program could improve its performance measures.

RHDA's demand, output, efficiency and effectiveness measures can be improved by redefining some measures, disaggregating performance as it is currently reported, and aligning outcome measures with housing continuum concepts.

"Anticipated number of units created/retained," a measure of estimated outputs, is inappropriately categorized by RHDA as a program demand measure. More accurately, a measure of demand is a need for services, despite capacity levels or anticipated output levels. For example, in 2000 NHCD hired a consulting firm to gather information on housing demand and other data for NHCD's five-year Consolidated Plan. The consultants forecasted a need for 4,540 rental units annually in Austin through the coming decade, but RHDA does not compare its output to that forecast. The International City/County Management Association requests that cities self-report the number of rental units available and the estimated number of rental housing units in need of rehabilitation, another indicator of demand. For transitional housing measures of demand, reporting the number of families turned away provides an indicator of demand for services. These numbers would quickly inform management and Council of the magnitude of local needs and demands.

RHDA reports "cost per unit created/retained" as an efficiency measure; however, new construction and rehabilitation involve significantly different cost considerations. Disaggregated reporting of the "created/retained" measure – reporting for each of the two categories – would improve the utility of the measure. For example, we calculated both the City's portion of and the total unit costs for new construction and rehabilitation of rental housing. The City spent an average $29,109 on newly constructed units in the six-year period from FY 97 to FY 02, and $11,613 on rehabilitation of rental housing in the same period. Total costs per unit were $72,282 on new units and $59,512 on rehabilitated units. In other words, NHCD/AHFC leveraged 60 percent of unit cost for new units, and 80 percent of costs for rehabilitated units, from other public and private sources.

RHDA's outcome measure, number of households served with incomes 80 percent MFI or below, essentially repeats output measures. While it is important to recognize that units are AHFC's output, and sheltering families is the desired outcome, this information provides no added value because no families above 80 percent MFI qualify to be served by RHDA. This measure essentially repeats output data.

RHDA's output measure is consistent with HUD requirements and AHFC's focus on production, but measures could be improved. RHDA reports the units created or retained that have been completed and occupied by an income-eligible household. This is a useful measure. However, since significant spikes and dips are anticipated annually due to multi-year development cycles, RHDA could use a rolling average to report performance. NHCD currently reports its outputs by housing type in the annual Performance Report (CAPER) to HUD.

Additional measures would provide management and Council with important indicators of potential concerns. Current measures fail to communicate to the Council or Budget Office where the department has room for improvement. For example, in the event that all funded projects reach completion, a ratio of units-funded to units-completed and occupied (1:1 or 100%) would indicate follow-through from funding to completion. Such a ratio indicates where to take a closer look, even if causal factors for falling short of "perfect" performance are not immediately discernable. For example, RHDA may recommend to management that a seriously troubled project is not worth the investment of additional time and money.

Another ratio measure not included in RHDA's measures is the proportion of private capital expended for affordable rental housing construction, which evaluates the extent to which the City encourages private investment in housing stock. ICMA also requests this performance data. Similarly, RHDA is not reporting percentage of rehab funding provided by the private sector.

Recommendations

NHCD/AHFC has begun a number of initiatives to address internal control weaknesses. We recommend the continued implementation and completion of these initiatives:

1. In order to ensure that accounting for housing-related single-purpose entities is performed fully and timely, the Community Development Officer should continue to strengthen the accounting role for these entities and ensure accountability through continuous monitoring.

MANAGEMENT RESPONSE: Concur, Implemented

NHCD/AHFC have always performed the accounting tasks for special purpose entities. In 2002 AICR encountered some reporting and accounting difficulties primarily due to incomplete record keeping by the previous property manager.

2. To manage records in an efficient and effective manner, the Community Development Officer should ensure the establishment of a centrally located filing system that includes an indexing system, allows access to any file within a short period of time, and complies with NHCD/AHFC internal policy VII.A.1 for reporting.

MANAGEMENT RESPONSE: Concur, Underway

NHCD/AHFC has been working on establishing a central filing system as a result of NHCD/AHFC staff recommendations received by management in January 2001. Target implementation date is May 2004.

3. To ensure that NHCD/AHFC's newly piloted Oracle information management system is effective, the Community Development Officer should monitor implementation of the new system for full deployment, and ensure that staff is trained to effectively use the system.

MANAGEMENT RESPONSE: Concur, Underway

NHCD/AHFC and ISD staff through an August 2001 service agreement designed the Oracle system to be used by the Department. Target implementation date is April 2003.

4. The Community Development Officer should continue to ensure that file deficiencies are identified and corrected for all rental housing contracts still within their affordability period.

MANAGEMENT RESPONSE: Concur, Underway

File management has been a primary focus of the on-going monitoring work plan initiated in September 2001. Target implementation date is September 2003.

5. In order to more easily manage and monitor the NHCD/AHFC rental housing inventory, the Community Development Officer should ensure that staff responsible for long-term monitoring continue to design, implement, and maintain a system to systematically check compliance with lien documents and detect lost or ineligible units. This system should yield:
   - the baseline number of rental housing contracts within their affordability period,
   - the number of rental units gained and lost each year, and
   - the income levels of tenants served by units funded.

MANAGEMENT RESPONSE: Concur, Underway

Design of the Oracle system was initiated in August 2001. System testing was initiated in December 2002. Implementation of the system is currently underway. Go-live is projected for April 2003.

6. In order to efficiently collect documentation about rental housing occupants, the Community Development Officer should ensure that staff responsible for long-term monitoring continue to notify project developers of documentation deadlines for contracts within their affordability period.

MANAGEMENT RESPONSE: Concur, Implemented

Project developers are made aware of the annual reporting requirements through the contract executed between them and AHFC. NHCD initiated a reminder system in April 2002.

In order to further improve internal control, we recommend the following:

7. In order to ensure accountable and effective use of housing funds, the Community Development Officer should ensure that loan contracts with Community Development Housing Organizations (CHDOs) specify the acceptable uses and time frames for expenditure of program income realized on City-funded projects and that income be spent on Austin housing development.

ABBREVIATED MANAGEMENT RESPONSE: Partially Concur, Implemented

The Loan Agreements that the AHFC puts in place with CHDOs already specify the acceptable uses of Project Proceeds. They do not specify timeframes for the use of CHDO Project Proceeds, because HUD does not require such a provision.

AHFC has made the programmatic determination that CHDOs should be afforded the flexibility that HUD deliberately allows around the use of Project Proceeds by CHDOs. Decisions around timeframes for use of CHDO Project Proceeds should be left to the Board and staff of that CHDO to tailor to the strategic direction of the organization.

---

8. In order to verify loan terms are appropriately enforced, the Community Development Officer should require loan officers to apply the methodology for borrower payoff as stated in the Note, and to document the calculation of those payoffs within project files.

MANAGEMENT RESPONSE: Concur, Underway

Loan terms are already kept in client files and are appropriately enforced. All loan payoff information is currently included in the client files. The information needed to calculate payoff information is included in the Note Payable that is included in each client file. Target implementation date is Marc 2003.

---

9. In order to control complex housing operations throughout the lifecycle of housing projects (from inception through affordability period), the Community Development Officer should assign and align accountability roles according to the recently drafted AHFC Project Underwriting, Development, and Management system.

MANAGEMENT RESPONSE: Concur, Underway

In December 2001 staff initiated work on an AHFC Project Underwriting, Development, and Management system procedure. This process and system was shared with the audit staff. The system identifies all required processes for housing development from inception through completion and monitoring. The system identifies all roles and responsibilities of all functions in the housing finance process. Target implementation date is March 2003.

10. To have the capability to assemble a complete inventory of all funded projects, including those within their affordability period, the Community Development Officer should continue efforts to ensure the reliability and completeness of the following information systems within the scope of their designated purpose: Nortridge, IDIS, and the long-term monitoring database.

    In addition, the Community Development Officer should ensure that all future projects from inception through their affordability period, whether funded by federal, state, local, or private funds, are entered into the new Oracle database.

ABBREVIATED MANAGEMENT RESPONSE: Concur, Underway

Nortridge, IDIS, and the Long term monitoring database are considered subsidiary information management systems. Reports from each of these systems are available to the respective NHCD/AHFC managers to ensure completeness and reliability. For IDIS, HUD reviews the system periodically to ensure completeness. Target implementation date is April 2003.

11. The Community Development Officer should reexamine the current family of performance measures for rental housing development and determine whether those measures appropriately reflect the activities of the program and provide useful information to stakeholders. For example, disaggregating measures by type of project, e.g. construction versus rehabilitation, would provide more meaningful information for stakeholders.

    New measures could include the following.

    Demand

    - Number of low/mod housing units (including number requiring Section 8) needed in the City
    - Estimated number of housing units in need of rehabilitation.

Input

- Percent of total housing dollars spent to address the Mayor's and City Council's priorities.
- Amount of private capital expended on City's affordable housing projects (measure of private leverage)
- Amount of other leveraged funds
- Total City funding

Output

- Number of units funded.
- Number of units constructed/"created."
- Number of units rehabilitated/"retained."

Efficiency

- Cost per assisted unit, for HOME-funded projects.

Outcome/results

- Stock of rental (serving 80% and below) currently monitored through length of affordability period = number of renter households currently assisted.
- Inventory loss due to early pay-offs, defaults, and end of affordability period (outcome).

MANAGEMENT RESPONSE: Concur, Underway

NHCD concurs to re-examining the current family of measures. However, NHCD and AHFC have worked diligently to streamline our accounting systems to comprehensively track program production and spending. The family of measures includes input, output, efficiency and outcome measures. These measures were originally reviewed and developed with the assistance of the Office of the City Auditor, the Budget Office and the City Controller's Office. Target implementation date is March 2004.

12. In order to demonstrate that the RHDA program contributes to movement on the housing continuum for a number of beneficiary households, and to further operationalize the continuum concept as a way to evaluate performance results, the Community Development Officer should, in collaboration with RHDA program staff and developers, negotiate a contract in the next calendar year that pilots the collection of data on tenants' housing type and quality prior to becoming housed in an RHDA-funded unit. This requires identifying a developer-partner willing to collect this type of tenant information.

MANAGEMENT RESPONSE: Disagree

Tracking beneficiary's through the continuum would not only require information on the beneficiary prior to them living in an RHDA project but also following the beneficiary after they leave the RHDA project. Tracking beneficiary's whereabouts would be cost prohibitive and staff intensive. Identifying a developer-partner 'willing" to collect this type of tenant information would also come at a cost. Ultimately, this cost would be a pass through to the beneficiaries in the project.

APPENDIX A
Management Response

[This page intentionally left blank.]

RECEIVED
MAR 11 2003
CITY OF AUSTIN
OFFICE OF THE CITY AUDITOR

MEMORANDUM

TO: Stephen L. Morgan, City Auditor

FROM: Michael C. McDonald, Acting Chief of Staff

DATE: March 6, 2003

SUBJECT: Audit Responses

I have reviewed the attached audit on the Rental Housing Development Program and corresponding responses. Neighborhood Housing and Community Development will be prepared to discuss this audit at the Audit and Finance Committee meeting.

Michael C. McDonald
Acting Chief of Staff

xc: Margo Harris
Paul Hilgers

[This page intentionally left blank.]

City of Austin

P.O. Box 1088, Austin, TX 78767
www.cityofaustin.org/housing

MEMO

Neighborhood Housing and Community Development Department
Paul Hilgers, Director
(512) 974-3108, Fax: (512) 974-3112, paulhilgers@ci.austin.tx.us

Date: February 21, 2003

To: Page Graves, Assistant City Auditor
Office of the City Auditor

From: Paul Hilgers, Community Development Officer
Neighborhood Housing and Community Development

Subject: Response to the Rental Housing Development Assistance Audit

The purpose of this memo is to respond to recommendations presented as part of the Rental Housing Development Audit Report. The final draft report was delivered on January 31, 2003 and includes twelve recommendations. Although staff concurs with ten of the recommendations presented, most concurrences are based on previously identified process improvements initiated prior to the start of this audit.

Some of the issues raised through the progress of this report include:

1. The scope of the report was changed in January. After completion of the initial draft, the term of the report was modified from covering a five-year period to covering a 15 year-period. This required additional staff preparation and did not allow for significant consideration of corrective actions under way over the last two years.

2. Of the twelve recommendations staff concurs, or partially concurs, with eleven. Of those eleven, nine were either already implemented or under way prior to the audit review. In fact, eight of the recommendations were taken from process improvements undertaken over the last twelve to eighteen months. To reflect these instances where concurrence reflects ongoing activities, the audit recommendations emphasize that staff <u>continue</u> the corrective action.

Staff takes great pride at the tremendous progress made by NHCD/AHFC over the last two years. A number of process improvements have been initiated and completed or are underway. All improvements work towards ensuring that internal controls exist in every facet of our production cycle and that any gaps in systems are aggressively resolved.

[This page intentionally left blank.]

CITY OF AUSTIN
NEIGHBORHOOD HOUSING AND COMMUNITY DEVELOPMENT
RENTAL HOUSING INTERNAL AUDIT
MANAGEMENT RESPONSE

Recommendations

NHCD/AHFC has begun a number of initiatives to address internal control weaknesses. We recommend the continued implementation and completion of these initiatives:

1. In order to ensure that accounting for housing-related single-purpose entities is performed fully and timely, the Community Development Officer should continue to strengthen the accounting role for these entities and ensure accountability through continuous monitoring.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. NHCD/AHFC have always performed the accounting tasks for special purpose entities. In 2002 AICR encountered some reporting and accounting difficulties primarily due to incomplete record keeping by the previous property manager.

IMPLEMENTATION STRATEGIES: AICR (SCIP1) - Accounting for AICR has always been the responsibility of NHCD finance staff. The AICR contract with the previous property manager was terminated in September 2002 as a result of the reporting and accounting difficulties encountered. A property management contract was executed with the Housing Authority of the City of Austin in October 2002 that has drastically improved reporting and has eliminated all accounting challenges.

ARBORS - Accounting for the Arbors special purpose entity (SPE) was designated when the SPE was approved and established by the AHFC Board in May 2001. NHCD accounting responsibilities are limited.

FUTURE SPEs - Future special purpose entities will require either an accounting structure similar to ARBORS or will require outsourcing the additional accounting responsibilities.

CURRENT STATUS: Implemented

IMPLEMENTATION DATE: October 2002

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

2. To manage records in an efficient and effective manner, the Community Development Officer should ensure the establishment of a centrally located filing system that includes an indexing system, allows access to any file within a short period of time, and complies with NHCD/AHFC internal policy VII.A.1 for reporting.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. NHCD/AHFC has been working on establishing a central filling system as a result of NHCD/AHFC staff recommendations received by management in January 2001.

IMPLEMENTATION STRATEGIES: Due to other funding priorities, NHCD has not been able to acquire the hardware needed to facilitate a true centralized filing system. Instead NHCD has been working towards a centralized file system via existing file cabinets. Several major milestones have been accomplished, including sorting and indexing of approximately five years worth of records. As a result 110 storage boxes were sent to the City's Central Records Storage area in November 2002. In December 2002 all staff was required to prepare their immediate area for filing of current project files only. Implementation of the remaining milestones is contingent on space availability.

CURRENT STATUS: Underway

IMPLEMENTATION DATE: May 2004 – targeted move-in date at 1010 East Eleventh Street. The approved facility includes space for a centralized file system. If funding permits, hardware will be acquired for the new site.

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

3. To ensure that NHCD/AHFC's newly piloted Oracle information management system is effective, the Community Development Officer should monitor implementation of the new system for full deployment, and ensure that staff is trained to effectively use the system.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. NHCD/AHFC and ISD staff through an August 2001 service agreement designed the Oracle system to be used by the Department.

IMPLEMENTATION STRATEGIES: Over the past 18-months, the Oracle information management system has reached and accomplished many milestones identified in its work plan. Auditors are aware that full deployment of the new system and training are currently underway.

CURRENT STATUS: Underway

IMPLEMENTATION DATE: April 2003

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

4. The Community Development Officer should continue to ensure that file deficiencies are identified and corrected for all rental housing contracts still within their affordability period.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. File management has been a primary focus of the on-going monitoring work plan initiated in September 2001.

IMPLEMENTATION STRATEGIES: The on-going monitoring work plan has reached and accomplished many milestones since September 2001. NHCD established this area as a priority and assigned two additional FTEs in October 2002. Monitoring staff continues to populate approximately 2,500 records established in the on-going monitoring database. Data collected on these files includes information from: (a) project files; (b) the Travis County Appraisal District for tax and ownership information; (c) the Nortridge Servicing System for collections; (d) PIER for building violations; and, (e) rental housing project owners for tenant verification records. Certain data will be collected for certain projects annually during the affordability period.

CURRENT STATUS: Underway

IMPLEMENTATION DATE: Estimated completion date of September 2003 for historical information. Annually by June of each year thereafter.

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

5. In order to more easily manage and monitor the NHCD/AHFC rental housing inventory, the Community Development Officer should ensure that staff responsible for long-term monitoring continue to design, implement, and maintain a system to systematically check compliance with lien documents and detect lost or ineligible units. This system should yield:

- the baseline number of rental housing contracts within their affordability period,
- the number of rental units gained and lost each year, and
- the income levels of tenants served by units funded.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. Design of the Oracle system was initiated in August 2001. System testing was initiated in December 2002. Implementation of the system is currently underway.

IMPLEMENTATION STRATEGIES: System testing is being implemented on a section-by-section basis. User manuals are under development by ISD. Go-live date is projected to be April 1, 2003.

CURRENT STATUS: Underway

IMPLEMENTATION DATE: April 2003

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

6. In order to efficiently collect documentation about rental housing occupants, the Community Development Officer should ensure that staff responsible for long-term monitoring continue to notify project developers of documentation deadlines for contracts within their affordability period.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. Project developers are made aware of the annual reporting requirements through the contract executed between them and AHFC. NHCD initiated a reminder system in April 2002.

IMPLEMENTATION STRATEGIES: NHCD's on-going monitoring work plan already includes the annual reminder to project developers.

CURRENT STATUS: Implemented.

IMPLEMENTATION DATE: April 2002

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

In order to further improve internal control, we recommend the following:

7. In order to ensure accountable and effective use of housing funds, the Community Development Officer should ensure that loan contracts with Community Development Housing Organizations (CHDOs) specify the acceptable uses and time frames for expenditure of program income realized on City-funded projects and that income be spent on Austin housing development.

MANAGEMENT RESPONSE

CONCURRENCE: Partially Concur. AHFC has worked diligently for several years to improve the support and information provided to CHDOs. The CHDOs are required to comply with complex federal HOME grant requirements in developing and managing their projects that receive a HOME funding award.

In an effort to help build the capacity of CHDOs, HUD created a special set of rules that apply to income generated from HOME-assisted projects developed by CHDOs. While certain kinds of income generated from HOME-assisted projects are typically considered program income and are required to be returned to the participating jurisdiction, HUD allows participating jurisdictions to allow CHDOs to retain these kinds of income as "Project Proceeds." "Project Proceeds" are a HUD designation that is separate and apart from "program income." With regard to the use of Project Proceeds, HUD requires only that, as part of the written HOME agreement between the jurisdiction and the CHDO, the CHDO's use of CHDO Project Proceeds be restricted to HOME-eligible or other housing activities that benefit low-income persons. Accordingly, the Loan Agreements that the AHFC puts in place with CHDOs already specify the acceptable uses of those Project Proceeds. They do not specify timeframes for the use of CHDO Project Proceeds, because HUD does not require such a provision.

AHFC has made the programmatic determination that CHDOs should be afforded the flexibility that HUD deliberately allows around the use of Project Proceeds by CHDOs. Decisions around timeframes for use of CHDO Project Proceeds should be left to the Board and staff of that CHDO to tailor to the strategic direction of the organization.

IMPLEMENTATION STRATEGIES: None required. Current CHDO contract and federal regulations specify acceptable uses of project proceeds.

CURRENT STATUS: Implemented

IMPLEMENTATION DATE: March 2002

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

8. In order to verify loan terms are appropriately enforced, the Community Development Officer should require loan officers to apply the methodology for borrower payoff as stated in the Note, and to document the calculation of those payoffs within project files.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. Loan terms are already kept in client files and are appropriately enforced. All loan payoff information is currently included in the client files. The information needed to calculate payoff information is included in the Note Payable that is included in each client file.

IMPLEMENTATION STRATEGIES: For convenient access to this information, staff will develop payoff methodology worksheets of the Note Payable applicable for each client file. The payoff calculation will be reviewed and approved by the supervisor overseeing loan payments.

CURRENT STATUS: Underway

IMPLEMENTATION DATE: March 1, 2003

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

9. In order to control complex housing operations throughout the lifecycle of housing projects (from inception through affordability period), the Community Development Officer should assign and align accountability roles according to the recently drafted AHFC Project Underwriting, Development, and Management system.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. In December 2001 staff initiated work on an AHFC Project Underwriting, Development, and Management system procedure. This process and system was shared with the audit staff. The system identifies all required processes for housing development from inception through completion and monitoring. The system identifies all roles and responsibilities of all functions in the housing finance process.

IMPLEMENTATION STRATEGIES: Staff assigned a role will be trained on the system during the month of March. The system will be monitored and realigned annually if necessary.

CURRENT STATUS: Underway

IMPLEMENTATION DATE: March 2003

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

10. To have the capability to assemble a complete inventory of all funded projects, including those within their affordability period, the Community Development Officer should continue efforts to ensure the reliability and completeness of the following information systems within the scope of their designated purpose: Nortridge, IDIS, and the long-term monitoring database.

In addition, the Community Development Officer should ensure that all future projects from inception through their affordability period, whether funded by federal, state, local, or private funds, are entered into the new Oracle database.

MANAGEMENT RESPONSE

CONCURRENCE: Concur. Nortridge, IDIS and the Long term monitoring database are considered subsidiary information management systems. Reports from each of these systems are available to the respective NHCD/AHFC managers to ensure completeness and reliability. For Nortridge, the information tracked on the subsidiary system is accounted for on the primary system, AFS2. For IDIS, HUD reviews the system periodically to ensure completeness. For the Long term monitoring system, information is used to ensure recipients of HUD funds are in compliance with legal requirements.

Project tracking reporting is available off of the Access database that will convert to Oracle. Information on Oracle comes from the City's Project Tracking information system, eCapris. Information on eCapris comes from the primary system, AFS2. Project tracking reporting is provided monthly to all NHCD/AHFC managers, the NHCD Executive Team and the Acting Chief of Staff.

IMPLEMENTATION STRATEGIES: Oracle is currently designed to capture information currently tracked on the on-going monitoring database. The on-going monitoring database is currently being populated with data applicable to the affordability period.

CURRENT STATUS: Underway.

IMPLEMENTATION DATE: April 2003

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

11. The Community Development Officer should reexamine the current family of performance measures for rental housing development and determine whether those measures appropriately reflect the activities of the program and provide useful information to stakeholders. For example, disaggregating measures by type of project, e.g. construction versus rehabilitation would provide more meaningful information for stakeholders.

New measures could include the following.

Demand

- Number of low/mod housing units (including number requiring Section 8) needed in the City
- Estimated number of housing units in need of rehabilitation.

Input

- Percent of total housing dollars spent to address the Mayor's and City Council's priorities.
- Amount of private capital expended on City's affordable housing projects (measure of private leverage)
- Amount of other leveraged funds
- Total City funding

Output

- Number of units funded.
- Number of units constructed/"created."
- Number of units rehabilitated/"retained."

Efficiency

- Cost per assisted unit, for HOME-funded projects.

Outcome/results

- Stock of rental (serving 80% and below) currently monitored through length of affordability period = number of renter households currently assisted.
- Inventory loss due to early pay-offs, defaults, and end of affordability period (outcome).

MANAGEMENT RESPONSE

CONCURRENCE: Concur. NHCD concurs to re-examining the current family of measures. However, NHCD/AHFC have already adopted a family of measures at the program level. NHCD and AHFC have worked diligently to streamline our accounting systems to comprehensively track program production and spending. The family of measures includes input, output, efficiency and outcome measures. These measures were originally reviewed and developed with the assistance of the Office of the City Auditor, the Budget Office and the City Controller's Office.

IMPLEMENTATION STRATEGIES: A re-examination of the proposed family of measures will be considered during the next business planning cycle.

CURRENT STATUS: Planned

IMPLEMENTATION DATE: March 2004

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

12. In order to demonstrate that the RHDA program contributes to movement on the housing continuum for a number of beneficiary households, and to further operationalize the continuum concept as a way to evaluate performance results, the Community Development Officer should, in collaboration with RHDA program staff and developers, negotiate a contract in the next calendar year that pilots the collection of data on tenants' housing type and quality prior to becoming housed in an RHDA-funded unit. This requires identifying a developer-partner willing to collect this type of tenant information.

MANAGEMENT RESPONSE

CONCURRENCE: Disagree. Tracking beneficiary's through the continuum would not only require information on the beneficiary prior to them living in an RHDA project but also following the beneficiary after they leave the RHDA project. Tracking beneficiary's whereabouts would be cost prohibitive and staff intensive. Identifying a developer-partner "willing" to collect this type of tenant information would also come at a cost. Ultimately, this cost would be a pass through to the beneficiaries in the project.

IMPLEMENTATION STRATEGIES: None required.

CURRENT STATUS:

IMPLEMENTATION DATE:

RESPONSIBLE INDIVIDUAL: Paul Hilgers, Community Development Officer

APPENDIX B
Rental Housing Projects
FY 97 – FY 02

[This page intentionally left blank.]

APPENDIX B
Rental Housing Projects FY 97 – FY 02

The following list comprises rental housing developments receiving City funding for the past six fiscal years. Included are projects that have reached initial occupancy, those that are substantially underway, project properties that have since been sold, and projects for which funds were disbursed but, for case-specific reasons, were cancelled. Financing provided through private activity investment (AHFC bonds) is included in the total project cost column. * indicates the affordability period is unknown

Fiscal Year: FY 97

	Case Owner	Case Name/ Description	Project Type	Affordability Period	Project Status	Affordable Units Funded	City Contribution to Project	Total Project Cost	City % of Cost
1	Individual	low/moderate income housing	Rehab	5 years	Completed	2	$16,000	$32,764	48.8%
2	Individual	low/moderate income housing	Rehab	5 years	Completed	2	$15,000	$30,050	49.9%
3	Individual	low/moderate income housing	Rehab	5 years	Completed	8	$36,900	$81,600	45.2%
4	Individual	low/moderate income housing	Rehab	10 years	Completed	1	$8,500	$20,000	42.5%
5	Push Up Foundation	women's transitional	Rehab	*	Completed	13	$115,000	$230,000	50.0%
6	Guadalupe NDC	low/moderate income housing	Rehab	*	Completed	1	$15,000	$45,000	33.3%
7	Individual	low/moderate income housing	Rehab	*	Completed	1	$7,500	$18,050	41.6%
8	Individual	low/moderate income housing	Rehab	5 years	Completed but Later Sold	2	$15,000	$32,700	45.9%
9	Individual	low/moderate income housing	Rehab	10 years	Completed but Later Sold	1	$8,500	$17,800	47.8%
10	Individual	low/moderate income housing	Rehab	10 years	Completed but Later Sold	20	$36,900	$69,401	53.2%
11	Vision Village, Inc	low/moderate income housing	NewCon	*	Cancelled	156	$1,250,000	$2,700,000	46.3%
Projects in Fiscal Year: 11						**207**	**$1,524,300**	**$3,277,365**	**46.5%**

Fiscal Year: FY 98

	Case Owner	Case Name/ Description	Project Type	Affordability Period	Project Status	Affordable Units Funded	City Contribution to Project	Total Project Cost	City % of Cost
12	National Church Residences	Cobblestone Court senior housing	NewCon	40 years	Completed	68	$500,000	$4,502,800	11.1%
13	Community Partnership for the Homeless	veteran's transitional housing	Rehab	10 years	Completed	8	$39,500	$506,400	7.8%
14	Corporation for Affordable Housing	low/moderate income housing	Rehab	10 years	Completed	16	$220,000	$220,000	100.0%
15	SafePlace	SafePlace domestic violence shelter	NewCon	10 years	Completed	105	$3,500,000	$5,931,200	59.0%
16	Project Transitions	HIV/AIDS housing	Rehab	*	Completed	21	$75,000	$461,036	16.3%
17	Austin Redevelopment Corporation	Monarch Apartments transitional housing	Rehab	*	Cancelled	36	$200,000	$200,000	100.0%
Projects in Fiscal Year: 6						**254**	**$4,534,500**	**$11,821,436**	**38.4%**

[This page intentionally left blank.]

Fiscal Year: FY 99

Case Owner	Case Name/ Description	Project Type	Affordability Period	Project Status	Units Funded	Affordable Contribution to Project	City Total Project Cost	City % of Cost
18 Push Up Foundation	men's transitional housing	Rehab	10 years	Completed	50	$625,000	$732,200	85.4%
19 East Austin Economic Development Corporation	Senior Housing senior housing	Rehab	*	Completed	12	$17,860	$17,860	100.0%
20 Guadalupe NDC	Sanchez Stabilization Project low/moderate income housing	Rehab	10 years	In Progress	5	$100,000	$365,000	27.4%
21 Austin Redevelopment Corporation	Monarch Apartments transitional housing	Rehab	*	Cancelled	0**	$200,000	$200,000	100.0%
Projects in Fiscal Year: 4					**67**	**$942,860**	**$1,315,060**	**71.7%**

** Units included in project #17

Fiscal Year: FY 00
No projects

Fiscal Year: FY 01

Case Owner	Case Name/ Description	Project Type	Affordability Period	Project Status	Affordable Units Funded	City Contribution to Project	Total Project Cost	City % of Cost
22 Blackland NDC	low/moderate income housing	Rehab	5 years	Completed	11	$99,000	$99,000	100.0%
23 Guadalupe NDC	Residential Infill Project low/moderate income housing	NewCon	20 years	Completed	4	$104,272	$345,172	30.2%
24 SafePlace	SafePlace Addition domestic violence shelter	NewCon	20 years	Completed	14	$502,672	$1,270,430	39.6%
25 Central Texas Mutual Housing	Southwest Trails low/moderate income housing	NewCon	20 years	Completed	160	$1,241,875	$14,517,246	8.6%
26 Fort Branch Partnership	Truman's Landing low/moderate income housing	NewCon	20 years	In Progress	250	$611,989	$21,223,053	2.9%
27 Arbors Housing Partners	Primrose of Shadow Creek senior housing	NewCon	20 years	In Progress	176	$1,103,368	$15,636,368	7.1%
28 Volunteers of America	Manor House supportive housing	NewCon	20 years	In Progress	11	$273,700	$871,000	31.4%
29 Mary Lee Community	supportive housing	Rehab	*	In Progress	22	$500,000	$1,034,220	48.3%
30 Corporation for Affordable Housing	low/moderate income housing	NewCon	15 years	Cancelled	30	$103,266	$103,266	100.0%
Projects in Fiscal Year: 9					**678**	**$4,540,142**	**$55,099,755**	**8.2%**

[This page intentionally left blank.]

Case Owner	Case Name/ Description	Project Type	Affordability Period	Project Status	Units Funded	Affordable Contribution to Project	City Total Project Cost	City % of Cost
Fiscal Year:	**FY02**							
31 Community Partnership for the Homeless	veteran's housing	Rehab	20 years	Completed	9	$71,900	$185,000	38.9%
32 Garden Terrace Housing Corporation	Garden Terrace low/moderate income housing	Rehab	*	In Progress	85	$1,277,610	$2,984,247	42.8%
Projects in Fiscal Year: 2					**94**	**$1,349,510**	**$3,169,247**	**42.6%**
				All Years:	**1300**	**$12,891,312**	**$74,682,863**	**17.3%**

SOURCE: RHDA and CHDO program case files.

[This page intentionally left blank.]

APPENDIX C
Rental Housing Projects with Funding Sources
FY 97 – FY 02

[This page intentionally left blank.]

APPENDIX C

Rental Housing Projects with Funding Sources FY 97 – FY 02

The following list comprises rental housing developments receiving City funding for the past six fiscal years. Included are projects that have reached initial occupancy, those that are substantially underway, project properties that have since been sold, and projects for which funds were disbursed but, for case-specific reasons, were cancelled.

Owner	Case Name/ Description	Contract Date	Project Type	Status	Funding Source	Amount
Individual	low/moderate income housing	11/19/1996	Rehab	completed	HOME	$15,000
					Owner Equity	$15,050
					Total Project Funding	**$30,050**
Individual	low/moderate income housing	11/19/1996	Rehab	completed	HOME	$16,000
					Owner Equity	$16,764
					Total Project Funding	**$32,764**
Individual	low/moderate income housing	11/21/1996	Rehab	completed	HOME	$7,500
					Owner Equity	$10,550
					Total Project Funding	**$18,050**
Individual	low/moderate income housing	12/12/1996	Rehab	completed	HOME	$36,900
					Private Lender	$36,540
					Owner Equity	$8,160
					Total Project Funding	**$81,600**
Individual	low/moderate income housing	1/4/1997	Rehab	completed and later sold	CDBG	$36,900
					Private Lender	$25,561
					Owner Equity	$6,940
					Total Project Funding	**$69,401**
Individual	low/moderate income housing	2/7/1997	Rehab	completed and later sold	HOME	$8,500
					Private Lender	$7,520
					Owner Equity	$1,780
					Total Project Funding	**$17,800**
Individual	low/moderate income housing	2/11/1997	Rehab	completed and later sold	HOME	$15,000
					Private Funds	$17,700
					Total Project Funding	**$32,700**
Guadalupe NDC	low/moderate income housing	4/4/1997	Rehab	completed	CDBG	$15,000
					Private Lender	$30,000
					Total Project Funding	**$45,000**
Individual	low/moderate income housing	5/7/1997	Rehab	completed	HOME	$8,500
					Owner Equity	$11,500
					Total Project Funding	**$20,000**
Vision Village, Inc	low/moderate income housing	5/30/1997	NewCon	cancelled	CDBG	$1,250,000
					Private Lender	$1,250,000
					Travis County	$200,000
					Total Project Funding	**$2,700,000**
Push Up Foundation	women's transitional	6/13/1997	Rehab	completed	CDBG	$115,000
					HUD Supportive Housing Grant	$115,000
					Total Project Funding	**$230,000**
Project Transitions	HIV/AIDS housing	12/4/1997	Rehab	completed	CDBG	$75,000
					State/Federal Funds	$296,046
					Community Action Network	$45,000
					Total Project Funding	**$416,046**

[This page intentionally left blank.]

Owner	Case Name/ Description	Contract Date	Project Type	Status	Funding Source	Amount
Corporation for Affordable Housing	low/moderate income housing	4/8/1998	Rehab	completed	HOME	$220,000
					Total Project Funding	**$220,000**
National Church Residences	Cobblestone Court senior housing	6/3/1998	NewCon	completed	CDBG	$500,000
					HUD Supportive Housing Grant	$4,002,800
					Total Project Funding	**$4,502,800**
SafePlace	SafePlace domestic violence shelter	6/18/1998	NewCon	completed	City General Fund	$3,000,000
					CDBG	$500,000
					Owner Equity	$2,431,200
					Total Project Funding	**$5,931,200**
Austin Redevelopment Corporation	Monarch Apartments transitional housing	6/26/1998	Rehab	cancelled	CDBG	$200,000
					Total Project Funding	**$200,000**
Community Partnership for the Homeless	veteran's transitional	6/26/1998	Rehab	completed	CDBG	$39,500
					HUD Supportive Housing Grant	$153,600
					Veterans Affairs Grant	$115,000
					HUD Emergency Shelter Grant	$59,700
					Community Action Network	$58,000
					Owner Equity	$40,400
					Community Partnership for the Homeless	$40,200
					Total Project Funding	**$506,400**
East Austin Economic Development	Senior housing	2/1/1999	Rehab	completed	CDBG	$17,860
					Total Project Funding	**$17,860**
Push Up Foundation	men's transitional housing	3/1/1999	Rehab	completed	HOME	$350,000
					CDBG	$275,000
					Owner Equity	$107,200
					Total Project Funding	**$732,200**
Guadalupe NDC	Sanchez Stabilization Project low/moderate income housing	4/15/1999	Rehab	in progress	CDBG	$100,000
					Private Lender	$208,500
					Owner Equity	$56,500
					Total Project Funding	**$365,000**
Austin Redevelopment Corporation	Monarch Apartments transitional housing	4/19/1999	Rehab	cancelled	CDBG	$200,000
					Total Project Funding	**$200,000**
Corporation for Affordable Housing	low/moderate income housing	11/1/2000	NewCon	cancelled	CDBG	$103,266
					Total Project Funding	**$103,266**
Fort Branch Partnership	Truman's Landing low/moderate income housing	12/13/2000	NewCon	in progress	HOME	$500,000
					SMART Waiver	$111,989
					Travis County Bond	$12,318,000
					Low Income Housing Tax Credit	$7,132,690
					Owner Equity	$1,160,374
					Total Project Funding	**$21,223,053**

[This page intentionally left blank.]

Owner	Case Name/ Description	Contract Date	Project Type	Status	Funding Source	Amount
Central Texas Mutual Housing	Southwest Trails low/moderate income housing	12/21/2000	NewCon	completed	Housing Trust Fund	$500,000
					HOME	$500,000
					SMART Waiver	$211,875
					Balcones credit	$30,000
					AHFC Bond Finance	$6,500,000
					Private Lender	$6,178,865
					Private Funds	$596,506
					Total Project Funding	**$14,517,246**
Guadalupe NDC	Residential Infill Project low/moderate income housing	2/27/2001	NewCon	completed	HOME	$100,000
					SMART Waiver	$4,272
					Private Lender	$132,000
					Owner Equity	$108,900
					Total Project Funding	**$345,172**
SafePlace	SafePlace Addition domestic violence shelter	2/28/2001	NewCon	completed	Housing Trust Fund	$500,000
					SMART Waiver	$2,672
					HUD Grant	$400,000
					Owner Equity	$317,758
					Private Funds	$50,000
					Total Project Funding	**$1,270,430**
Mary Lee Community	supportive housing	3/8/2001	Rehab	in progress	HOME	$500,000
					Private Lender	$500,000
					Owner Equity	$34,220
					Total Project Funding	**$1,034,220**
Arbors Housing Partners	Primrose of Shadow Creek senior housing	5/1/2001	NewCon	in progress	Housing Trust Fund	$500,000
					Housing Assistance Fund	$500,000
					SMART Waiver	$103,368
					AHFC Bond Finance	$8,600,000
					Low Income Housing Tax Credit	$5,433,000
					Federal Home Loan Bank	$500,000
					Total Project Funding	**$15,636,368**
Blackland NDC	low/moderate income housing	6/29/2001	Rehab	completed	HOME	$99,000
					Total Project Funding	**$99,000**
Volunteers of America	Manor House supportive housing	8/24/2001	NewCon	in progress	HOME	$260,960
					SMART Waiver	$12,740
					HUD Supportive Housing Grant	$597,300
					Total Project Funding	**$871,000**
Garden Terrace Housing Corporation	Garden Terrace low/moderate income housing	2/28/2002	Rehab	in progress	CDBG	$1,100,000
					HOME	$175,750
					SMART Waiver	$1,860
					State HOME Funding	$1,000,000
					Federal Home Loan Bank	$500,000
					Owner Equity	$206,637
					Total Project Funding	**$2,984,247**
Community Partnership for the Homeless	veteran's housing	4/30/2002	Rehab	completed	CDBG	$71,900
					Veterans Affairs Grant	$113,100
					Total Project Funding	**$185,000**