



Good Neighbors

San Diego
Housing Commission

HOUSING AUTHORITY REPORT

DATE ISSUED: May 2, 2006

REPORT NO: HAR06-007

ATTENTION: Members of the Housing Authority

(R E V I S E D)

SUBJECT: Proposed Fiscal Year 2007 Budget

REQUESTED ACTION:

Housing Authority adoption of the Proposed Fiscal Year 2007 (FY07) Budget and authority for the Housing Commission Board to amend the FY07 Budget under specific circumstances.

STAFF RECOMMENDATION:

1. Housing Authority adoption of the \$275.7 million FY07 Proposed Activity Based Budget (Attachment 1).
2. Housing Authority approval to maintain at current levels the Housing Commission's authority to amend the FY07 Budget consistent with adopted policies, programs and activities, as described on Page 3 of this report.

BACKGROUND:

The Housing Commission's FY07 Proposed Budget is prepared as an activity based budget. It contains prior year and proposed year data for comparison by activity. Also, the objectives for each activity shown in Section III of the budget document include the expected performance measures to be achieved in FY07. Available funds have been allocated to support multiple housing activities that address the ongoing critical affordable housing needs in San Diego.

SUMMARY:

The proposed FY07 Budget totals \$275,731,563, an increase of \$33.5 million from the current FY06 Budget of \$242,210,913. Most of the increase is one-time, related to the acquisition and preparation of the Smart Corner office facility. There are no City General Funds in this budget.

In FY07 the Housing Commission will continue to actively seek ways to better serve the community of San Diego while at the same time continuing to operate an efficient, cost effective organization. There will be several challenges for the Housing Commission in FY07 including rising costs per unit, changing HUD program rules, emphasis on increasing the supply of work force housing, and the continued pursuit of Business Plan goals including completion of the outsourcing of human resources and the implementation of the agency's Succession Plan.

One of the biggest changes for the Housing Commission in FY07 will be the move, in December 2006, to the new office facility at the Smart Corner development. Of the \$33.5 million increase in the FY07 budget, acquisition and preparation of the office facility, approved by the Housing Commission and Housing Authority on July 23, 2003 and July 29, 2003 respectively, accounts for \$27.7 million of this increase. As approved in the development plan, this amount includes loan proceeds to purchase the building; relocation of the Newton Avenue, Ridgehaven and Gateway offices; and most of the



furnishings in the new building. Other one-time costs include leasing agents, specialized computer networking equipment and financial and legal consultants for the purchase of Smart Corner and for the completion of the sale of the Newton office facility.

The proposed FY07 Budget shows a \$28.7 million (15%) increase for housing programs, while administrative costs increase by \$4.7 million (19%) and reserves reflect a modest \$153,450 (0.7%) increase. As noted above, most of the additional expenditure is for the Housing Authority approved \$27.7 million development of the new office facility with offsetting revenue from approved borrowed funds and the Newton Avenue sale proceeds. In addition, there is \$4.2 million in carryover of Inclusionary Housing fees targeted for Rental Housing Production pipeline projects. Based on funding in Calendar Year 2006, it is expected there will be an increase of \$2.2 million in the Section 8 Voucher Program to provide for Rental Assistance rent increases through FY07. Also, there is carryover of \$1.3 million of HOME funds for Rental Housing Production due to the timing of pipeline project approvals in FY06. There are \$2 million of combined Capital and Lead Hazard funds from new HUD awards for Asset Management and Rehabilitation. These funds will provide for extraordinary maintenance of Public Housing units and lead abatement efforts respectively. These increases are partially offset by a decline in State funding (Cal Home EAGR, Cal Home, Cal State Housing Trust) and Shelter Plus Care funds due to the expected obligation and/or completion in the current fiscal year of a number of housing projects or programs. This will result in \$3.2 million less in carryover funds from FY06 than occurred from FY05 into FY06.

FY2007 is the third year of the three year Memorandum of Understanding (MOU) with the Service Employees International Union (SEIU) that includes the implementation of the salary adjustments (2.5% range adjustment) that were approved by the Housing Authority as part of the three-year labor agreement. There is the net deletion of one-fifth of one position in FY07 combined with ten reclassifications to better reflect increased workload and responsibilities of certain positions. Flex plan benefits also increase according to the MOU and there is an increase in pension for the defined contributions plan due to the range adjustment and employee progression on the seven-step merit pay range. Overall, these personnel changes provide for a net FY07 Budget increase of 3% in salaries and benefits.

There is a substantial one-time increase in services and supplies primarily for fixtures, furnishings and office equipment for the new office facility. In addition, contract/consulting increased to provide for leasing agent commissions, management firms and the underground parking for the new office facility; consultants for lead based paint inspections, clearance inspections and ongoing construction defect issues at the Golfcrest, Saranac and Fulton sites; a temporary employee to backfill cross training positions, update of the waiting list income verification services; and graphic design for landlord/tenant brochures and communication consulting.

Since 1996, the Housing Commission has strived to maintain overhead expenses at less than 10% of the annual budget. This goal ensures that 90% of funding received by the Housing Commission is utilized for service delivery to eligible clients. The ratio of administration to programs is projected to be less than 6% in the FY07 Budget after discounting the one-time costs of acquiring and preparing the new office facility.

Reserves set aside for future expenditure under multiyear grants increase slightly due to additional Lead Hazard Control grants and continued set aside into the sinking fund to provide for the purchase of State funded units when the loans on these sites become due in 2013 and 2015. Contingency Reserves reflect

an increase in office facility reserves to provide for the new office facility and the uncertainty surrounding the timing of leasing of the first two floors. Agency reserves are budgeted at slightly more than one and a half percent of the total budget amount.

It is expected that additional funding will become available during the coming year through grant application cycles not yet completed. Any new funding awards would result in proposed amendments to the FY07 Budget.

An important change in the proposed FY07 Budget is that it does not include funding for the City's Winter Shelter. The funding source previously used for the Winter Shelter is no longer available and other unrestricted funds for which emergency shelter is an eligible activity are very limited. It is proposed to continue to use limited unrestricted revenues to fund several other City activities in FY07 (Access Center, Fair Housing Council, Elderhelp, Regional Task Force on the Homeless, Homeless Coordinator position). The Housing Commission has partnered with CCDC to develop alternative funding for the Winter Shelter and once this action is approved by the Redevelopment Agency, the Housing Authority would be asked to revise the Housing Commission's budget to reserve these funds for the Winter Shelter.

Delegation of Budget Authority

As in prior years, the Housing Commission is seeking Housing Authority approval to amend the budget within certain limitations. Specifically, it is recommended that the Housing Commission's authority be maintained at current levels which allow the Commissioners to amend the budget as follows, provided that the amendments are consistent with the policies, programs and activities approved by the Housing Authority.

- a. Addition of any unanticipated funds not to exceed \$250,000 that is made available during the course of the year;
- b. Transfer of funds of less than \$500,000 among approved activities within the FY07 Budget that do not impact the overall size of the Agency's annual budget;
- c. Addition of funding resulting from applications submitted with the approval of the Housing Authority.

If approved by the Housing Authority, this will provide budget authority sufficient to continue implementation of the City's multifaceted strategy for the provision of affordable housing during FY07.

AFFORDABLE HOUSING IMPACT:

The FY07 Proposed Budget allocates resources so that the Housing Commission will continue to serve more than 75,000 San Diegans, approximately 70% of whom are very low-income. In essence, the \$275.7 million FY07 Proposed Budget would enable the San Diego Housing Commission to:

- Assist 12,469 households to rent private housing.
- Subsidize approximately 100 first-time homebuyers.
- Produce 600 additional affordable rental units.

- Oversee physical improvements to 1,726 homes and apartments.
- Manage 1,769 units of publicly owned housing.
- Provide special purpose housing opportunities for 410 persons.
- Aid 500 families toward self-sufficiency.

FISCAL CONSIDERATIONS:

The FY07 Proposed Budget anticipates revenues of \$275,731,563 from almost 70 sources (a net increase of \$33.5 million from FY06). Of these funds, 71% are federal, 1% state, and 28% are locally generated. There are no City general funds in this budget. Approval of the Proposed Budget will appropriate funds for the Agency to pursue the strategies and goals outlined in the FY06-FY08 Business Plan.

ENVIRONMENTAL REVIEW

This activity and the proposed action is “not a project” within the meaning of CEQA. Further, this activity and the proposed budgetary action is categorically excluded and exempt under the applicable provisions of NEPA.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The Housing Commission and Housing Authority approved similar resolutions for the Fiscal Year 2006 Budget on May 20, 2005 and June 14, 2005, respectively. The Housing Commission approved the proposed Fiscal Year 2007 Budget on April 14, 2006.

The Land Use and Housing Committee reviewed the proposed FY07 Budget and recommendations and approved forwarding the FY07 Budget to the Housing Authority for final approval. LU&H members spoke to two items, preferring to maintain the current level of authority delegated from the Housing Authority to Housing Commission Board until a broader discussion can be held with input from the Mayor. LU&H members also asked the Housing Commission to become involved in the citywide discussion regarding funding for the Winter Shelter and possible extension to a year-round shelter. The revised report is inclusive of the Committee’s direction to staff.

Respectfully submitted,

Approved by,

Ed Mauk
Director of Financial Services

Elizabeth C. Morris
President & Chief Executive Officer

Attachment: Proposed FY07 Budget



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Housing Commission

HOUSING AUTHORITY REPORT

EXECUTIVE SUMMARY SHEET

DATE REPORT ISSUED: May 2, 2006 REPORT NO: HAR06-007
ATTENTION: Members of the Housing Authority (**REVISED**)
ORIGINATING DEPARTMENT: San Diego Housing Commission
SUBJECT: Proposed Fiscal Year 2007 Budget
COUNCIL DISTRICT(S): Citywide
STAFF CONTACT: Tim Sturtevant (619-578-7731)
REQUESTED ACTION:

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EXECUTIVE SUMMARY:

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The proposed FY07 Budget shows a \$28.7 million (15%) increase for housing programs, while administrative costs increase by \$4.7 million (19%) and reserves reflect a modest \$153,450 (0.7%) increase. As noted above, most of the additional expenditure is for the Housing Authority approved \$27.7 million development of the new office facility with offsetting revenue from approved borrowed funds and the Newton Avenue sale proceeds. There is \$4.2 million in carryover and Inclusionary Housing fees targeted for Rental Housing Production pipeline projects, an increase of \$2.2 million in the Section 8 Voucher Program and carryover of \$1.3 million of HOME funds for Rental Housing Production due to the timing of pipeline project approvals in FY06. There are \$2 million of combined Capital and Lead Hazard funds from new HUD awards for Asset Management and Rehabilitation. These increases are partially offset by a decline in State funding (Cal Home EAGR, Cal Home, Cal State Housing Trust) and Shelter Plus Care funds due to the expected obligation and/or completion in the current fiscal year of a number of housing projects or programs.

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three-year labor agreement. There is the net deletion of one-fifth of one position in FY07 combined with ten reclassifications to better reflect increased workload and responsibilities of certain positions. Overall, these personnel changes provide for a net FY07 Budget increase of 3% in salaries and benefits.

There is a substantial one-time increase in services and supplies primarily for fixtures, furnishings and office equipment for the new office facility. In addition, contract/consulting increased to provide for leasing agent commissions, management firms and the underground parking for the new office facility; consultants for lead based paint inspections, clearance inspections and ongoing construction defect issues at the Golfcrest, Saranac and Fulton sites.

An important change in the proposed FY07 Budget is the lack of resources available to fund the City's Winter Shelter. Although several City activities continue to be funded by the Housing Commission in FY07 (Access Center, Fair Housing Council, Elderhelp, Regional Task Force on the Homeless, Homeless Coordinator position), the funding source previously used for the Winter Shelter is no longer available. However, the Housing Commission is partnering with CCDC to develop alternative funding for the Winter Shelter and will work with the Mayor's office regarding emergency shelter programs.

Reserves set aside for future expenditure under multiyear grants increase slightly due to additional Lead Hazard Control grants and continued set aside into the sinking fund to provide for the purchase of State funded units when the loans on these sites become due in 2013 and 2015. Contingency Reserves reflect an increase in office facility reserves to provide for the new office facility and the uncertainty surrounding the timing of leasing of the first two floors. Agency reserves are budgeted at slightly more than one and a half percent of the total budget amount.

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Respectfully submitted,

Approved by,

Ed Mauk
Director of Financial Services

Elizabeth C. Morris
President & Chief Executive Officer

Attachments: Proposed FY07 Budget