



THE CITY OF SAN DIEGO

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## OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Date Issued: October 17, 2016

IBA Report Number: 16-37

City Council Docket Date: October 18, 2016

Item Number: 330

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# Proposed Municipal Code Changes to Section 98.0301 Related to the San Diego Housing Commission

## OVERVIEW

On July 27, 2016, the Smart Growth and Land Use Committee heard and forwarded, without recommendation, proposed amendments to San Diego Municipal Code Sections 98.0301 and 98.0302 related to the San Diego Housing Commission (Housing Commission) and Relocation Appeals Board. These amendments are now pending Council consideration on October 18<sup>th</sup>, 2016. As part of these requested changes, the City Council will be asked to delegate some of its current authority (as the San Diego Housing Authority) to the San Diego Housing Commission Board of Commissioners (Board). The purpose of this report is to provide additional background and information related to the requested action.

## FISCAL/POLICY DISCUSSION

The Housing Commission Board, which oversees the Housing Commission, is composed of seven members who are appointed by the Mayor, and confirmed by City Council. The Board serves an advisory role to the San Diego Housing Authority (Housing Authority), which is made up of the nine members of the City Council and governs the Housing Commission. Currently, the Housing Authority has final authority over the Housing Commission's budget, as well as major policy changes. Housing Authority action is also required on:

- Amendments to the annual budget that exceed \$500,000;
- The proposed acquisition, sale or lease of real property for a term exceeding five years;
- Development projects or rehabilitation loans exceeding \$250,000;
- Contracts for maintenance and capital improvements, and services from non-profits or agencies exceeding \$500,000; and

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- Contracts for goods and services, construction, consultants, and architecture and engineering consultants exceeding \$250,000.

### **Proposed Municipal Code Changes in 2009**

In 2009, the Housing Commission requested the City Council delegate to the Housing Commission Board the authority to award contracts for maintenance, modernization, and improvements of properties throughout San Diego that are owned and managed by the Housing Commission. The Housing Commission brought this recommended action forward to address concerns raised in a 2009 Audit<sup>1</sup> about time delays between Housing Commission and Housing Authority approvals.

At that time, our Office released [IBA Report #09-89](#), which raised concerns about approving a delegation of authority to award contracts without including a dollar limit. We recommended that either the delegation of authority be subject to a dollar limit of \$1.0 million, or the Housing Commission's annual budget include line item details showing the dollar amounts budgeted for these types of contracts. The City Council, acting as the Housing Authority, accepted both recommendations, opting for a dollar limit of \$500,000 instead of \$1.0 million.

### **Proposed Municipal Code Changes in 2016**

The proposed Municipal Code changes for Council consideration on October 18, 2016 are noteworthy. If approved, the Housing Authority will delegate a portion of its current authority to the Housing Commission's Board, including:

- Approval of the proposed acquisition, sale or lease of real property in excess of 5 years;
- Approval of development projects and rehabilitation loans; and
- Approval of contracts for the acquisition of goods and services.

However, as the Housing Commission's report points out, the City Council or Housing Authority will continue to have an opportunity to request that a matter be referred to the Housing Authority, as long as it acts within seven days after the Board's action, and four members of the City Council submit a written notice to the Executive Director and Commission President. We note that the action before Council includes a change in the number of Councilmembers who must submit the request (increasing it from three to four), in order to conform to Council Policy. It should be noted that despite Council's longstanding ability to request a matter be heard by the Housing Authority, it has not yet felt the need to exercise that power.

To give some context to the requested action, if the Municipal Code changes had been implemented one year ago from today, the Housing Authority would have heard 13 fewer items. Some of these items, like the 1,000 Homeless Veterans Initiative, would no longer go to the Housing Authority, but would still go to the City Council. Other items would no longer come before the Housing Authority without a request, including:

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<sup>1</sup> *The Performance Audit of the San Diego Housing Commission – Part I* is available online at: [https://www.sandiego.gov/sites/default/files/legacy/auditor/pdf/housing\\_commission\\_part1.pdf](https://www.sandiego.gov/sites/default/files/legacy/auditor/pdf/housing_commission_part1.pdf)

- The approval of a \$750,000 loan from the Housing Commission to fund the land acquisition and development of The Nook East Village, a 91-unit affordable housing development;
- The approval of a \$3,000,000 residual receipts loan to fund the land acquisition and development of Vista del Puente, a 52-unit affordable housing development;
- The approval of an increased Housing Commission loan of \$7.5 million (up from the previously approved \$6.0 million loan) to finance the acquisition and development of Villa Encantada; and
- The approval of contracts for the City of San Diego Homeless Shelters and Services Program, which included funding for the Connections Housing Interim Bed Program, Cortez Hill Family Center, Emergency Solutions Grants Rapid Re-Housing Program, Homeless Transitional Storage Center, and the Serial Inebriate Program.

As noted in the Housing Commission’s report, there are potential benefits associated with the requested actions, including administrative cost and time savings for Housing Commission staff, and streamlined approvals associated with:

- Acquiring, selling, or leasing real property;
- Rehabilitating and maintaining Housing Commission owned property;
- The award of capital improvement projects; and
- The acquisition of goods and services.

Additionally, as is shown in attachment 2 of the staff report, of the 242 action items before the Housing Authority between 2009 and 2016, 232 items (or 95.9%) were unanimously approved.

**Amendment Requested by Councilmember Sherman**

Subsequent to the Smart Growth and Land Use Committee meeting in July, Councilmember Scott Sherman requested an amendment to the proposed Municipal Code language. The requested amendment is reflected in Municipal Code Section 98.0301 (e)(4), and is shown below:

The Commission shall provide written notice to the Housing Authority at least seven days prior to the Commission taking action on any of the following matters:

- (A) Approval of any proposed acquisition, sale, or lease of real property for a term in excess of five years; and
- (B) Approval of any development project, rehabilitation loan commitment, or contract for the acquisition of goods or services, involving the expenditure of more than \$1,000,000.

Our Office supports this change as it would provide Councilmembers and their staff a longer window to assess Housing Commission items to determine whether they would like to request that a particular item be heard by the Housing Authority.

Given the benefit of this additional time, the City Council may also wish to consider requesting that the Housing Authority (Council) and the Office of the IBA receive advance notice of *all* agenda items going to the Housing Commission Board, with the items triggering Municipal Code Section 98.0301 (e)(4) specifically highlighted.

The City Council may also wish to request that Housing Commission staff return to the Housing Authority after a year to discuss how this policy change is working, and to report on those items approved by the Housing Commission Board over the past year that no longer require Housing Authority action.

## CONCLUSION

On October 18, 2016, the City Council will consider proposed amendments to San Diego Municipal Code Sections 98.0301 and 98.0302 related to the San Diego Housing Commission and Relocation Appeals Board. As part of these changes, the City Council will be asked to delegate some of the Housing Authority's current authority to the Housing Commission Board. Since the Smart Growth and Land Use Committee heard this item, Councilmember Sherman requested an amendment to the proposed Municipal Code language that would provide Councilmembers with more time to determine whether they would like to request that a particular item be heard by the Housing Authority. Our Office supports these suggested changes.

The City Council may also wish to consider requesting the following:

- That the Housing Authority (Council) and the Office of the IBA receive advanced notice of *all* agenda items going to the Housing Commission Board, with the items triggering Municipal Code Section 98.0301 (e)(4) specifically highlighted; and
- That Housing Commission staff return to the Housing Authority after a year to discuss how this policy change is working, and to report on those items that were approved by the Housing Commission Board over the past year, and no longer require Housing Authority action.



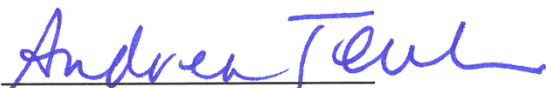
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