

Office of the City Auditor

Performance Audit of the **San Diego Housing Commission** **Affordable Housing Fund**

Presentation to the Land Use and Housing Committee
September 2, 2009

Audit Scope & Objectives

The purpose of this audit included evaluating SDHC's:

- Compliance with pertinent regulations, laws, and policies
- Financial and budgeting practices and procedures
- Performance and practices in comparison to housing agencies in other municipalities of comparable characteristics

Affordable Housing Fund Background

- The Affordable Housing Fund is a permanent, annually renewable source of funds to help meet the housing **assistance needs of the City's very low, low and median income households**

Affordable Housing Fund

Housing Trust Fund
(commercial linkage fee)

Inclusionary Housing
Fund
(in-lieu fee)

Summary of Key Findings

- The accounting for the Affordable Housing Fund needs to be improved and may not have been fully funded
- Housing Trust Fund commercial linkage fees are outdated and substantially lower than comparable cities
- The receipt of direct payments to SDHC from developers is inconsistent with the municipal code
- The City and SDHC reported, but did not reconcile, different fee revenue amounts
- SDHC IHF policies and regulations are inadequate or poorly defined
- The City's Inclusionary Affordable Housing regulations need to be updated
- City and SDHC reporting, monitoring, and disbursements of AHF revenues are fragmented and disjointed

Reconcile fee revenue
amounts

Develop clear and
adequate policies and
procedures

The accounting for the
Affordable Housing Fund
needs to be improved.

Update policies and
procedures in the City

Coordinate the reporting,
monitoring, and
disbursement of fee
revenues

Update the fee and document reason for action (or inaction)

Develop and implement policies and procedures for updating the fee

Housing Trust Fund fees are outdated and may not be fully funded.

Update the municipal code

Formally amend regulations, law, and policies

Do not accept direct
payments from developers

Develop and implement
policies and procedures for
processing and reconciling
fee revenues

The receipt of direct
payments to SDHC from
developers is
inconsistent with the
municipal code

Update agency policies

Formally amend
regulations, law, and
policies

Reconcile current revenue
differences

Settle any outstanding
payment discrepancies

The City and SDHC
reported but did not
reconcile revenue fee
amounts

Establish reconciliation
procedures

Formally amend
regulations, law, and
policies

Develop and implement policies and procedures for the Inclusionary Housing Fund responsibilities

Update existing policy to reflect requirement that Inclusionary Housing Fund and Housing Trust Fund must be reported separately in audited financial statements

SDHC Inclusionary Housing Fund policies and regulations are inadequate or poorly defined

Implement recommended changes in FY2009 and future annual audits

Formally amend regulations, law, and policies

Review municipal code

Update the fees in the
municipal code

The City's Inclusionary
Affordable Housing
Regulations need to be
updated

Update the municipal
code to provide reference
to where current fees
may be located

Formally amend
regulations, law, and
policies

Develop and implement department-specific and cross-department policies and procedures for Affordable Housing Fund responsibilities and activities (including reporting responsibilities and procedures)

Reconcile Affordable Housing Fund levels

City and SDHC reporting, monitoring, and disbursements of Affordable Housing Fund revenues are fragmented and disjointed

Make disbursements based on mutually agreed upon amounts from Affordable Housing Fund reports on consistent and timely basis

Formally amend regulations, law, and policies

Conclusion / Q&A

Supporting Slides

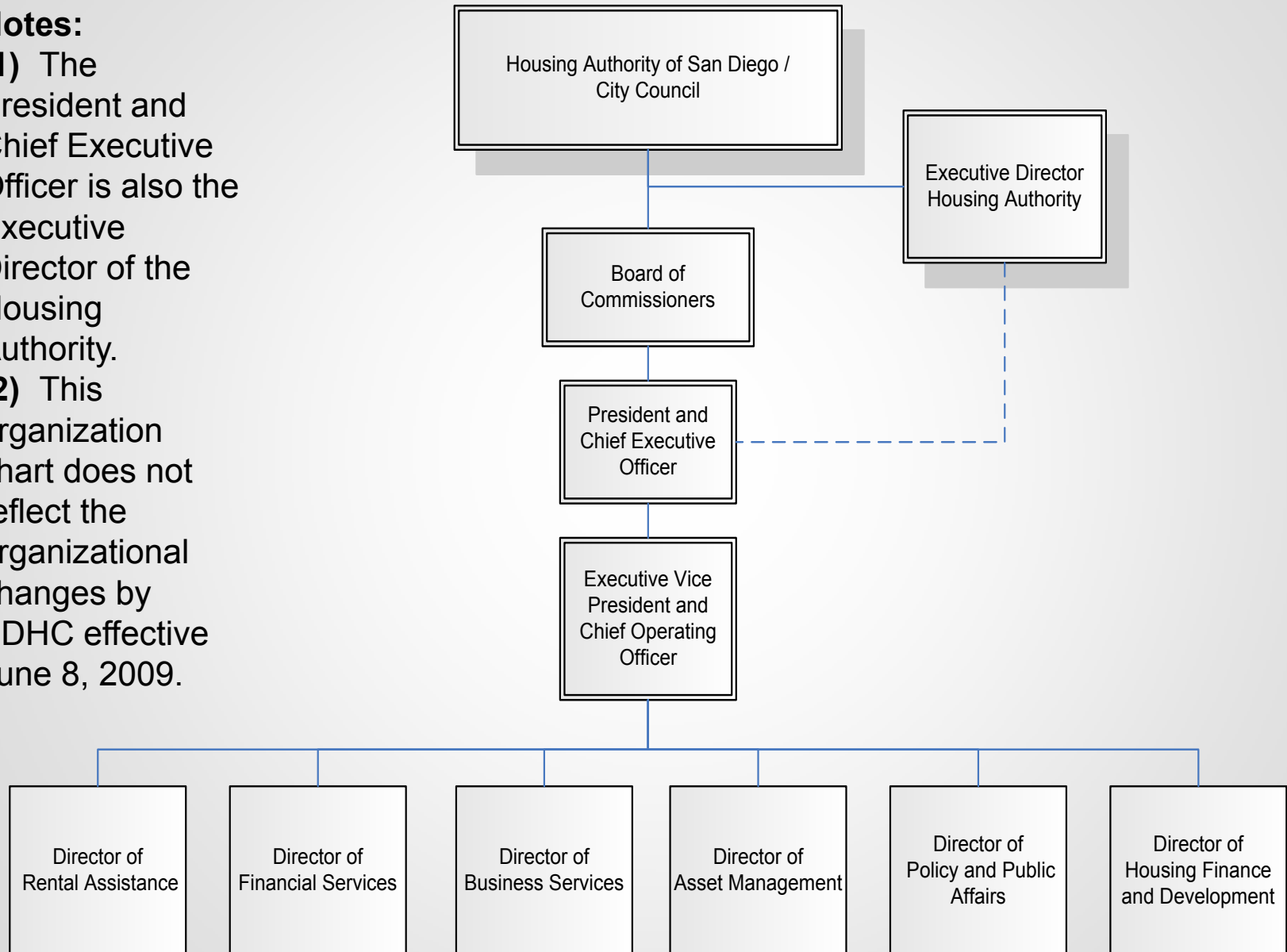
1. SDHC Organizational Chart
2. Current Housing Trust Fund commercial linkage fee list
3. Comparison of San Diego linkage fee to comparable cities by building type
4. Underfunding of the Housing Trust Fund

SDHC Organizational Chart

Notes:

(1) The President and Chief Executive Officer is also the Executive Director of the Housing Authority.

(2) This organization chart does not reflect the organizational changes by SDHC effective June 8, 2009.

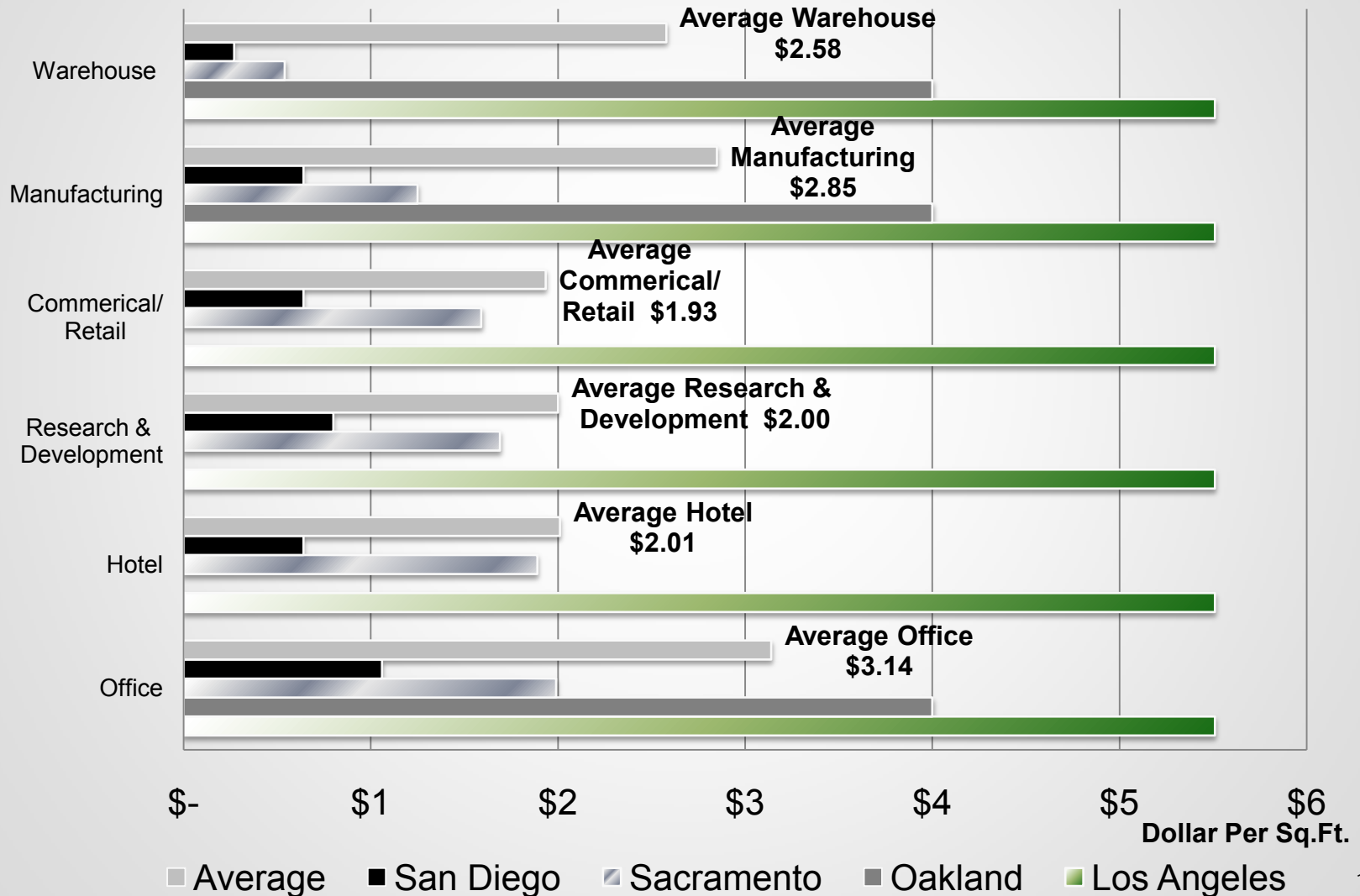


Housing Trust Fund Commercial Linkage Fees

Type of Use	Fee/Building Square Foot
Office	\$1.06
Hotel	\$0.64
Research and Development	\$0.80
Retail	\$0.64
Manufacturing	\$0.64
Warehouse	\$0.27

Source: San Diego Municipal Code §98.0618, Appendix A

Comparison of San Diego Linkage Fees to Comparable Cities by Building Type



Housing Trust Fund Performance

*Outdated fees have resulted in underfunding HTF by \$2.79M between 2006 and 2008

