

Housing Department
Community and Economic Development CSA

Core Service: Community Development and Investment

Core Service Purpose

Investing in at-risk residents and neighborhoods.

Key Operational Services:

- | | |
|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Coordination of Services Aimed to End Chronic Homelessness | <input type="checkbox"/> Information and Referral Services for Homeless and Those At-Risk of Homelessness |
| <input type="checkbox"/> Grant Administration | |

Performance and Resource Overview

The Community Development and Investment Core Service provides investments through multiple grant programs to low-income people and neighborhoods throughout San José.

Homeless Program

San José is partnering with government and community-based organizations to end chronic homelessness. This core service coordinates with Destination: Home (a County-wide effort to end chronic homelessness), the County, and local homeless service agencies to develop and implement initiatives to end and prevent homelessness. In addition, this core service provides grants to agencies that directly assist homeless or at-risk households; distributes information and referrals; and coordinates a comprehensive direct service program for homeless and at-risk households. This core service also includes efforts to proactively and reactively respond to local emergencies such as residential fires and floods by responding to local residential emergencies, overseeing the management of The Haven, a shelter specifically designed for housing disaster victims, and proactively preparing for emergency situations that could leave substantial numbers of San José residents without shelter.

This core service administers grant funds including federal Emergency Shelter Grants (ESG), Housing Opportunities for Persons with AIDS (HOPWA – both entitlement and competitive grants), and local funds made available through the City's Housing Trust Fund. The program oversees grant contracts and monitors compliance with grant requirements, and the performance of grantees. In 2010-2011, the program expects to grant \$442,295 in ESG funding, \$871,489 in HOPWA entitlement funding, and up to \$1 million in Housing Trust Funds. In addition, if the City's funding renewal application is approved; it would be able to grant approximately \$400,000 in HOPWA competitive funds.









Housing Department
Community and Economic Development CSA

Core Service: Community Development and Investment

Performance and Resource Overview (Cont'd.)

Community Development Block Grant

For 2010-2011, the CDBG program has been awarded \$10.8 million in CDBG entitlement funds for public service and community development projects, which represents a 7.5% increase from the 2009-2010 entitlement. The CDBG Program also estimates it will generate \$700,000 in program income in 2010-2011 from repayments of housing rehabilitation and economic development business loans. This represents a 42% decline since 2007-2008 and has resulted in the reduction of funds available for all categories of CDBG funding. For example, the decline in program income has resulted in a 32% reduction in the funds awarded to the Housing Department's Housing Rehabilitation program from a high of \$2.5 million in 2008-2009 to \$1.7 million in 2010-2011.

Community Development and Investment Performance Summary	2008-2009 Actual	2009-2010 Target	2009-2010 Estimated	2010-2011 Target
 Annual number of homeless individuals assisted in securing permanent housing over 10 year period 2004-2013 (based upon 2004 Census that identified 4,900 homeless households)	46% 490	56% 490	56% 490	66% 500
 % annual change in the number of unduplicated persons utilizing emergency shelters	-4%	2%	2%	0%
 % of CDBG-funded projects meeting all stated Outcomes:				
- City projects	77%	90%	90%	90%
- Non-City projects	92%	90%	90%	90%
 % of CDBG invoices processed within 30 days of receipt of all required documentation	94%	90%	90%	90%
 % of CDBG contracts completed by July 1	100%	90%	100%	90%
 % of CDBG open projects monitored by June 3	100%	100%	100%	100%
 % of walk-in clients that are satisfied or very satisfied with the effectiveness, timeliness, and courtesy of services received	95%	95%	95%	95%
 % of homeless households housed who are still housed:				
- Within 6 months of original placement	NEW	90%	75%	75%
- Within 12 months of original placement	NEW	80%	N/A*	50%

Changes to Performance Measures from 2009-2010 Adopted Operating Budget: No

* This new measure was established less than 12 months ago and the Department currently does not have data for 12 months.

Housing Department
Community and Economic Development CSA

Core Service: Community Development and Investment

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2008-2009 Actual	2009-2010 Forecast	2009-2010 Estimated	2010-2011 Forecast
Number of chronically homeless individuals (as defined by HUD) assisted in securing permanent housing	190	300	574	300
New federal, State or private foundation funds secured to assist efforts to end homelessness	\$500,000	\$4,100,000*	\$4,600,000*	\$500,000
Number of unduplicated clients assisted by the Homeless Program	4,500	10,000	23,000**	20,000**

Changes to Activity & Workload Highlights from 2009-2010 Adopted Operating Budget: No

* Includes Homeless Prevention stimulus funds.

** In prior years, this measure included homeless individuals and families; however, starting in 2009-2010, this measure would also include those at risk of homelessness.

Community Development and Investment Resource Summary	2008-2009 Actual 1	2009-2010 Adopted 2	2010-2011 Forecast 3	2010-2011 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 703,446	\$ 1,730,555	\$ 1,927,841	\$ 2,080,221	20.2%
Non-Personal/Equipment	89,818	30,545	30,545	30,545	0.0%
Total	\$ 793,264	\$ 1,761,100	\$ 1,958,386	\$ 2,110,766	19.9%
Authorized Positions	6.85	14.95	15.60	17.10	14.4%

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Housing Department
Community and Economic Development CSA

Core Service: Community Development and Investment

Budget Changes By Core Service**

Adopted Core Service Changes	Positions	All Funds (\$)
1. Housing Department Management and Professional Employees Total Compensation Reduction		(5,293)
2. Housing Production Program	1.00	109,270
3. Housing Department Reorganization and Consolidation	0.50	48,403
2010-2011 Adopted Core Service Changes Total	1.50	152,380

** Detailed information regarding these budget changes can be found in the City Departments section of this document.

Housing Department
Community and Economic Development CSA

Core Service: Increase the Affordable Housing Supply

Core Service Purpose

Provide funding and technical assistance for the creation of new affordable housing and homebuyer assistance.

Key Operational Services:

- Make Loans to Developers** **Provide Homebuyer Assistance**

Performance and Resource Overview

This core service increases the supply of affordable housing by funding the construction of new housing units and by improving homeownership opportunities for San José residents. In the construction program, low-interest gap loans are provided to housing developers for the construction of rental housing projects that are affordable to households with extremely low- to low-incomes. The homeownership program, which includes the Teacher Homebuyer Program, provides assistance by providing down payment assistance and second mortgages as well as working in partnership with a number of organizations to serve San José residents seeking homeownership opportunities.





The Housing Department provided a loan to the San Jose Redevelopment Agency (SJRA) to fund the Supplemental Education Revenue Augmentation Fund (SERAF) payment required by the State. On February 23, 2010, the City Council and SJRA Board approved a plan to meet the State mandated payment of \$75 million over two years to the SERAF as part of rebalancing the SJRA 2009-2010 Capital and Operating Budget. This plan included a \$52 million loan from the Low and Moderate Income Housing Fund, \$10 million from other City funds in 2009-2010, and an additional \$13 million loan from the Low and Moderate Income Housing Fund in 2010-2011. In order to fund this loan, the Housing Department issued bonds of \$40 million in 2009-2010 and will be issuing a total of \$25 million in commercial paper to cover the remaining obligations through 2010-2011.

Due to this shift in funding, the Housing Production Program will have limited funding for the construction of affordable housing in San José in the coming years. An associated reduction in resources for this program was approved, including eliminating two positions (1.0 Building Rehabilitation Supervisor and 1.0 Senior Development Officer), shifting funding for one Analyst position from the Low and Moderate Income Housing Fund to the Community Development Block Grant Fund (CDBG), and reducing contractual services funding for project development in the Housing Production Program by \$150,000. These changes will reduce costs by \$435,000 in 2010-2011 and will leave a staffing level of three positions. Using local, State, and federal funds, the homebuyer program will lend an estimated \$8.1 million in 2010-2011 and the Housing Production Program will lend an estimated \$15.8 million.

Housing Department
Community and Economic Development CSA

Core Service: Increase the Affordable Housing Supply

Performance and Resource Overview (Cont'd.)

Increase the Affordable Housing Supply Performance Summary	2008-2009 Actual	2009-2010 Target	2009-2010 Estimated	2010-2011 Target
 % of annual target achieved for production of affordable housing	32% (550)	100% (200)	42% (200)	100% (100)
 % of annual target achieved for homebuyer clients assisted	103% (451)	100% (249)	100% (249)	100% (138)
 Cumulative ratio of non-City funds to City funds over the last five years in the New Construction Program	3.26:1	3.0:1	2.5:1	2.3:1
 % of homebuyer clients (approved or denied) satisfied or very satisfied with the programs based on overall service	93%	95%	95%	95%

Changes to Performance Measures from 2009-2010 Adopted Operating Budget: No

Activity & Workload Highlights	2008-2009 Actual	2009-2010 Forecast	2009-2010 Estimated	2010-2011 Forecast
Number of homebuyer loans provided:				
-Teacher Program	68	60	60	50
- SJSU Program	12	15	15	15
- Project-Based homebuyer assistance	131	50	50	0
- Inclusionary Units	53	44	44	4
- Other downpayment assistance	187	80	80	69
Total	451	249	249	138
Number of unduplicated households assisted by the homebuyer program*	NEW	130	130	125
Number of affordable housing units completed in the fiscal year	175	248	84**	322
Average per-unit subsidy in funding commitments for new construction projects (\$)	127,381	132,319	170,000	202,000

Changes to Activity & Workload Highlights from 2009-2010 Adopted Operating Budget: No

* Some homebuyers received multiple loans.

** The estimated number of affordable housing units completed in 2009-2010 is lower as a result of the difficulty to finance affordable housing which caused a delay in projects.

Housing Department
Community and Economic Development CSA

Core Service: Increase the Affordable Housing Supply

Performance and Resource Overview (Cont'd.)

Increase the Affordable Housing Supply Resource Summary	2008-2009 Actual 1	2009-2010 Adopted 2	2010-2011 Forecast 3	2010-2011 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 1,419,489	\$ 1,340,992	\$ 1,506,074	\$ 1,045,140	(22.1%)
Non-Personal/Equipment	167,770	447,327	446,240	296,240	(33.8%)
Total	\$ 1,587,259	\$ 1,788,319	\$ 1,952,314	\$ 1,341,380	(25.0%)
Authorized Positions	10.00	10.35	11.00	7.50	(27.5%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service**

Adopted Core Service Changes	Positions	All Funds (\$)
1. Housing Production Program	(3.00)	(544,471)
2. Housing Department Reorganization and Consolidation	(0.50)	(66,463)
2010-2011 Adopted Core Service Changes Total	(3.50)	(610,934)

** Detailed information regarding these budget changes can be found in the City Departments section of this document.

Housing Department *Community and Economic Development CSA*

Core Service: Maintain the Existing Affordable Housing Supply

Core Service Purpose

This core service provides rehabilitation loans and grants and construction oversight to extend the useful life of affordable housing, including single-family homes, mobile homes and multi-family buildings. In addition, this core service provides loan servicing and portfolio oversight to protect the City's investments, ensures the affordable units remain affordable, provides Rental Rights and Referrals services to community residents to ensure rent increases are controlled, and assists clients with eviction notices.

Key Operational Services:

- Loan Compliance and Collections**
- Housing Rehabilitation**
- Rental Rights and Referral Services**

Performance and Resource Overview

Maintaining the existing supply of affordable housing involves three distinct activities. The first is the physical maintenance of buildings to extend their life, including both small-scale rehabilitation of single-family homes, multi-family apartments, and mobilehome units; and the acquisition/rehabilitation of large apartment complexes. The second is providing assistance to renters and rental property owners through the Rental Rights and Referrals Program. The third is ensuring that housing units subject to long-term affordability restrictions remain affordable and well maintained for the term of the restriction and safeguarding City assets through management and collection of loans.

Due to the continuing economic pressure and efforts to fund critical programs, the Housing Department has created a plan to reorganize the Department in a way that will create efficiencies and flatten the organization. The Department will be centralizing the loan underwriting process, creating a pool of inspectors, consolidating grant management functions, regrouping the loan servicing teams, and combining the policy and homeless teams. Efficiencies will be gained in the grant management, inspection, and underwriting services provided by the Department. The policy team will scale back its legislative efforts and shift the focus to seeking outside funding for affordable housing. This plan will reorganize teams throughout the Housing Department and consolidate like functions to adjust for the decline in funding available in the Low and Moderate Income Housing Fund by eliminating three positions (2.0 Housing Policy and Planning Administrators and 1.0 Senior Office Specialist) department-wide and displayed in each core service.

Housing Department
Community and Economic Development CSA

Core Service: Maintain the Existing Affordable Housing Supply

Performance and Resource Overview (Cont'd.)

Housing Rehabilitation

The City offers a number of programs to San José residents and property owners seeking to maintain and/or improve the condition of their properties. These programs currently offer low-interest or interest-free loans or grants to low-income homeowners to perform critical repairs, from replacing substandard and aging housing systems such as heating, electrical, and plumbing, removing lead based paint, and replacing deteriorated roofs. The housing rehabilitation program continues to be a critical partner between the City and the Strong Neighborhoods Initiative (SNI) communities to revitalize neighborhoods by providing loans and grants to extend the useful life of affordable housing. In February 2009, the City received a direct allocation of \$5.6 million under the Neighborhood Stabilization Program (NSP1) for acquisition, rehabilitation and re-sale or re-occupancy of foreclosed or abandoned residential property. In January 2010, San José received \$25 million in Neighborhood Stabilization Program 2 (NSP2) funds under the San José NSP2 Consortium with the Housing Trust of Santa Clara County as the lead member. Of that amount, \$19 million was allocated to the City, which was approved by the City Council on April 6, 2010, to implement an Acquisition and Rehabilitation Program over a three-year period.

Rental Rights and Referrals

The Rental Rights and Referrals Program administers rent control in San José by overseeing the Mobilehome Rent Ordinance and Apartment Rent Ordinance. The program is committed to protecting the rights of tenants and landlords. In the case of a rental dispute between a landlord and tenant, knowing the law, having access to resources, and exploring options can minimize conflict. The program, through its educational outreach, provides mediation services to tenants and landlords when there is a dispute. The rental market softened in 2009-2010, declining 6.6% in San José from calendar year 2008 to 2009. Despite this trend, demand for mediation services remains consistent.










Loan Compliance and Collections

The Housing Department has a portfolio of over \$600 million in loans for multi-family affordable housing projects, rehabilitation loans to low-income homeowners, and homebuyer loans to low- and moderate-income households. The loans are monitored for compliance with the terms of the loans and the payment schedules. This team ensures that affordable housing projects are properly managed and maintained, and that they are kept affordable to low- and moderate-income residents. The team also ensures that housing loan payments are paid in a timely manner, and takes the necessary enforcement action when financial, regulatory, or contractual obligations are not met. Over the past year, this team has witnessed an increase in foreclosure activity in the Housing Department's portfolio. In 2009-2010, there were 16 loans resulting in foreclosure or short sale. The majority of these actions were initiated by the first lender and the City, being in a subordinate position, had lost over \$1 million in principal balances.

Housing Department
Community and Economic Development CSA

Core Service: Maintain the Existing Affordable Housing Supply

Performance and Resource Overview (Cont'd.)

Maintain the Existing Affordable Housing Supply Performance Summary	2008-2009 Actual	2009-2010 Target	2009-2010 Estimated	2010-2011 Target
 Monetary default rate of loan portfolio by category: % of total loan principal: 1. Project Loans 2. Rehabilitation Loans 3. Homebuyer Loans % of total loans: 4. Project Loans 5. Rehabilitation Loans 6. Homebuyer Loans				
	0.00%	<2%	<2%	<2%
	1.10%	<2%	<3%	<3%
	1.30%	<3%	<5%*	<5%
	0.00%	<2%	<2%	<2%
	1.00%	<2%	<3%	<3%
	1.10%	<3%	<5%	<5%
 % of tenant/landlord mediations that resulted in mutual agreement	67%	70%	70%	70%
 % of small rehabilitation projects completed within 6 months of approval	39%	59%	35%**	50%
 % of portfolio units brought into compliance with safe and sanitary condition requirements within 90 days	NEW	90%	95%	90%
 % of all non-mobilehome rehabilitation project funds approved within SNI neighborhoods	44%	50%	45%	60%
 % of all rehab program funds that are loaned versus granted	31%	45%	50%	60%
 % of rehabilitation, mobilehome, and paint-grant clients satisfied or very satisfied based on overall service	100%	90%	95%	90%
 % of loan management clients satisfied or very satisfied based on overall service	N/A***	99%	N/A***	99%
 % of occupants in projects built with City subsidy that rate units good or excellent	N/A***	85%	N/A***	85%

Changes to Performance Measures from 2009-2010 Adopted Operating Budget: No

* The decline in home values and challenging job markets have led to an increase in the number of foreclosures and short sales in the Housing Department's loan portfolio.

** The majority of these small projects are mobilehome grants. The mobilehome staff has been working through a backlog of mobilehome requests. The mobilehome program itself has experienced several staffing changes as a result of the employee placement process during this time. All critical repairs requiring timely responses are referred to the Minor Repair Program.

*** This information is from a survey which Housing has not been able to conduct.

Housing Department
Community and Economic Development CSA

Core Service: Maintain the Existing Affordable Housing Supply

Performance and Resource Overview (Cont'd.)

Activity & Workload Highlights	2008-2009 Actual	2009-2010 Forecast	2009-2010 Estimated	2010-2011 Forecast
Number of rehabilitation projects completed				
1. Rehabilitation projects	120	125	70	110
- SNI	NEW	75	25	60
- Non-SNI	NEW	50	45	50
2. Paint projects*	0	50	0	0
3. Mobilehome projects	128	150	125	125
4. Minor Repair	NEW	200	105	120
Total:	248	525	300	355
Number of rehabilitation applications approved or cancelled				
1. Rehab, conventional homes	149	135	124	130
-SNI neighborhoods	43	80	63	78
-Non-SNI neighborhoods	106	55	61	52
2. Mobilehome projects	147	135	130	130
3. Paint projects*	0	0	0	0
Total:	296	270	254	260
Number of Rehabilitation Program pre-application inspections	488	297	230	297
Size of Housing Department loan portfolio by category:				
Total loan principal (\$):				
1. Project Loans	548,364,093	540,755,537	560,000,000	570,000,000
2. Rehabilitation Loans	16,652,270	22,826,324	18,879,000	21,379,000
3. Homebuyer Loans	65,204,849	57,416,094	87,370,088	95,236,000
Total	630,221,212	620,997,955	666,249,088	686,615,000
Total number of loans:				
4. Project Loans	167	179	165	170
5. Rehabilitation Loans	415	538	416	475
6. Homebuyer Loans	1,101	1,078	1,602	1,740
Total	1,683	1,795	2,183	2,385
Number of Loan Management transactions (refinances, subordinations, assumptions)	198	1,500**	50	50
Number of major projects in loan portfolio inspected annually				
- Projects	NEW	135	135	136
- Units	N/A	1,500	1,500	1,530
Number of unduplicated Rental Rights & Referrals program clients	2,917	2,650	2,400	2,500

Changes to Activity & Workload Highlights from 2009-2010 Adopted Operating Budget: No

* As approved in the 2009-2010 Mid-Year Budget Review, the Housing Paint Program was eliminated as a result of the lower than anticipated funding available in the Low and Moderate Income Housing Fund. This funding was reallocated to higher priority projects within the fund.

** Include phone and email inquiries.

Housing Department
Community and Economic Development CSA

Core Service: Maintain the Existing Affordable Housing Supply

Performance and Resource Overview (Cont'd.)

Maintain the Existing Affordable Housing Supply Resource Summary	2008-2009 Actual 1	2009-2010 Adopted 2	2010-2011 Forecast 3	2010-2011 Adopted 4	% Change (2 to 4)
Core Service Budget *					
Personal Services	\$ 3,529,786	\$ 3,848,152	\$ 3,991,400	\$ 3,826,852	(0.6%)
Non-Personal/Equipment	108,762	495,010	495,010	495,010	0.0%
Total	\$ 3,638,548	\$ 4,343,162	\$ 4,486,410	\$ 4,321,862	(0.5%)
 Authorized Positions	32.15	32.05	31.05	30.05	(6.2%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of this Core Service. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Core Service performance, yet are displayed elsewhere in this budget.

Budget Changes By Core Service**

Adopted Core Service Changes	Positions	All Funds (\$)
1. Housing Department Reorganization and Consolidation	(1.00)	(154,548)
2. Housing Overtime Funding		(10,000)
2010-2011 Adopted Core Service Changes Total	(1.00)	(164,548)

** Detailed information regarding these budget changes can be found in the City Departments section of this document.

Housing Department
Community and Economic Development CSA

Strategic Support

Strategic Support Purpose

Strategic Support represents services provided within departments that support and guide the provision of the core services.

Key Operational Services:

- | | |
|------------------------------------------------------|---------------------------------------------------|
| <input type="checkbox"/> Policy Development | <input type="checkbox"/> Audit Supervision |
| <input type="checkbox"/> Financial Management | <input type="checkbox"/> Public Education |
| <input type="checkbox"/> Clerical Support | |

Performance and Resource Overview

The Housing Department's organizational structure consists of new construction, housing rehabilitation, loan monitoring, management and analysis, and grant management. Strategic Support provides essential operational services including budget and financial management, human resource services, information and technology management, policy development, and public education to ensure the efficient operation of Housing Department programs. As discussed in the Maintain the Existing Affordable Housing Supply Core Service, the Department is reorganizing and consolidating like functions to adjust for the decline in funding available in the Low and Moderate Income Housing Fund. This action will impact positions department-wide and is displayed in each core service.

Strategic Support Resource Summary	2008-2009 Actual 1	2009-2010 Adopted 2	2010-2011 Forecast 3	2010-2011 Adopted 4	% Change (2 to 4)
Strategic Support Budget *					
Personal Services	\$ 4,088,102	\$ 2,855,159	\$ 2,948,498	\$ 2,622,504	(8.1%)
Non-Personal/Equipment	616,641	358,238	355,325	355,325	(0.8%)
Total	\$ 4,704,743	\$ 3,213,397	\$ 3,303,823	\$ 2,977,829	(7.3%)
Authorized Positions	34.00	22.65	22.35	20.35	(10.2%)

* The Resource Summary includes all operating allocations within the Department that contribute to the performance of Strategic Support. Note that additional resources from City-Wide, Special Funds and/or Capital Funds may also contribute to Strategic Support performance, yet are displayed elsewhere in this budget.

Housing Department
Community and Economic Development CSA

Strategic Support

Strategic Support Budget Changes**

Adopted Strategic Support Changes	Positions	All Funds (\$)
1. Housing Department Reorganization and Consolidation	(2.00)	(246,489)
2. Housing Department Management and Professional Employees Total Compensation Reduction		(79,505)
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2010-2011 Adopted Strategic Support Changes Total	(2.00)	(325,994)

** Detailed information regarding these budget changes can be found in the City Departments section of this document.