


SUMMARY

Review of Management Functions

**Prince George's County
Department of Housing and Community Development**

Prepared for
Prince George's County Office of Audits and Investigations

Virginia Tech Center for Housing Research  *Invent the Future*

and

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REVIEW OF MANAGEMENT FUNCTIONS PRINCE GEORGE'S COUNTY DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

Summary

Prince George's County, Maryland, through the Office of Audits and Investigations, requested that the Virginia Tech Center for Housing Research carry out a comprehensive examination of the operations of the Prince George's County's Department of Housing and Community Development (DHCD) in order to propose actions leading to improvements.

This independent review of the goals, management functions, and operations of the Department of Housing and Community Development (DHCD) includes an evaluation of a changing outside environment and the impact on DHCD; an inventory of DHCD's structure and existing programs; an analysis of DHCD capacity and performance including a review of internal audits and reports on DHCD programs and assets and assessments by HUD; insights from agency staff and external stakeholders based on interviews with DHCD leaders and managers, a survey of DHCD staff, and meetings with a sample of external stakeholders (primarily sub-grantees); a comparative analysis of other agencies and programs including an analysis of peer metrics and review of model programs; an analysis of strengths and weaknesses; and a description of alternative organizational "identities" available to DHCD in the future.

The Need for Transformative Change

Housing market volatility, shifts in federal housing policies, and inadequate federal funding are requiring local governments to reconsider their approaches to housing and community development. Housing market volatility has produced a housing debt and foreclosure crisis, a prolonged trough in local housing markets, and an overhaul of federal housing policies. Although federal funding of the Housing Choice Voucher program in Prince George's County has increased significantly, funding of entitlement (CDBG, HOME, ESG) programs has decreased 25% from their peak in 2004, and public housing operating costs have been underfunded in nine of the past eleven years. Reductions in federal funding and shifts in priorities are likely to force difficult decisions on the direction and operation of DHCD in the coming years. Without transformative change, DHCD will be left to managing reductions in federal funding.

DHCD Structure, Staff, and Programs

Organizational Structure

DHCD's internal organizational structure consists of three divisions: *Administration*, the policy and leadership center of DHCD, *Redevelopment*, which staffs the activities of the Redevelopment Authority, and *Community Planning and Development (CPD)*, which manages most program activities other than public housing, including programs supported by

the Community Development Block Grant, the HOME Investment Partnerships program, and other housing program activities.

DHCD also serves as the lead agency in a consolidated county development agency structure, in which DHCD oversees the administration of the county's housing authority and redevelopment authority. Both authorities are governed by their own boards; however, all authority staff reports to the DHCD Executive Director

Personnel

More than half of the DHCD staff (84 of 145) are in the Housing Authority, primarily in the Rental Assistance Division (44 staff). The next largest concentration of staff (30) administers the Community Development Block Grant and related activities in the CPD Division. Rental Assistance and CDBG administration make up half the entire DHCD workforce.

Nearly two-thirds of DHCD staff have job titles of Community Developers and Community Developer Assistants. Most of the other positions have job titles of Accountant or Administrative Aide. The county should review these positions to see if more specific job titles would better reflect responsibilities.

Program Funding and Budgets

A total of 81 percent of the FY2012 DHCD resource base of \$91.6 million is devoted to rental assistance. As documented in DHCD's Fiscal 2012 Annual Action Plan, rental assistance funded through federal Section 8 programs accounts for 78 percent of DHCD's entire FY 2012 resource base, with another three percent funded through the federal Housing Opportunities for Persons with AIDS. .

DHCD, with an overall budget of nearly \$100 million, has a relatively small amount of funding (less than \$10 million, if only ongoing sources of funding are considered) to support any plans for a comprehensive, systematic approach for addressing housing and economic development challenges and opportunities countywide. Accordingly, any such plan will have to be based in part on pursuing the best opportunities to leverage other funding in order to assemble the amount of investment capital needed to make a significant impact, in terms of tax revenue and job creation.

A total of \$11.2 million of the \$91.6 million DHCD budget (about twelve percent) is allocated to staff salaries and benefits. More than half this amount (56 percent) is allocated to Housing Authority personnel and most of the remainder to Community Planning and Development staff.

The administration of activities managed by DHCD's division of Community Planning and Development is substantially more staff intensive than the administration of Housing Authority activities. In FY 2012, CPD operating and program activities represent thirteen percent of DHCD's total program budget but require a commitment of 28 percent of DHCD's staff budget. By contrast, Housing Authority activities represent 87 percent of DHCD's total program budget but involve a substantially lower commitment of 56 percent of DHCD's staff budget.

CPD activities such as the administration of contracts with nonprofit organizations and the funding of housing development programs are likely to draw on a substantially greater commitment of staff resources than, for example, the management of a rental assistance program. However, in light of the significant staff expense associated with the CDBG program and other CPD-administered activities, it is important that DHCD and county leadership establish appropriate priorities to guide the expenditure of funds to support the best prospects for strategic investment in the county's communities.

DHCD Performance

Funding Allocated to DHCD

In the FY 2012 budget, nearly \$3.3 million in CDBG and HOME funds are allocated to programs implemented by CPD, including the My HOME program, the Multi-Family Rental Housing Program, the HOME Homeowner Rehabilitation Program, and the Single-Family Rehabilitation Loan Program.

Information provided on the *My HOME* and *Multi-Family Rental Housing* programs in the Annual Action Plan lacks specificity as to how developers will be selected and how the program is to be administered. An open Request for Proposals, issued prior to the fiscal year and used as the basis for developer selection, is recommended.

Annual Action Plan narrative on the *HOME Homeowner Rehabilitation Program* should provide a justification for the high average per-unit costs (\$34,000 per home) associated with this program. The Annual Action Plan should also include an explanation of why the *Single-Family Rehabilitation Loan* program, which offers a \$14,000 per unit subsidy requires the expenditure of \$87,000 per unit for "delivery" costs. Program costs should be scrutinized and adjustments made to achieve cost effectiveness.

Funding Allocated to Nonprofit Organizations

In FY 2012, CPD expects to provide \$1.9 million in funding to 41 organizations or programs. Of this total, 28 of the funding awards support a variety of Public Service activities, such as housing counseling, homelessness prevention, and substance abuse treatment. Five of the awards support Public Facilities and Improvements projects (such as the improvement of affordable group homes maintained by Volunteers of America Chesapeake, Inc.), and another five are for Economic Development activities (such as a job creation and retention program sponsored by Ports Town CDC). Only one bricks-and-mortar housing activity is listed: the rehabilitation of three housing units by the Housing Initiative Partnership.

CPD is funding a large number and a wide variety of nonprofit organization activities, at an average cost of about \$47,000. The DHCD staff and service costs associated with administering such a large number of contractual relationships are likely to be considerable. A related question should be raised about CPD's role in supporting DHCD's overall mission. Should CPD continue to invest nearly half the county's CDBG budget to support public service activities, leaving a relatively small amount of CDBG funding to address housing and economic development priorities?

In addition, the cost per beneficiary of housing counseling services ranges widely, from \$75.26 to \$368.92 per beneficiary. This information suggests that CPD's funding of housing counseling services is not guided by policy as much as by a desire to divide up the available funding equitably among the organizations deemed qualified to receive it. In the future, CPD needs to establish a systematic policy foundation for funding housing counseling services.

Request for Proposals Process

Most or all CDBG funding, including funding for municipal government projects, should be allocated based on a competitive Request For Proposals process that begins with the publication of RFPs in September of each year. Adoption of this approach provides an opportunity for CPD to explain the relationship between county policies and the awarding of county-administered federal funds, as well as an opportunity to describe in detail the proposal ranking and scoring process leading to the award of funds.

Review of Reports and Audits

Previous reports and audits from internal investigators document a track record of issues affecting the ability of CPD to effectively manage and implement HUD-funded programs.

A 2009 county audit that focused on CPD's controls for managing the disbursement of federal HOME funds Community Housing Development Organizations (CHDOs) found that certifications had not been completed for 93 percent of the CHDOs; documentation supporting staff review and approval of CHDO applications could not be found. Thirty percent of CHDOs had incurred expenditures exceeding the amount allowed under grant agreements. Progress reports documenting the use of fund were not available for 67 percent of the funded CHDOs. And grant agreements with a number of CHDOs were signed after, rather than before, the start of the mandatory performance period.

A 2010 budget review of CPD FY 2011 staffing and expenses identified challenges in three main areas: operational and performance goals; portfolio management with necessary internal and external control of resources; and operational structure and its relationship to meeting long-term goals. Recommended as elements of an improvement plan to overcome these challenges were a stronger CPD leadership focus on strategy; increased attention to enabling partnerships and facilitating innovation; the creation of stronger internal controls; and structural and operational changes to improve service delivery.

A number of HUD reviews of DHCD performance have been favorable with respect to DHCD's administration of some HUD-funded programs. A HUD-commissioned audit of FY 2008 Housing Authority activities produced no substantial negative findings. Other HUD reporting on the NSP, CDBG, and public housing rental assistance programs found activities generally to be within the necessary requirements and operating guidelines.

Performance Data from Federal Program Reports

Data published by HUD on the expenditure of CDBG funds provides relevant information and insights about county administration of the federal funding over which county government has the most discretion in addressing housing and community development needs and opportunities.

Allocation of CDBG Funds by Program Category. During fiscal years 2005-09, CPD expenditures on Public Facilities and Improvements and Public Services represented about one-third to one-half of all expenditures of CDBG funding, with Housing expenditures representing as low as 14 percent and as high as 35 percent of all CDBG expenditures during this period.

Because of the wide range of needs for funding in the Public Facilities and Improvements and Public Services categories that can be found in any county, the number of eligible activities in these categories far exceeds the CDBG funding that is available. Like other county governments, Prince George's County has to decide to either devote most of their CDBG resources to these two categories, leaving relatively little funding available to support activities in the Housing and Economic Development categories, or to find ways to limit commitments to the first two categories in order to have funding available for investment in the latter two. Because local and countywide needs far exceed the availability of funding, strategic investment of CDBG resources to produce the greatest economic and social benefit is critically important.

Timeliness of CDBG Expenditures. For each CDBG grantee, HUD publishes a "timeliness ratio," representing the amount of unexpended funds (including unexpended funds from the current program year as well as from prior program years) as a percent of the total funding award for the current program year. HUD may recapture CDBG funds from grantees with timeliness ratios exceeding 1.5. During the most recent three years for which data is posted on the HUD web site (calendar years 2006, 2007, and 2008) the county failed to meet the 1.5 standard in two of those years.

Assessment of DHCD-Administered Funding

CDBG Funding. Commentary on CPD's performance in administering CDBG funding is included in the "Performance Data from Federal Program Reports" section above.

HOME Funding. On a quarterly basis, HUD publishes performance data on the HOME program. "Snapshot" data for the first quarter of calendar years 2011, 2010, and 2009 was reviewed and compared with data for other HOME funding recipients in the State of Maryland.

This data indicates that Prince George's County significantly improved the percentage of HOME funds committed and the percentage of HOME funds disbursed between 2009 and 2011. However, most other HOME funding recipients in Maryland performed better than Prince George's County during each of these years. In March 2011, Prince George's County was the lowest-performing jurisdiction in the state among the seven jurisdictions for which data was compiled for this snapshot.

In contrast, Prince George's County was the top performer with respect to leveraging of HOME funds in each of the three years, with a leveraging ratio two to three times the state average in each year.

With respect to the disbursement of funds committed to rental housing activities and funds reserved for community housing development organizations (CHDOs), Prince George's County failed to meet a "red flag" threshold associated with each of these categories. Although the March 2011 snapshot shows that county performance in both categories improved substantially, the county had not yet been able to move beyond "red flag" status with respect to CHDO disbursements.

Administration of Neighborhood Stabilization Program Funds. DHCD has been recognized for strong performance in administering Neighborhood Stabilization Program (NSP) funding to provide deferred loan financing to assist hundreds of homebuyers of vacant, foreclosed properties with down payment and closing costs. In addition, with NSP funding support, the Redevelopment Authority acquired and rehabilitated 23 foreclosed houses for sale to homeowner-occupants.

Assessment of Housing-Authority-Administered Funding

PHAS Assessment. HUD assesses the performance of housing authorities in managing public housing sites through the use of a performance management tool known as the Public Housing Assessment System (PHAS). In a PHAS assessment, four key categories of performance are evaluated by HUD: Physical Condition, Financial Condition, Management Operations, and Resident Assessment.

For Fiscal 2009, the last fiscal year for which PHAS scores were compiled and published, the Housing Authority received an overall passing score but was designated by HUD as "Substandard Financial," in light of a very low score that the Housing Authority received in the Financial Condition category. To address this problem, the Housing Authority and HUD agreed on measures that could be taken in order to improve the Financial Condition score. The Housing Authority was scheduled to submit unaudited financial data to HUD in August 2011 for HUD review.

SEMAP Assessment. HUD evaluates housing authority performance in administering rental assistance subsidies through an assessment tool known as the Section Eight Management Assessment Program (SEMAP). As of September 2010, the Housing Authority received a SEMAP rating of 100 percent and an overall performance rating of high. This outcome was consistent with past SEMAP performance.

Expenditure of American Recovery and Reinvestment Act (ARRA) Funds. A 2010, HUD on-site review of the Housing Authority's administration of American Recovery and Reinvestment Act (ARRA) Funds to support weatherization program activities found the Housing Authority to be in compliance with all regulatory and programmatic requirements. A Housing Authority manager reported to the Virginia Tech project team that the

weatherization program had been developed “from scratch” by Housing Authority staff, and that program development tasks included the training of both staff and contractors.

Administration of Veterans Affairs Supportive Housing (VASH) Funds. The Housing Authority administers funding available through HUD’s Veterans Affairs Supportive Housing (VASH) program, which combines rental assistance with case management and clinical services. Although coordination problems have limited the effectiveness of the VASH program in other jurisdictions, these problems have not occurred with respect to Housing Authority of Prince George’s County administration of the program within the District of Columbia Field Office’s jurisdiction. The Housing Authority’s administration of the VASH program has been characterized as “extremely successful.”

Comments and Insights from Agency Staff and External Stakeholders

The best insights and ideas are often suggested by those within the organization. Two key components of the management review included an anonymous online survey to which all DHCD staff members could respond and personal interviews with selected senior managers. Also critical to performing this review was input from external stakeholders.

By far the most often expressed favorable comment from the staff survey was that the Department serves the housing needs of the citizens of the County and genuinely cares about its clients. Other favorable themes were that the Department has hardworking, knowledgeable tenured line staff employees, gets things done despite a less than positive work environment that generally functions in crisis mode, and an expressed hope that improvements will come with new leadership.

Negative comments in the staff survey included poor communication, poor top leadership, need for better management skills, perceived favoritism and cronyism especially regarding promotion opportunities, inconsistencies in staff policies, placement, and treatment, and lack of training opportunities.

Over two-thirds of staff members responded negatively when asked if DHCD managers lead by example and create a positive and productive work environment. Based on a series of questions, the staff input indicates management is reactive rather than proactive and lacking in effectiveness and oversight pointing to a need for guiding decisions based on strategic planning.

Staff members suggested improvements in the department including designating a person who knows HUD regulations that can disseminate information and make sure all staff are correctly interpreting and following the rules; conducting a thorough review of job descriptions to ensure lower-level staff are doing the work associated with their positions; and working to improve relationships with peer organizations in the County and to market DHCD in a positive light to the community.

To supplement the online survey, informal individual interviews were conducted with selected senior and middle management staff. Favorable feedback from managers included:

communication and coordination have improved with new leadership; the Housing Authority inventory is very old but is being reasonably well maintained; the DHCD web site has been improved; and DHCD has been successful in administering NSP funds.

Managers provided many insights regarding past problems and the need for improvement including: a need for strategic planning and better sense of mission; programs need to be assessed for performance and relevance; DHCD has been a “graveyard” to which County officials have assigned politically connected people; some veteran employees have experience but may lack initiative; there is limited potential for staff recognition/advancement; physical separation between DHCD and County administrative offices is a problem; there is a need for an operations manager to address coordination between staffs and between divisions; and DHCD staff needs training on workplace procedures and communication/coordination to improve performance.

Because the manager interviews were conducted shortly after the appointment of then-Interim DHCD Executive Director Eric C. Brown, most of the interviewee comments refer to issues that are not associated with Mr. Brown’s leadership of the agency. Mr. Brown’s permanent appointment was approved by County Council on July 12, 2011. At the request of the Virginia Tech team, Mr. Brown provided a brief summary of his short-term goals for FY 2012 which may be found in the full report.

The Virginia Tech team held two meetings with community stakeholders and local governments that interact with the Department of Housing and Community Development to obtain their views about DHCD performance (representatives of Real Estate Professionals for Change and a small sample of non-profit organizations and municipalities).

These external groups pointed out that DHCD has a record of poor leadership; lacks transparency in the funding review process which is plagued by bottlenecks; has staff that needs training and/or is not always qualified; has a need for a long-term housing policy and strategic planning; needs to focus on improving and diversifying funding resource streams to maximize limited funding; and needs to explore public-private partnerships and improve inter-county relationships. Both groups emphasized the need for DHCD to develop a strategic policy that integrates housing, community/economic development and land use planning (such as transit oriented development).

Comparative Analysis

Comparing local governments of their housing and community development functions is complicated by the variation in how those functions are organized. Consequently, our analysis focused on urban counties receiving HUD entitlement funds, excluding merged city-county metropolitan governments and multi-county consortia.

Prince George’s County received a total of \$9.9 million in FY2010 in HUD entitlement funds (under the CDBG, HOME, and ESP programs), making it the 16th largest urban county recipient in the country. To gauge the operating efficiency of Prince George’s County DHCD relative to other urban counties, a ratio of employees to funding level was calculated. The number of employees per \$1,000 of HUD entitlement funding for Prince George’s

County was 0.0108, below the average of 0.0140 for the group of 89 urban counties measured. Although this is only a very rough comparison due to differences in organizational structure, it suggests that the Prince George's County DHCD is not overstaffed relative to its level of HUD entitlement funding.

Nonetheless, case by case comparisons between Prince George's County and other counties receiving similar levels of HUD entitlement funds point to opportunities for greater efficiency and examples of becoming a more aggressive champion of housing and community development. Orange County, Florida, Baltimore County, Maryland, San Bernardino County, California, and Cuyahoga County, Ohio, provide examples of very streamlined housing and community development operations. Although direct comparisons are difficult, these counties operate similar suites of HUD entitlement programs with approximately 60% to 70% of the staff level in Prince George's County. Further study of these cases by Prince George's DHCD could help identify efficiencies to be gained through streamlining and standardizing processes in operating housing and community development functions, as well as examples of positioning these functions in support of aggressively promoting growth in the county.

DHCD can use available models and examples of best practices to improve its management. To do so, it has to engage its staff and stakeholders in identifying its mission and core values; establish clear goals and objectives that are diffused throughout the organization; measure and monitor performance; and create transparent and open communication. The best management model is an inherently goal driven process targeted to external validation of success.

Planning for the Future

SWOT Analysis

Since this report is a strategic program/policy assessment and not a detailed management audit, we adapted a classic strategic planning tool—a *SWOT Analysis*—for evaluating DHCD's *Strengths, Weaknesses, Opportunities and Threats*. Strengths and weaknesses assess *internal capacity*, such as the business processes/operations or fiscal constraints; organizations typically have the most control over these *internal* challenges. Resources, process, and performance measures are useful for evaluating and especially addressing strengths and weaknesses.¹ External dynamics, the source of *opportunities and threats*, are often the most influential but an organization may have little control over them. Common threats for public agencies include political/leadership changes, lack of transparency/trust with community groups and external partners, and dwindling revenue sources. While threats are more likely to receive attention because of their perceived interference, it is equally important to recognize and capitalize on opportunities.

We extracted the major themes from our interviews, research, and analysis and then synthesized them into four tables that identify DHCD's relative *Strengths, Weaknesses,*

¹ Herman, Robert D. and Associates, *The Jossey-Bass Handbook of Nonprofit Leadership and Management* (San Francisco: Jossey-Bass Publishers, 1994) 154-163.

Opportunities and Threats for the following four major areas that seem to reoccur throughout this project:²

- 1) Strategic Housing Policy and Interagency Coordination;
- 2) DHCD Management and Administration;
- 3) DHCD Program Operations;
- 4) Community Engagement, Partnerships and Transparency.

Although the tables and *SWOT Analysis* do not include every issue or comment, they provide a general picture of where DHCD stands today and a starting point for a more robust strategic planning process.

Choices for DHCD and Prince George's County

Improvement Versus Impact. DHCD is already demonstrating the capacity to administer public funds and operate government programs in a capable and professional manner. With capable leadership and management, DHCD operations and programming can continue to improve, as they already have under the current administration.

The more critical issue facing DHCD and Prince George's County is one of impact and the question of whether DHCD can develop the capability to contribute in a more significant way to the economic vitality and social well-being of Prince George's County and its communities during the coming years. Generating significant economic and social impacts is different from simply operating a series of programs in a professional manner. In order to make DHCD as effective as it needs to be, DHCD and county leadership need to reach an agreement about the future scope and impact of the agency and, in the months and years that follow, authorize policies and make programmatic decisions that are consistent with this agreement.

Three Alternative Organizational Identities. DHCD's future scope and impact can be viewed in terms of three alternative identities for the agency: *adequate*, *dynamic*, or *elite*.

Adequate. DHCD is already well on the way to achieving a level of scope and impact that could be termed adequate, a condition characterized by the maintenance of operations in compliance with federal regulations and county policies and practices. However, as of the close of Fiscal Year 2011, the agency remained deficient with respect to performance standards governing the HOME program and the public housing program, two key federal program resources entrusted to DHCD. Lacking resolution of these issues, DHCD cannot yet be characterized as an adequately-performing HUD grantee.

Dynamic. Moving to a new level of scope and impact is more than a choice; it is a policy decision that has to be clearly articulated, then reinforced in subsequent practice from year to year. The achievement of dynamic organizational status is dependent on the establishment of an investment strategy that guides DHCD funding decisions and management practices, on consistently strong professional leadership and management at DHCD, and on the observance of an agreement between DHCD and county government leadership to support

² See Section Planning for the Future, SWOT Analysis, p. 55 of the full report for the detailed tables.

DHCD autonomy, subject to legislative oversight, in executing county-authorized policies and programs.

Elite. The ideal organizational identity that Prince George's County should consider as an ultimate goal is to become one of a number of elite development agencies that have the capability to organize and participate in metropolitan-area coalitions in order to comprehensively address key development issues.

Collaborative approaches are worth pursuing for their own sake, but such approaches should also be given particular consideration because of their consistency with current federal government priorities. Under the Obama Administration, HUD has undertaken collaborations with other agencies at the headquarters level and is encouraging municipal and county governments to consider doing the same.

The best opportunities for collaboration relate to several issues of key importance to Prince George's County: economic development; foreclosure, homeless and special needs housing, and community facilities and services.

Prince George's County is better positioned than other municipalities and counties that are striving for elite status, in that its community development department, housing authority, and redevelopment authority are already consolidated within one organizational structure. If DHCD and Prince George's county government can successfully address the organizational development and capacity building challenges described in this report, this structural advantage can help them achieve successful outcomes at a much earlier stage than would be possible elsewhere.

