

**Performance Audit
Council Oversight of Housing Programs**

March 2006

City Auditor's Office

City of Kansas City, Missouri

March 29, 2006

Honorable Mayor and Members of the City Council:

The City Council initiated this performance audit by adopting Committee Substitute for Resolution 050384. The resolution directs the City Auditor to identify procedures for Council oversight of the city's contracts for housing and community development programs and to recommend procedures or best practices for Council involvement in housing activities.

Housing efforts have been a problem for years. Since 2000, my office and the U. S. Department of Housing and Urban Development's (HUD's) Office of Inspector General have issued three joint audits describing housing program deficiencies. Most recently, cost overruns of housing rehabilitation efforts for two houses on Tracy Avenue have led to greater Council scrutiny of housing activities; fostered increased distrust between the Council, city staff, and the public; and caused the Council to pass the resolution prompting this audit. While the personnel responsible for the city's housing programs has changed, distrust remains and will not be easily resolved.

The Council's role in housing oversight begins with policy development, however the housing policies that have been developed are inadequate to effectively direct the city's housing activities. The policy should identify the Council's priorities; require progress reports from staff; require the city identify projects before selecting a contractor or subrecipient; establish formal criteria for contractor or subrecipient selection; ensure staff meet HUD reporting and compliance requirements; identify the threshold for Council approval of housing-related contracts; and identify information on housing conditions that will be collected and shared. The Council should seek public input when developing the housing policy.

Once policies have been developed and adopted, the Council's role for housing continues with oversight. The city charter gives the Council responsibility for administrative oversight, whereby they monitor the work completed by city staff. The charter gives the City Manager responsibility for administering the city's affairs, while city staff are responsible for implementation. Both councilmembers and city staff expressed frustration with each other, a result of their sharing governing responsibilities for housing efforts. Councilmembers individually or as a group can and should request information on housing efforts to fulfill their oversight responsibilities, while city staff should share their responses with the entire Council to avoid misunderstanding and improve transparency. Councilmembers should also discuss housing successes and failures with city staff in public forums, to hold staff accountable for improving the city's housing conditions.

As the Committee Substitute for the resolution directs, our report includes recommendations to the City Council for improving oversight of housing activities. We recommend the Neighborhood Development and Housing Committee develop a housing policy that adequately guides the city's housing efforts, provides sufficient direction to city staff, and includes reporting requirements that enable councilmembers to effectively monitor progress in improving housing conditions. The Committee should seek public input when developing the policy, and once complete, should bring the policy before the entire Council for deliberation and approval. Also, we recommend that the City Manager ensure that staff share answers to individual councilmember questions with all City Council members.

Prior to its release, we discussed the draft with the councilmember whose resolution directed the audit, then provided copies to the Chairperson of the Neighborhood Development and Housing Committee and the City Manager. Their written responses are included as appendices.

We thank the Neighborhood Development and Housing Committee members, and staff from the Mayor's Office, City Manager's Office, and City Development for providing information and assistance. The audit team for this project was Joyce Patton, Amanda Noble, and Gary White.

A handwritten signature in black ink, appearing to read 'Mark Funkhouser', with a long horizontal flourish extending to the right.

Mark Funkhouser
City Auditor

Council Oversight of Housing Programs

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Introduction

Objectives

The City Council initiated this performance audit by Committee Substitute for Resolution 050384, adopted on April 7, 2005, which directs the City Auditor to identify procedures for legislative oversight of the city's contracts for housing and community development programs and to recommend procedures or best practices for such legislative oversight. (See Appendix A.)

A performance audit systematically examines evidence to independently assess the performance and management of a program against objective criteria. Performance audits provide information to improve program operations and facilitate decision-making.¹

This report answers the following question:

- What should the City Council's role be in overseeing housing programs?

Scope and Methodology

We examined U.S. Department of Housing and Urban Development regulations; the January 1997 *Red Flag Commission Report*; our December 1998 performance audit examining implementation of the Red Flag recommendations; the February 1999 *Report of the Council Ethics/Relations Committee*; prior housing-related audits and memoranda; governance models; written correspondence between the city and HUD; the Urban Institute's *Making Results-Based State Government Work*; and the 2004 *Report on the City Manager's Housing Task Force: Process and Recommendations*. We also interviewed members of the Neighborhood Development and Housing Committee, and staff from the Mayor's Office, the City Manager's Office and City Development.

¹ Comptroller General of the United States, *Government Auditing Standards* (Washington, D. C.: U. S. Government Printing Office 2003), p. 21.

We also sought to identify comparable cities with successful housing programs whose practices we might want to emulate. After identifying cities with comparable median income and housing values, we shared our list with local HUD staff responsible for monitoring city housing efforts. We identified and surveyed four cities based on their comments and interviewed staff from the two cities (Duluth, MN and Wichita, KS) that responded.²

We conducted this audit in accordance with generally accepted government auditing standards. We omitted no privileged or confidential information.

Background

Previous audits reported problems with housing. Between April 2000 and August 2004, the City Auditor's Office released three joint reports with the U.S. Department of Housing and Urban Development pertaining to the city's housing function. We released the first report, *Kansas City Needs a Housing Policy*, in April 2000. The report's major finding was that the city did not have a clearly defined housing policy. Additionally, the city did not identify housing goals or a mechanism to measure performance.

We released the second joint report, *Review of Subrecipient Selection, Monitoring and Reporting*, in July 2001. We found that the city did not have a formal process for selecting subrecipients, did not monitor subrecipients' performance, and did not provide the City Council with information regarding the subrecipient's past funding and performance when the Council considered additional funding.

We released the third joint report, *The City's Housing Program and the Role of the Housing and Economic Development Financial Corporation, City of Kansas City, Missouri*, in August 2004. We found the city took some steps toward assessing housing needs but had not yet developed a clear strategy for defining, identifying, and addressing housing needs; and had not clearly defined the Housing and Economic Development Financial Corporation's (HEDFC's) role in implementing policy.

Not clearly defining HEDFC's role led to disagreements between the city and HEDFC about the appropriateness of expenditures and the use of

² We sent questionnaires to Dayton, OH and Indianapolis, IN but these cities did not return them.

program income. These problems contributed to HEDFC spending or being billed over \$1 million to restore two homes on Tracy Avenue that were then assessed together at about \$46,000.³

Council action directed this report. On April 7, 2005, the Council adopted the Committee Substitute for Resolution 050384 lowering the Council approval threshold to \$75,000 for all contracts for housing and community development programs, and directing the City Auditor to:

Conduct an audit identifying procedures for legislative oversight of the City's contracting for housing and community development programs and activities and to recommend procedures or best practices for such legislative oversight.

A citizen advisory committee proposed a housing policy. In September 2000, the Mayor convened a Citizen Advisory Committee on Housing. The committee's purpose was to discuss and formulate recommendations toward a new housing policy for Kansas City. The committee's suggested goals and policies for housing efforts are included in Appendix B.

The City Council adopted a housing policy by resolution. In November 2001, the City Council adopted Committee Substitute for Resolution 011428 which established the city's housing policy and directed the City Manager to use best efforts to implement and promote the housing policy goals. (See Appendix C.)

The City Manager's Housing Task Force recently recommended improvements to housing efforts. In 2004, the City Manager formed a task force to assist in the reorganization of the city's role in housing activities. The resulting task force report includes several major recommendations for improvement. (See Appendix D.)

The Council adopted the Committee Substitute for Resolution 050139 in March 2005, identifying strategies as a framework for housing and neighborhood revitalization programs, projects, and regulatory measures, beginning in fiscal year 2005. The adopted strategies are in Appendix E.

³ Michael Mansur and Mike McGraw, "Funds put KC back in housing business," *The Kansas City Star*, February 23, 2006.

Council Oversight of Housing Programs

Findings and Recommendations

Summary

The Council's role in housing oversight begins with policy development, however the housing policies that have been developed are inadequate to effectively direct the city's housing efforts. The policy should identify the Council's priorities; require progress reports from staff; require the city identify projects before selecting a contractor or subrecipient; establish formal criteria for subrecipient selection; ensure staff meet HUD reporting and compliance requirements; identify the threshold for Council approval of housing-related contracts; and identify information on housing conditions that will be collected and shared. The Council should seek public input when developing the housing policy.

Once policies have been developed and adopted, the Council's role for housing continues with oversight. The city charter gives the Council responsibility for administrative oversight, whereby they monitor the work completed by city staff. The charter gives the City Manager responsibility for administering the city's affairs, while city staff are responsible for implementation. Both councilmembers and city staff expressed frustration with each other, a result of their sharing governing responsibilities for housing efforts. Councilmembers individually or as a group can and should request information on housing efforts to fulfill their oversight responsibilities, while city staff should share their responses with the entire Council to avoid misunderstanding and improve transparency. Councilmembers should also discuss housing successes and failures with city staff in public forums, to hold staff accountable for improving the city's housing conditions.

We recommend the Neighborhood Development and Housing Committee develop a housing policy that adequately guides the city's housing efforts, provides sufficient direction to city staff and includes reporting requirements that enables councilmembers to effectively monitor progress in improving housing conditions. The Committee should seek public input when developing the policy, and once complete, should bring the policy before the entire Council for deliberation and approval. Also, we recommend that the City Manager ensure that staff share answers to individual councilmember questions with all City Council members.

Council's Housing Oversight Role Starts With Policymaking

The Council's role in housing oversight begins with policy development, however the housing policies that have been developed are inadequate to effectively direct the city's housing activities. An effective housing policy should identify the Council's priorities, require progress reports from staff, require the city identify projects before selecting a subrecipient, establish formal criteria for subrecipient selection, ensure staff meet HUD reporting and compliance requirements, identify the threshold for Council approval of housing-related contracts, and identify information on housing conditions that will be collected and shared. The Council should also seek public input when developing the housing policy.

Policymaking Role Starts with Priority Setting

The charter identifies policy development as a Council responsibility and it is the recommended mechanism for directing the activities of city staff. The city's housing policy should identify the Council's priorities for housing improvements. Comparable cities emphasize rehabilitation, home construction, and targeted areas. Obtaining councilmember agreement on where to focus efforts may be difficult.

The charter defines the Council's role as policymaker. The city charter identifies policy development as one of the Council's responsibilities. Article II, Section 6 of the Charter states that the Council possesses the powers of the city. According to Article I, Section 2, the Council exercises its authority through the enactment of ordinances.

In 1999, the City Council's Ethics/Relations Committee report stated that Council legislation provides direction to city staff:

The entire City Council passes legislation, providing direction to city staff on the operation of city government. The Council adopts ordinances legislating changes to the city code or passes resolutions which typically communicate the Council's position on issues and sometimes reflect changes in city policy. Other efforts include goal setting, establishing priorities, and strategic planning.⁴

⁴ *Report of the Council Ethics/Relations Committee*, Office of the City Council, Kansas City, Missouri, February 1999, p. 3.

Issues to consider when determining housing priorities. As reported in our first joint housing audit, the City Council's housing policy should include decisions on issues like:

- **Income level.** On what income level should the city concentrate its resources?
- **Level of participation.** Should the city communicate housing activities it wants and assist private interests in completing them or manage efforts to complete the work ourselves?
- **Size.** Should the city focus on small, in-fill type housing projects or emphasize large-scale ones?
- **Type of activity.** Should the city seek to improve rental, housing rehabilitation, or home ownership opportunities?
- **Overall strategy.** Should the city grant incentives for commercial development, leaving housing development to the private sector or provide incentives for residential projects in hopes that new housing will attract commercial development?
- **Geographic location.** Should specific areas of the city be targeted for housing initiatives or should all parts of the city receive equal housing resources?

Comparable cities emphasize rehabilitation, home construction and targeted areas. Duluth, Minnesota, staff report that they meet housing needs with new housing construction but there is a major emphasis on housing rehabilitation.

Wichita, Kansas, also does both but one of the city's priorities is to develop new single-family homes in its emphasis areas. Local community housing development organizations and in some cases, for-profit developers receive HOME⁵ funds to develop these homes. HOME funds are also used to provide down payment and closing costs to end buyers through a city-administered homebuyer assistance program. Wichita's housing rehabilitation and repair efforts include programs for homeowners and landlords, emergency repair assistance, exterior grants, a paint program, and low interest home improvement loan programs offered in partnership with a local financial institution.

⁵ HUD's HOME block grant program provides funding to state and local governments that communities use, often in partnership with local nonprofit groups, to build, buy, and/or rehabilitate affordable housing for rent or homeownership or to provide direct rental assistance for low-income households.

Councilmember agreement on priorities may be difficult. Some councilmembers may want to focus housing funds on downtown projects, while others may think the money should go toward projects on the eastside. Yet others may want the housing funds to go toward projects north of the river. One councilmember suggested that the division is occurring along racial lines.

Agreeing where to focus housing efforts will be difficult. However, establishing priorities in the housing policy improves transparency, allowing everyone to know exactly what the city is trying to accomplish through its housing efforts. The Council's first responsibility is to set policy. To be effective, the housing policy should specifically state what the Council wants accomplished with housing funds. This requires the Council to agree where to focus housing efforts. We recommend the housing policy identify Council priorities for the city's housing efforts.

Policy Should Require Progress Reporting

The housing policy should require staff to regularly report progress in accomplishing the Council's housing priorities. Performance measures should be identified in the housing policy, including some that identify outcomes or results of the city's efforts. Councilmembers should identify the performance measures staff will use and determine the frequency that staff will report their progress.

Council should require progress reports from city staff. Once the Council has identified housing priorities, they should require staff to regularly report their progress in accomplishing them. This performance reporting should include more than the level of activity or quantity of services delivered (homes inspected, dollars spent, brochures distributed, homeowner applications received) but should also include outcomes, or *results that occur outside the program* (presumably resulting at least partly from the program's activities).⁶

Outcome measures report program results, (amount of private capital invested for housing, homes built or rehabilitated, or number of homes purchased through the home ownership plan) and are often expressed as the degree to which specific objectives have been met, and are sometimes referred to as quality of service measures.

Performance reporting encourages accountability by providing useful, reliable information regarding the use of public resources. They also help clarify an organization's priorities and expectations; what is

⁶ Harry P. Hatry et al., *Making Results-Based State Government Work*, (Washington, D. C.: The Urban Institute, 2001), p. 64.

measured and reported will influence what gets done. A group of related measures provides a more representative overview of the services provided than any single measure. Different types of measures describe activities, the resources devoted to those activities, and their results.

Effective performance measures should be . . .

- **Useful.** Measures should provide a means for assessing whether programs are accomplishing the expected results. Useful measures have a known purpose, provide information of value to identified users, and focus primarily on results (outcomes and outputs).
- **Relevant.** Measures should clearly relate to the organization's mission, goals, objectives, and strategies, measure items of interest to stakeholders, and measure things that the city's efforts can reasonably be expected to influence.
- **Reliable and verifiable.** Verifiable measures are obtained through consistent methods for collecting, analyzing, and reporting data. Consistent methods are based on: clear and complete measurement procedures; clear definitions of terms; available documents to describe measurement procedures and results; and periodic auditing and updating to maintain the measurement system's usefulness.
- **Economical.** Effective measures are generated and used as cost-effectively as possible. They use existing or readily obtainable data where possible. Measures are less effective if staff perceive that data collection and reporting increase their workload needlessly.

Memoranda from City Auditor Mark Funkhouser to Mayor Kay Barnes, September 10, 2001.

Comparable cities determine and report the achievement of housing goals. Both comparable cities measure housing performance against stated goals found in their consolidated plans. Duluth's consolidated plan includes annual goals for performance measurement. Progress reporting is included in HUD's Consolidated Annual Performance & Evaluation Report (CAPER).

In Wichita, this determination occurs primarily through preparation of their CAPER. The publicly available report includes a reconciliation of results with program goals specified in the consolidated plan. The Housing Advisory Board, established by Wichita's Council, comprises representatives of the property management sector, local home builders

association, local financial institutions, income property investors, and public housing/section 8 client representatives, receives monthly progress reports. These reports include monthly and year-to-date expenditures, numbers of clients served, housing units developed, and comments regarding general progress of projects and programs. Reports also go to the City Manager.

Performance-based Contracting

In the governing-for-results scenario, contractor/grantee work statements are focused on the outcomes expected. In these formal performance agreements, payments or other rewards and penalties are determined at least in part by the extent to which the contractor/grantee meets targets on specific performance indicators. Payments, or other rewards and penalties, can be linked directly to achievement of the performance targets included in the agreement – whether the contractors are for-profit or nonprofit organizations.

Harry P. Hatry et al., *Making Results-Based State Government Work* (Washington, D. C.: The Urban Institute, 2001), p. 21.

Potential performance measures for housing would report results. In September 2001, the Mayor asked us to recommend a series of performance measures to monitor the city’s housing activities. We recommended measures that focus on the outputs and outcomes of the city’s housing efforts. Exhibit 1 details the performance measures we recommended.

City staff may feel more comfortable reporting outputs, because they have more control over these measures than the outcomes. With outcome measures, staff are held accountable for the behaviors, actions, attitudes, and conditions of their customers, over which they have considerably less control.⁷

⁷ Harry P. Hatry et al., *Making Results-Based State Government Work*, p. 64.

Exhibit 1. Suggested Housing Performance Measures, 2001

Funds Spent to Address Housing Priorities

- Percent of total housing dollars spent to address the Mayor and City Council's priorities.

Housing Needs and Availability

- Number of low/moderate housing units (including number requiring section 8) needed in the city.
- Number of low/moderate income housing units (including number requiring section 8) available in the city.

New Housing Spending and Construction

- Amount of private capital expended for housing construction.
- Number of housing units completed.

Housing Rehabilitation Spending and Completion

- Number of housing units rehabilitated.
- Total rehabilitation funding.
- Percentage of rehabilitation funding provided by the private sector.
- Estimated number of housing units in need of rehabilitation.

Home Ownership Assistance Efforts

- Number of homes purchased through the home ownership plan.
- Total funding for home ownership plan.
- Percentage of homeownership funds provided by the private sector.

Memoranda from City Auditor Mark Funkhouser to Mayor Kay Barnes, September 10, 2001.

One additional measure to consider is the accomplishment of any HUD priorities. Another is the locations of housing activities, especially if the Council identifies priorities by area of the city. Comparing the parts of the city staff focused housing efforts to the areas the Council said should

receive them would reveal how closely staff follow the Council's direction.

Councilmembers should select some housing performance measures.

A study identifying good practices and lessons learned by states that have moved ahead in governing-for-results recommends elected officials as well as program management and staff be involved in the selection of performance measures.⁸ The Council should identify the outcomes they want measured as they develop the city's housing policy. Information on outcomes sought by the Council should provide important direction to housing staff regarding the Council's housing priorities.

The city's housing policy should include clearly defined and measurable outputs and outcomes. Having these will enable anyone to assess the city's success in accomplishing the established housing priorities and allow the Council to hold staff accountable for achieving them. Staff needs to regularly report to the Council on the achievement of housing goals. The Council should determine the information staff should provide and the frequency in which they should report it. This will give councilmembers information to make informed decisions when considering modifications to housing priorities and address their concerns regarding staff adherence to Council housing policies.

We recommend the housing policy require city staff report their progress in accomplishing the Council's housing priorities. Clear performance measures including outcomes should be included in the policy.

Policy Should Correct Housing Operating Problems

Operating problems hinder the effectiveness of the city's housing efforts. The city routinely selects subrecipients before determining the city's housing projects and lacks a formal method for selecting (and excluding) subrecipients. The city has not complied with HUD reporting and compliance requirements, threatening future federal funding. Information on housing conditions and activities is often unavailable or inadequately shared, impeding efforts to assess improvement. Thresholds for Council approval of housing-related contracts should also be established.

A housing policy should require city officials and staff to identify housing projects before selecting subrecipients. Our third joint audit found that the city did not identify housing needs before seeking proposals for housing funds. Instead, contractors and subrecipients identify needs in the proposals they submit for the city's housing funds.

⁸ Harry P. Hatry et. al., *Making Results-Based State Government Work*, p. 68.

The city receives funds for housing activities from the U.S. Department of Housing and Urban Development (HUD). The city uses the funds to assist eligible individuals to obtain housing, to construct or rehabilitate affordable housing, to redevelop blighted neighborhoods, and to create business and employment opportunities.

HUD allows the city to administer its housing program, but recommends choosing projects before contractors. Our first joint audit found that the city has broad latitude in how it spends HUD funds. HUD programs are designed to give recipients discretion in how to use federal funds to address their housing needs.

Regulations from the federal government's Office of Management and Budget place responsibility on the city to administer funding from federal awards:

Governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices. . . Each government unit. . . will have the primary responsibility for employing whatever form of organization and management techniques may be necessary to assure proper and efficient administration of Federal awards.⁹

While federal regulations give the city responsibility for administering its housing program, HUD's guidebook for subrecipient oversight recommends evaluating subrecipient proposals for consistency with the city's consolidated plan and established priorities. Before selecting a subrecipient, the plan or activity should be in place.

In comparable cities, city staff, not contractors, identify projects.

Duluth selects contractors for housing projects through a formal application process. In Wichita, homeowners select contractors to bid on rehabilitation/repair projects funded through city programs. Wichita's neighborhood improvement services division prepares project specifications and assists the homeowner in obtaining and reviewing the bids. Homeowners receiving minor rehabilitation assistance as part of the city's homebuyer assistance program also select contractors to bid on these projects. Wichita staff also provides technical assistance in the contractor selection process to community housing development organizations under contract to receive HOME funding for housing construction or rehabilitation projects. We recommend the housing policy require the city to identify projects first, then seek proposals from subrecipients to complete them.

⁹ Office of Management and Budget Circular A-87, Attachment A, paragraph A(2)(a)(1 and 3).

A housing policy should identify methods for selecting subrecipients to complete the city's housing projects. Our second joint housing audit found the city lacked a formal process to evaluate applications for HUD funds. Specifically, city staff did not document their evaluation process, reasons for selecting or rejecting applicants, or justification for the amounts recommended for award to the selected subrecipients.

One councilmember we interviewed suggested criteria for rejecting applicants include prohibiting contracts if an agency employee has been convicted of fraud. Another thought a city ordinance prevents agencies not having clean audits from receiving additional city funding. We recommend the housing policy include a process for selecting (or excluding) subrecipients and require the city communicate the selection criteria prior to seeking housing project proposals.

A housing policy should require the city comply with HUD reporting and compliance requirements. While reviewing correspondence between the city and HUD, we noted the city was not in compliance with some HUD requirements. The issues HUD identified were deficiencies in the city's consolidated plan; an incomplete Comprehensive Annual Performance and Evaluation Report (CAPER); a late OMB A-133 report; no environmental review; noncompliance with HOME regulations; and untimely responses to HUD questions and report filings.

In our third joint housing audit, we found that the city's CAPER, which is required by HUD to monitor the use of funds, provides inadequate information to assess system performance. For example, the annual report does not show the number of units produced or the cost per unit, information that is readily available in annual reports we reviewed from other cities. We recommend the housing policy require city staff to comply with HUD reporting and compliance requirements.

A housing policy should identify information on housing conditions that should be collected and shared. All three of our joint housing audits found inadequacies with the amount, accuracy, and distribution of information on the condition of the city's housing stock.

The first joint audit found little current data useful for identifying problems with housing conditions. Available data was limited in quantity, questionable in quality, or out of date. The second joint report found that city housing staff did not provide information to the City Council necessary to make defensible, fully-informed decisions when awarding HUD funds. The third joint audit identified the lack of accurate information as a contributor to the city's \$4.8 million shortfall in CDBG and HOME programs in early 2004. We recommend the

housing policy specify the housing condition information city staff will collect and report.

A housing policy should specify thresholds for Council approval of housing-related contracts. The Committee Substitute for Resolution 050384, which prompted this audit, also lowered the threshold for Council approval of all housing and community development program contracts to \$75,000.

In July 2005, Missouri's governor signed Senate Bill 210, revising the Missouri Statutes to prohibit the Missouri Housing Development Commission (MHDC) from awarding grants and loans to the city until the City Council implements oversight procedures to review expenditures and development plans for all housing contracts exceeding \$100,000. For the city to continue receiving MHDC grants and loans, it must comply with this requirement beginning on July 1, 2006.

One city staff member said the \$75,000 threshold results in duplicated effort because it involves projects already approved in the consolidated plan. Another staff member said having different terms for Council approval also ends up treating agencies inconsistently. (According to section 2-1595 of the city code, Public Works construction contracts exceeding \$1 million require Council approval. The threshold is \$250,000 for all other contracts notwithstanding any other requirement.) One councilmember said it appears to have a racial element as it targets housing contracts that service primarily low income persons, especially those on the east side of the city, and those that are black.

According to the Committee Substitute for Resolution 050384, once we release this report and the City Council adopts a housing policy, the \$75,000 threshold for Council approval of housing-related contracts will expire. We recommend the housing policy identify the threshold for Council approval of housing-related contracts. The established threshold should reflect a level the Council feels is adequate and consider the requirements to comply with the recent change in Missouri statutes.

Developed Housing Policies Are Incomplete

Housing policies developed in recent years are incomplete to effectively direct housing efforts. Four sets of housing policies have been proposed or adopted since 2000. While recent attempts contain some of the components for an effective housing policy, all are incomplete to guide staff or improve housing in the city.

The Council’s 2001 housing policy provides only broad criteria for evaluating housing programs and does not target efforts to the city’s most pressing needs. Goals such as “protect vulnerable citizens and neighborhoods,” promote “stable neighborhoods,” “strong, mixed income neighborhoods,” and “an efficient housing development-friendly environment” suggests housing activities should be all things to all people. It also provides little direction to city staff regarding which housing activities to pursue.

The Council’s 2005 policy contains language on housing priorities and identifies a competitive proposal process. However, it does not identify a threshold for Council approval of contracts or specify information on housing conditions that will be collected and reported.

Exhibit 2 identifies our recommended policy components and whether they are found in the housing policy developed by the citizen’s committee; the Committee Substitute for Resolution 011428; the City Manager’s Housing Task Force recommendations; and the Committee Substitute for Resolution 050139.

Exhibit 2. Recommended Components Found in Past Proposed and Adopted Housing Policies

Recommended Policy Components	Citizen’s Housing Advisory Committee 2000	Committee Substitute for Resolution 011428 2001	City Manager’s Housing Task Force Fall 2004	Committee Substitute for Resolution 050139 2005
Identifies priorities for the city’s housing efforts.	Yes	No	Yes	Yes
Requires reporting that identifies progress in accomplishing established housing priorities.	No	No	Yes	Yes
Requires housing projects be selected before subrecipients.	No	No	No	Yes
Identifies methods for selecting (and excluding) subrecipients.	No	No	Yes	Yes
Communicates the selection process before seeking subrecipients to complete identified housing projects.	No	No	Yes	Yes
Requires city staff comply with HUD reporting and compliance requirements.	No	No	No	No
Identifies a threshold for Council approval of housing-related contracts.	No	No	No	No
Specifies housing condition information that will be collected and shared.	No	No	No	No

Sources: Citizen’s Advisory Committee Housing Policy, December 14, 2000 (Appendix B); Committee Substitute for Resolution 011428, November 1, 2001 (Appendix C); City Manager’s Housing Task Force Report Recommendations, Fall 2004 (Appendix D); and Committee Substitute for Resolution 050139, March 31, 2005 (Appendix E).

Seek Public Input During Policy Development

The Council should seek citizen input when developing the city's housing policy. Both comparable cities include citizen involvement in the early stages of their housing efforts. Representatives of one Kansas City, Missouri, citizen group expressed interest in participating.

Comparable cities include citizens when planning housing activities.

The comparable cities we contacted indicated citizens assist in determining which projects to recommend for including in housing plans. In Duluth, a citizens committee is involved in the planning process for Community Development Block Grant dollars. Neighborhood groups also work with developers to ensure individual projects fit into the neighborhood.

Wichita surveys local agencies, community groups, non-profit organizations, and social service organizations in order to gain input regarding community needs as a whole. The city has also established a review policy for housing projects financed with low-income housing tax credits. This review takes place prior to presentation to their city Council for consideration. The review includes presentations before an advisory board of citizens who provide comment and input for city Council members.

Local citizens want to be included in the policy development process.

Citizens we interviewed told us they want to be involved in the housing policy development process. One felt the current process did not address what the neighborhoods want, the city provided no oversight, and HEDFC just squandered the money.

While citizens agree oversight is important, one fears the process taking too long. They expressed interest in community input and transparency. They want procedures that set goals for each project, identify who is responsible, improve communications, and call for the city to stick to its word. They also suggested a community advisory committee that can provide people with answers to questions. We recommend the Council seek citizen input when developing the city's housing policy.

After Policy Setting, the Council's Role Is Oversight

Once the Council has developed policies, its role for housing continues with oversight. The city charter gives the Council responsibility for administrative oversight, whereby the Council monitors the work

completed by city staff. The charter gives the City Manager responsibility for administering the city's affairs, while city staff are responsible for implementing Council policies. Both councilmembers and city staff expressed frustration with each other, a result of both sharing governing responsibilities for housing. Councilmembers individually or as a group can and should request information regarding housing efforts to fulfill their oversight responsibilities, as long as city staff share their answers with the entire Council to provide transparency and avoid misunderstanding. Councilmembers should also discuss housing successes and failures with city staff in public forums, to hold staff accountable for improving the city's housing conditions.

Council Is Responsible for Housing Oversight

The city charter gives the Council responsibility for administrative oversight, allowing access to all city records and investigations by the Council and its committees. Oversight is supervision whereby someone monitors the work, but does not actually do it. In a political environment, oversight refers to control over a public activity.

The city charter gives the Council authority for administrative oversight. The broadest power of the City Council may be that of investigating municipal affairs. Councilmembers have access to all records of the city, according to Article II, section 18 of the charter:

Members of the Council shall at all times, for the purpose of inspection, have free access to the books, papers and records of the city in all public offices.

The charter further authorizes investigations by the City Council or Council committees. According to Article III, section 24:

The Council, the City Manager, or any committee of the Council so authorized by it shall have the power to inquire into the conduct of any department or office of the city and to make investigation as to city affairs and matters of municipal interest.

Council oversight is monitoring, not administering. Oversight is defined as "supervision or watchful care."¹⁰ Supervision refers to "direction, inspection, and critical evaluation."¹¹ Generally, oversight or supervision involves monitoring the work, not actually doing it.

¹⁰ C.L. Barnhart, ed., *The American College Dictionary* (New York: Random House, 1970), p. 865.

¹¹ Philip Babcock Gove, Ph. D., ed., *Webster's Third New International Dictionary*, (Springfield, Massachusetts: G. & C. Merriam Company, 1976), p. 2,296.

In the political arena, oversight can be a charged and divisive issue. A paper discussing a UN World Summit on the Information Society defines political oversight as government asserting control over an activity. For most governments, this means bringing the activity in conformity with governmentally established public policies.¹²

City Manager/Staff Are Responsible for Housing Administration

The City Manager is responsible for administering the city's affairs, including housing efforts, a responsibility reaffirmed by the Council in 1998. City staff are responsible for implementing Council policies at the City Manager's direction. Councilmembers expressed frustration in their efforts to ensure city staff adheres to Council policies regarding housing activities. City staff in turn expressed frustration with Council interference, questioning whether the Council had stated its housing criteria clearly enough. Council and staff share governing responsibilities, but fail to understand the differences in thinking, which leads to distrust and the perception of negative motives.

The charter defines the City Manager's role as administration. The charter establishes the responsibilities of the City Manager for supervision of city staff and support of the City Council. According to Article III, section 22:

It shall be the duty of the City Manager to supervise the administration of the affairs of the city; to see that the ordinances of the city and the laws of the state are enforced; to make such recommendations to the Council concerning the affairs of the city as may seem to him desirable; to keep the Council advised of the financial condition and future needs of the city; . . .to prepare and submit to the Council such reports as may be required by that body; and to perform such other duties as may be prescribed by this charter or be required of him by ordinance or resolution of the Council.

City staff are responsible for implementation of Council legislation.

While the Council's role is identifying housing priorities, accomplishing these priorities is the responsibility of city staff. Even when individual councilmembers have concerns and complaints, the Council must allow city staff to actually operate the program.

¹² Milton Mueller et al, *Political Oversight of ICANN: A Briefing for the WSIS Summit*, Internet Governance Project, November 2005, p. 1.

The City Council passed a resolution reaffirming Council/staff roles. In October 1996, the City Council passed Resolution 961329 reaffirming the Council/Manager form of government and their respective responsibilities. The resolution states that:

...matters of administration are clearly within the scope of responsibility of the City Manager and that the Council, acting as a whole and not individually, is responsible for setting the policy and priorities of the City. By identifying the roles of the Manager and the Council, the Council is not delegating its responsibilities as the legislative branch of city government but recognizes that the duty of the City Manager is to provide the best professional recommendations to the Council and that the Council should receive such recommendations and evaluate them in consideration of the best interests of the city. Further, the individual councilmembers shall refrain from any action inconsistent with the intent of this resolution and shall act only through normal legislative procedures.¹³

One of the recommendations of the 1997 Red Flag Commission Report is that the City Council reaffirm Resolution 961329 on an annual basis. Our December 1998 audit assessing the implementation of the Red Flag recommendations¹⁴ found that Resolution 980050 reaffirmed the resolution on February 5, 1998.

Councilmembers expressed frustration with city housing staff.

Councilmembers we spoke to share a distrust of city staff to operate the housing program in accordance with the Council's wishes. One councilmember was concerned that city staff circumvent the Council's housing policies, spending housing dollars in ways that the Council would not approve.

Another councilmember felt that until the Council had assurances that policies and procedures were in place to protect the public's money, the Council should be included in operations. Because of criticisms in the newspaper and neighborhood meetings, the councilmember thinks the public wants the Council to do more than just set policy. One councilmember characterizes staff's role as the "nuts and bolts" of running the program. Another thought staff should focus on making recommendations to the Council (which the Council can accept or

¹³ Resolution 961329, adopted on October 17, 1996.

¹⁴ *Performance Audit: Implementation of the Red Flag Commission's Recommendations*, Office of the City Auditor, Kansas City, Missouri, December 1998.

reject), implementing Council policies, and reporting to the Council where the money is coming from and how it is being spent. This supports another councilmember’s view that staff’s role is to support the Council, providing information the Council needs while they (the Council) handle the final decision-making.

Staff expressed frustration with Council efforts. City staff we interviewed expressed frustration with the Council’s involvement in housing. One staff member said individual councilmembers seem to want to drill down to a fairly small operational level, but questioned whether the Council itself had stated its housing criteria clearly enough. Another complained of councilmember demands for information and meetings interfering with the accomplishment of staff responsibilities.

The Council – Staff Partnership is . . .

One in which councils define the needs to be met and the outcomes to be achieved. . . . Councils should allow staff, within council-established limits, to define the means for achieving these ends. . . . A Council-staff linkage empowers staff to do its tasks and to be evaluated on the results produced. Councils that accept and abide by this partnership focus their energy on establishing vision, goals, and good policy and on empowering effective staff performance. Councils that do not do this will frequently fall into micromanaging.

Report of the Council Ethics/Relations Committee, Office of the City Council, Kansas City, Missouri, February 1999, p. 7.

Council and staff share governing responsibilities. Dr. John Nalbandian, professor of public administration at the University of Kansas, described a system of “shared governance” in which neither the executive (administrative) nor the legislative (Council) side is totally “in charge” at city hall. Instead, they share responsibility. He said that the Council-Manager form of government attempts to bring both sides together to reduce conflict. The Council must see itself in partnership with staff, providing direction and inspiring trust. Staff must tell the Council what they think the Council needs to know, in addition to responding to any of their questions and information requests. The trust allows staff to speak up and say everything that is important, including things the Council may not want to hear.

According to Nalbandian, the failure to understand the differences in thinking between administrative staff and the Council leads to distrust and to the perception of negative motives. He said that elected officials represent the demands of citizens and special interests in the absence of

direct participation. Administrative agencies bring knowledge and expertise systematically to bear on public problems.¹⁵

Different Perspectives Can Lead to Conflict

The worst politicians have no idea what an administrative perspective is like. . . .They do not understand that staff has goals and objectives, and the city could run for a long time without the governing body ever meeting, and that everytime an elected official asks for something from staff, some administrative routine is probably upset.

John Nalbandian, "Reflections of a 'Pracademic' on the Logic of Politics and Administration," *Public Administration Review*, November/December 1994, p. 532.

Answers to Council Questions Should Be Shared; Staff Should Be Held Accountable

Effective policy decisions require the Council obtain information and recommendations from city staff. Obtaining this information sometimes requires individual councilmembers to question city staff. This information exchange is necessary and should be encouraged; however, all councilmembers should receive the answers to these questions to avoid misunderstandings and provide transparency. Additionally, the Council should discuss housing successes and failures with city staff in a public forum, to hold staff accountable for improving the city's housing conditions.

Council and city staff must share information to fulfill roles. City staff are the Council's primary source of information necessary for policy decisions and housing oversight. Ideally, information goes in both directions and communication takes place between individual councilmembers, between councilmembers and city staff, and between councilmembers and the public. Much of the communication between councilmembers, the public, and city staff involves citizen requests for information or complaints about city services.

Staff should provide information and make policy recommendations. "In making policy recommendations, the manager should identify all tenable alternatives, and note objective arguments for and against each one."¹⁶

¹⁵ John Nalbandian, "Tenets of Contemporary Professionalism in Local Government," in *Ideal and Practice in Council-Manager Government*, 2nd ed., edited by H George Frederickson, (Washington D.C.: International City/County Management Association, 1995), pp. 165 and 166.

¹⁶ Charldean Newell, ed. *The Effective Local Government Manager*, 2nd ed., (Washington D. C.: International City/County Management Association, 1993), p. 67.

This responsibility is included in the International City/County Management Association's code of ethics. Tenet 5 says members are required to:

Submit policy proposals to elected officials; provide them with facts and advice on matters of policy as a basis for making decisions and setting community goals; and uphold and implement municipal policies adopted by elected officials.

The city's Code of Ethics provides that it is the obligation of all employees to cooperate with members of the Council in a professional manner. Section 2-1013(b) of the Code of Ordinances states:

Officials and employees should not exceed their authority or breach the law or ask others to do so, and they should work in full cooperation with other public officials and employees unless prohibited from so doing by law or by officially recognized confidential nature of their work.

However, when staff are cooperating with the Council, it is important to distinguish between their responsibilities to individual councilmembers and the entire City Council. The City Council is responsible for formulating policy. Individual councilmembers cannot set policy by themselves.

Individual councilmembers should question city staff. City staff report receiving requests for meetings and information from individual councilmembers. Not collecting the information could hamper the legislative process. Ordinances passed and resolutions adopted by the Council should reflect the best information available to councilmembers. For that reason, city staff have a responsibility to provide accurate, complete, and objective information.

Individual councilmembers cannot direct staff. However, when individual councilmembers request information, city staff could misinterpret the contact as more than a request. Conversely, the councilmember could, in fact, have intended to give direction to city staff, something that only the entire City Council can do.

Everyone should receive answers to individual councilmember questions. The City Council's Ethics/Relations Committee stated the possibility of misunderstanding is important in communications between councilmembers and city staff because they could lead to unintentional

or intentional unethical behavior that, once discovered, would reflect badly on city government and the City Council. Although the charter specifies that only the Council as a whole can direct staff, the distinction between requesting information and directing staff can be unclear.

To minimize such misunderstanding, the Committee suggested that when seeking information:

a better approach would be the councilmembers asking the City Manager to present the information to a committee of which the councilmember is a member. . . . or have city staff present the information to the full Council. . . . The information provided by city staff is then considered by the committee or full Council in a public forum.¹⁷

While individual councilmembers can request information from city staff, we recommend the City Manager require staff provide their answers to all councilmembers. This encourages the City Council working as a group and increases transparency between Council and staff.

Council should hold staff accountable for results. The City Council should hold staff accountable for improving the city's housing conditions in accordance with the city's housing policy. As determined by the policy, housing staff should provide the Council with regular progress reports on housing activities. Using the information provided, the Council should ask questions, express their concerns, and share their complaints with city staff in public hearings. Public discussion of housing successes and failures is how the Council holds staff accountable for housing results.

Council responsibilities for housing oversight reflect four governance practices identified in our 2001 Governance report:

- **Lead the Organization** – the Council should lead the city by ensuring housing priorities and goals are established.
- **Set Policies Delineating Staff Responsibilities** – the Council should adopt policies that clearly define management responsibilities.

¹⁷ *Report of the Council Ethics/Relations Committee*, Office of the City Council, Kansas City, Missouri, February 1999, p. 9.

- **Ensure Management Compliance with Council Policies** – the Council should establish mechanisms to satisfy themselves that city staff are working toward achieving the Council’s housing policies. City staff should regularly report progress while the Council should set policies stating what management must report on and when they must do so.
- **Ensure Accountability for Achieving Council Goals** – the Council should consistently monitor the organization’s progress toward accomplishing its goals and decide whether the goals are still relevant, while holding the City Manager responsible for achieving the Council’s goals.¹⁸

Recommendations

1. The Chair of the Neighborhood Development and Housing Committee should propose her committee develop a city housing policy that:
 - identifies Council priorities for the city’s housing efforts,
 - requires reporting that identifies progress in accomplishing the Council’s housing priorities,
 - requires housing projects be selected before subrecipients are chosen,
 - identifies methods for selecting (and excluding) subrecipients,
 - communicates the selection process before seeking subrecipients to complete identified housing projects,
 - requires city staff comply with HUD reporting and compliance requirements,
 - identifies a threshold for Council approval of housing-related contracts, and
 - specifies housing condition information that will be collected and shared.
2. The Chair of the Neighborhood Development and Housing Committee should seek public input when developing the housing policy.

¹⁸ *Special Report: Good Governance Practices for Boards and Commissions*, Office of the City Auditor, Kansas City, Missouri, August 2001, pp. 6-7.

Council Oversight of Housing Programs

3. The Chair of the Neighborhood Development and Housing Committee should submit the proposed housing policy to the full Council for deliberation and approval.
4. We recommend the City Manager ensure city staff provide responses to individual councilmember questions to all City Council members.

Appendix A

Committee Substitute for Resolution 050384

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 050384

Directing the City Auditor to conduct an audit identifying procedures for legislative oversight of the City's contracting for housing and community development programs and activities and to recommend procedures or best practices for such legislative oversight.

WHEREAS, the "Red Flag Commission" was established in 1997 to examine the processes, procedures and monitoring of City contracts and its report made recommendations directed at improving contracting procedures, promoting open and ethical government and defining the proper relationship between City Council, persons seeking contracts and City staff; and

WHEREAS, the City Council has passed Committee Substitute For Resolution No. 050139 which provides that consultation with, and oversight by, the City Council will be an integral part of the City's competitive proposal process for the selection of proposals for the delivery of housing services by, or on behalf of, the City; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the City Auditor is directed to review at least the following:

- a) Red Flag Commission's Report,
- b) Procedures used by other governmental or quasi-governmental entities and which procedures are considered best practices to provide oversight of the use of housing and community development funds and the competitive proposal process for the selection of proposals for the delivery of housing and community development programs and activities, and
- c) Regulations of the U.S. Department of Housing and Urban Development concerning oversight of federal funds by local governments.

Section 2. That, after such review, the City Auditor is further directed to recommend procedures that will allow for the proper consultation with, and oversight by, the City Council in the delivery of City housing and community development services in accordance with the recommendations of the Red Flag Commission, federal regulations and the "best practices" of other cities or other governmental entities.

RESOLUTION NO. 050384

Section 3. That the City Manager be directed to bring all contracts for housing and community development programs and activities in excess of \$75,000.00 to the City Council for approval prior to the report of the City Auditor and the adoption of a policy by the City Council pursuant to that report.

Section 4. That this Resolution shall cease to be effective upon the passage of a policy by the City Council pursuant to this Resolution.



Authenticated as Passed

Kay Barnes

MAYOR

[Signature]

CITY CLERK

DATE PASSED **APR 07 2005**

Appendix B

Citizen's Advisory Committee Housing Policy

Summary of Proposed Housing Policy for Kansas City, Missouri

Today, movements such as "new urbanism" are changing the way people have thought about housing for the last 50 years. In terms of job creation, we have come to understand that to attract new employers and to retain existing ones, we must provide attractive amenities, the most basic of which is a diverse inventory of housing. Further, the challenge of providing safe and decent housing for society's most vulnerable, as well as building stable neighborhoods for all, is more critical today than ever. These circumstances make the need for a Kansas City, Missouri housing policy increasingly apparent to people active in the local housing industry, as well as to elected officials and concerned citizens.

Housing Mandate

The City of Kansas City, Missouri and its housing partners shall promote and direct investment in Kansas City's housing for all income levels and needs.

This mandate is supported by the six goals and related policies summarized in the chart below.

GOAL 1	Encourage a coordinated and efficient delivery system for all housing related services.	Policy 1.1 Ensure that City policies and procedures promote housing and do not add unnecessary costs or delays. Policy 1.2 Enhance community access to all Kansas City housing information and programs.
GOAL 2	Provide for and protect Kansas City's most vulnerable citizens and neighborhoods.	Policy 2.1 Ensure that "expiring use" project-based Section 8 housing remains available as, or is replaced by, safe, decent, energy-efficient and affordable housing for very low to moderate-income, working poor households. Policy 2.2 Ensure that safe, decent and energy-efficient housing with appropriate supportive services is available to special needs households and individuals.
GOAL 3	Promote housing as an asset for economic development.	Policy 3.1 Encourage private investment in existing housing stock to stabilize neighborhoods and reverse deterioration. Policy 3.2 Promote the private redevelopment of market rate housing in the urban core.
GOAL 4	Coordinate and target housing incentives and resources.	Policy 4.1 Ensure that limited housing resources are used where they are needed most in accordance with FOCUS Neighborhood Assessments. Policy 4.2 Build partnerships with other government agencies, philanthropic and non-profit organizations to creatively deliver increased housing assistance.
GOAL 5	Integrate Public Housing Authority and city housing activities.	Policy 5.1 Ensure that the Housing Authority of Kansas City receives appropriate support in its transition from receivership. Policy 5.2 Increase collaboration between and among housing agencies such as the Housing Authority of Kansas City (HAKC), the Housing and Economic Development Finance Corporation (HEDFC) the Economic Development Corporation (EDC), the Department of Housing and Community Development (DHCD), and the City Planning and Development Department.
GOAL 6	Coordinate housing needs with other policy and regulatory documents.	Policy 6.1 Review and revise other city policy and regulatory documents to assure consistency with housing policies as described in this document. Policy 6.2 Revise other city policy and regulatory documents to provide necessary legal and administrative support to housing policies as described in this document and initiatives described in FOCUS.

Appendix C

Committee Substitute for Resolution 011428

011428

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 011428, AS AMENDED

Adopting the Housing Policy Goals to be the City's Housing Policy; directing the City Manager to use best efforts in implementing and promoting the Housing Policy Goals; and adopting the Housing Policy Development & Analysis Matrix for review and consideration in the application of the Housing Policy Goals.

WHEREAS, in September 2000, Mayor Barnes convened the Citizens' Advisory Committee on Housing to consider and make recommendations concerning housing policy in Kansas City, Missouri; and

WHEREAS, the City's housing stock is comprised approximately of 66 percent single-family detached units and 34 percent multi-family housing; and

WHEREAS, in 1990, Kansas City had 201,784 housing units, showing an increase of 9,967 units or 5.2 percent since 1980; and

WHEREAS, in 1990, approximately 43 percent of the City's total housing stock was renter-occupied while 57 percent was owner-occupied, evidencing a decrease in owner occupancy of almost 1 percent from 1980 to 1990; and

WHEREAS, the Housing Authority of Kansas City currently owns and operates more than 1,500 units of conventional public housing in multi-family and single-family sites throughout the City and provides rental assistance subsidies to more than 5,000 households under the Section 8 Housing Assistance Payment Program; and

WHEREAS, "Expiring use" project-based Section 8 rental assistance provided by the U.S. Department of Housing and Urban Development (HUD), which covers more than 7,800 units in Kansas City, is approaching the end of its 20-year term. Experts predict that a certain percentage of these units could opt out of the program and revert to market rents, causing a shortage of safe, decent, energy-efficient and affordable housing for very low to moderate-income, working poor households; and

WHEREAS, approximately 39 percent of the City's existing housing stock was constructed prior to 1950 and almost 28 percent before 1940; and

WHEREAS, the Citizens' Advisory Committee on Housing recommended the adoption of the following Housing Mandate and Guiding Principles:

Mandate: The City of Kansas City, Missouri and its housing partners shall promote and direct investment in Kansas City's housing for all income levels and needs.

011428

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 011428, AS AMENDED

GUIDING PRINCIPLES:

1. Basic shelter as well as affordable housing needs should be met throughout the City. Existing federal and state fair housing laws should be vigorously enforced.
2. An efficient housing development-friendly environment should be part of all of the City's regulatory functions.
3. Housing should be an essential feature of the City's economic development strategy and promote balanced public/private partnerships. Housing should be considered integral to neighborhood revitalization and new development settings.
4. Existing neighborhoods should be stabilized and supported with levels of services comparable to those provided in new neighborhoods and developments.
5. All housing partners should support and become engaged in the annual collection and dissemination of data on the existing housing stock, the expansion of consumer education and counseling programs, monitoring state and national housing legislation and advocating for local housing needs, and monitoring and reporting on discriminatory and predatory housing practices. Housing partners are those public, private and philanthropic organizations that are involved in housing issues.
6. An all-inclusive approach to creating and implementing the City's housing policy should engage community involvement throughout the process; and

WHEREAS, the Mayor appointed a City Council Conference Committee on Housing Policy which met and considered the recommendations of the Citizens' Advisory Committee on Housing and recommends that the Housing Policy Goals as hereinafter expressed be adopted by the Council to be the Housing Policy for the City which shall be used in the preparation and adoption of the 2002 Consolidated Housing and Community Development Action Plan; and

WHEREAS, it is the intent of the City Council to incorporate the Housing Policy Goals into the City's business practices while encouraging our housing partners to endorse the Housing Policy Goals and adopt them as part of their business transactions; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

Section 1. That the Mayor and Council hereby adopt the following Housing Policy Goals to be the Housing Policy of the City and further direct the City Manager to use best efforts to implement and promote the Housing Policy Goals in the Consolidated Housing and Community Development Action planning process beginning with the 2002 Consolidated Housing and Community Development Action Plan and other City housing-related activities and regulatory documents:

011428

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 011428, AS AMENDED

HOUSING POLICY GOALS:

1. Protect Kansas City's most vulnerable citizens and neighborhoods by providing increased levels of homeless prevention services and affordable housing units through public and assisted private units. [For the City's citizens whose income levels are from 0% to 30% of median income.]
2. Strengthen neighborhoods through affordable housing programs which support both homeowners and rental properties through repair, energy conservation, public housing, and multi-family programs city-wide through coordinated efforts between the City, the Housing Authority of Kansas City, and other agencies. [For the City's citizens whose income levels are from 30% to 60% of median income.]
3. Promote stable neighborhoods by providing affordable home ownership and rehabilitation assistance to 60 – 80 percent median income families through an integrated and efficient delivery system including the City, public agencies and the private sector in strategic neighborhood areas. [For the City's citizens whose income levels are from 60% to 80% of median income.]
4. Promote strong, mixed income neighborhoods city-wide as an asset for economic development with quality, well-designed subdivisions and new in-fill units in designated neighborhoods and rehabilitation of existing building and homes. A responsive public sector approach will support market rate and affordable housing development throughout the City. [For the City's citizens whose income levels are above 80% of the median income.]
5. Promote an efficient housing development-friendly environment as part of all the City's regulatory and planning functions [above 100% of median income].

Section 2. That the City Council hereby adopts the Housing Policy Development & Analysis Matrix, attached hereto as Exhibit "A" and incorporated herein by reference, for review and consideration in the application of the Housing Policy Goals with the 2002 Consolidated Housing and Community Development Action Plan and other City housing-related activities and regulatory documents.



Authenticated as Passed

Kay Barnes
 KAY BARNES, Mayor

Catherine T. Rocha
 Catherine T. Rocha, City Clerk

NOV 01 2004
 DATE PASSED

Appendix D

City Manager's Housing Task Force Report Recommendations

Major Recommendations of the City Manager's Housing Task Force

1. Funds should be allocated by the city using an RFQ/RFP process to create a coordinated and comprehensive approach to neighborhoods and housing. Using a coordinated neighborhood priority system, the City should implement an RFQ/RFP process for new construction and rehab for affordable housing that includes the following threshold criteria: sustainability of the project, successful outcomes for the neighborhood, contract performance measures, and organizational capacity.
2. All contracts should have performance measures and impact measures. Funds should be allocated only when the organization can demonstrate its likelihood of success through its resources and their own capacity to undertake the project. All contracts should have performance measures and impact measures. The City should monitor performance measures such as total cost budgeting, use of program income, and performance appraisal, and outcomes for projects, rewarding organizations that perform well.
3. A coordinated neighborhood priority system should target the use of funds in neighborhoods with greatest need. The priority system established thresholds and processes to assess need and identify targets as well as coordinate the use of city resources. Based upon a neighborhood priority system that accounts for needs assessment, resident participation, impact assessment, crime, vacancy, and market strength, all neighborhood funding should be focused to increase impact and avoid spreading resources too thinly.
4. Existing housing stock should be preserved and improved when possible, and expressly when new housing is being built in the area. The city should pursue a more effective neighborhood-based code enforcement strategy, leverage resources to make more home repair grants and loans available, develop more enforcement tools to deal with absentee landlords, and require every publicly subsidized rehab and new construction effort to have an economic impact or market study.
5. Federal funds must be leveraged to bring more private funds and other city monies to the housing and neighborhood revitalization process.
6. The city must support community organizations' capacity through organizing, leadership, and support from elected and administrative officials.

Appendix E

Committee Substitute for Resolution 050139

COMMITTEE SUBSTITUTE FOR RESOLUTION NO. 050139

Adopting the recommendations and proposed governance structure for the delivery of City housing services contained in *the Neighborhood Based Housing Strategy in Kansas City* report and directing the City Manager to submit a housing action plan in FY 2005 that effectively and efficiently achieves Kansas City's adopted Housing Policy Goals and Kansas City Housing Task Force objectives.

WHEREAS, healthy, sustainable neighborhoods that offer decent, affordable housing are fundamental to the quality of life in Kansas City because they fulfill an elemental need of citizens of every age and economic circumstance; and

WHEREAS, the City of Kansas City plays a central role in maintaining this quality of life through provision of manifold City services, stewardship of federal resources contained in the annual Community Development Block Grant, cooperation with community development corporations and other non-profit service providers, and the private sector; and

WHEREAS, in November 2001, the Mayor and Council approved Resolution No. 011428, adopting Housing Policy Goals and guiding principles mandating that the City of Kansas City, Missouri and its housing partners promote and direct investment in housing for all income levels and needs; and

WHEREAS, in August 2004, City Manager Wayne A. Cauthen convened the Kansas City Housing Task Force to review and evaluate the City's housing and neighborhood revitalization process, and make strategic recommendations to reform and enhance this process; and

WHEREAS, in November 2004, the Housing Task Force, through the collective efforts of the Cookingham Institute of Public Affairs at UMKC, staff from City departments and federal housing agencies, and representatives from community-based neighborhood and housing organizations, did present to the City Council a series of recommendations designed to integrate housing and neighborhood revitalization into the City's overall service delivery system; and

WHEREAS, the City of Kansas City, in the spirit of the FOCUS Kansas City master plan, is also committed to coordinating and strategically targeting housing and neighborhood revitalization programs and resources such as public improvement funds and federal economic development grants as well as programs that support family stability and asset building, and undertaking regulatory reforms that enhance the quality and availability of housing for all its citizens; NOW, THEREFORE,

BE IT RESOLVED BY THE COUNCIL OF KANSAS CITY:

That the City of Kansas City hereby adopts the following strategies as a framework for housing and neighborhood revitalization programs, projects, and regulatory measures,

COMMITTEE SUBSTITUTE FOR ORDINANCE NO. 050139

with an overarching commitment to effectiveness, accountability and transparency, beginning in FY 2005:

1. A sound neighborhood revitalization policy demands a strategy that comprehensively groups programs and resources from City, federal and non-profit agencies (including local public improvement funding, federal economic development grants, and other programs that support family stability, asset building and removal of social and racial barriers that inhibit access to decent and affordable housing), and targets them to neighborhoods that have great need, but also possess a proven track record and the inherent stability to sustain themselves over time.
2. In order to assure effectiveness, accountability and transparency, the City of Kansas City will require a competitive proposal process in all housing services and contracts related to the annual and five-year Consolidated Plans. The proposal process will include specific criteria for leveraging private funds, achieving policy goals based on measurable impacts on property values, home ownership and specific housing needs. Consultation with, and oversight by, the City Council will be an integral part of the process.
3. Evaluation of housing vendor performance will be based on meaningful measures such as:
 - Indicators of long term neighborhood preservation and enhancement, such as higher resale value, declining crime rates, and strong neighborhood organization
 - Affordable, well-designed housing that complements the surrounding neighborhood
 - Success at targeting infrastructure improvements, community policing programs and strengthened neighborhood schools to the neighborhoods receiving the infill, rehab, minor home repair and other program resources
4. The City of Kansas City will attempt to leverage all available private, state and federal resources that enhance local investment in housing and neighborhood revitalization.
5. The City of Kansas City will focus all available human and financial resources to eliminate the physical and economic blight caused by predatory and fraudulent lending practices; absentee landlords; vacant, dangerous or underutilized buildings and land; and chronic violation of health and building codes. The City of Kansas City will also intensify its program of systematic neighborhood inspections and/or a city-wide periodic inspection of rental dwellings.
6. The City of Kansas City will seek a sensible balance between new and existing housing by promulgating policies, programs and incentives that assist

COMMITTEE SUBSTITUTE FOR ORDINANCE NO. 050139

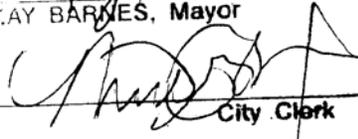
current homeowners and create a strategic mix of renovated and new housing that matches the needs of individual neighborhoods.

7. The City of Kansas City, recognizing that “one size fits all” does not apply to neighborhood revitalization, will explore alternatives to the traditional new infill and gut rehab housing programs. Because of its proven success in some Kansas City neighborhoods, targeted minor home repair initiatives will have a high priority among such alternative programs.
8. The City of Kansas City will acknowledge and support the important role of community-based organizations in the overall housing and neighborhood revitalization delivery system. Support will be aimed at creating effective block and neighborhood organization, building strong professional and volunteer leadership, and developing a range of sound business practices.
9. In the spirit of both the Housing Task Force and the stated position of the City Manager, the new Housing Administrator will manage, facilitate and coordinate neighborhood revitalization resources among all City departments and agencies, housing-related federal and state agencies, community development corporations, other non-profit service organizations, and the private sector. The performance of the Housing Administrator will be measured against the general standards of effectiveness, accountability and transparency as well as specific, regularly updated goals consistent with the City’s Consolidated Strategic Plan.
10. The Mayor and Council will convene an annual Housing Forum to assure ongoing progress in the revitalization of Kansas City’s diverse neighborhoods. Membership in the Housing Forum will include participants from the Housing Task Force as well as representatives of other stakeholder groups from the public, private and non-profit sectors. Goals of the Forum will include:
 - Fostering a dialog on housing and neighborhood issues that produces innovative solutions to difficult problems
 - Soliciting ideas and information from community experts on the diverse housing needs of a diverse city
 - Providing a venue for updates and progress reports on the Kansas City’s Neighborhood Based Housing Strategy
 - Providing an opportunity for the Mayor to appoint ad hoc advisory groups to review, and offer policy guidance on, particular housing problems as they may, from time to time, occur



... as Passed


KAY BARNES, Mayor


City Clerk

DATE PASSED MAR 31 2005

Appendix F

Neighborhood Development and Housing Committee Chair's Response

CITY OF FOUNTAINS
HEART OF THE NATION



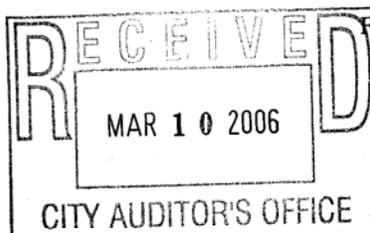
KANSAS CITY
MISSOURI

Deb Hermann

Councilwoman-at-Large, 1st District
Chair: Neighborhood Development & Housing Committee
Member: Operations Committee

24th Floor, City Hall
414 East 12th Street
Kansas City, Missouri 64106

(816) 513-1624
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Deb

DATE: March 6, 2006
TO: Mark Funkhouser, City Auditor
FROM: Deb Hermann, Neighborhood Development and Housing Committee
SUBJECT: DRAFT REPORT ON HOUSING OVERSIGHT

I have reviewed your February 15, 2006 Draft Report on Housing Oversight. The 53-page report is replete with scholarly references to the respective roles of Council and City Manager, and the need for transparency in Council requests for information. The report also documents the various Council resolutions, advisory committees, and task forces.

This audit report appears to chronicle the City Auditor's efforts to guide the Council to adopt a Housing Policy. Although I understand your frustration, I am deeply disappointed and do not find the information to "improve program operation and facilitate decision-making" that is contained in your objectives. Sadly, this is a missed opportunity.

It is important to remember that this audit was initiated because many council members, including me, felt they were largely out-of-loop at a time of crisis with our housing program. The Housing and Community Development Department had been dismantled, with no clear new direction or staff organization. HUD had taken an unprecedented action against the City in the summer of 2004, denying our access to federal funds. After the City initiated legal action against the Housing and Economic Development Financial Corporation (HEDFC), a receiver and a federal judge were, at great expense, distributing the City's assets. My office was deluged with calls from low-income families that were being denied promised services of furnaces, roofs, home loans, handicapped ramps, dangerous building removal, and other essential services. A series of hard-hitting investigative reports by the Kansas City Star and other media sources continued to hammer down on the abject failure and abuses of the City's housing program. The public, justifiably, demanded Council accountability. I, among others, believed the Council was not provided with the information and skilled staff support to meaningfully meet this demand. So, I and several Council colleagues introduced legislation to require Council review of contracts over \$75,000.

City Council adoption of Committee Substitute for Resolution 050384 has had a very positive effect. Although, the dollar threshold may be inconsequential, it has forced our decision making process to be more public. Communication between staff and councilmembers has improved and the Neighborhood Development and Housing

Committee is better informed about our specific programs, HUD regulations, the Consolidated Housing Plan process, legal issues, and current challenges. This has been especially important at a time of limited and diminishing resources. In the end, we have achieved a process that is more transparent and a City Council that can be more accountable for decisions made.

The challenge before the City Council and the City Administration today is “Where do we go from here?” There have been more than enough task forces, more than enough recommendations. Actions should now be the order of the day.

Recommendation 1.

I agree. Much work has already been accomplished through the many task forces and advisory committees you document in your audit report.

In October 2003, the Neighborhood Development and Housing Committee held extensive hearings with community development corporations in order to develop a more strategic Consolidated Plan and more effective performance standards. During this time, I became increasingly impressed with the Kansas City Community Development Initiative (KCCDI). The CD2000 portion of this program had proven effective over a 4-year period in building best practices in CDCs and had established a strategic planning process anchored by meaningful performance measures. This was an opportunity to make serious progress on long-standing management and oversight issues within the City’s primary housing services delivery system without “reinventing the wheel.” While the Local Initiatives Support Corporation (LISC) recently made an unfortunate decision to terminate CD2000, all of its principles and documentation are still available for our use.

In August 2004, a Housing Task Force was convened. The nine-week proceeding produced a series of recommendations that provided a framework for rebuilding the City Housing organization.

One big idea emerged from the Housing Task Force: The Housing and Community Development Department has for too long been sequestered from the other City departments. Those days are over. The responsibility for neighborhood preservation and revitalization rests with the *entire* City government. No single department, even with substantial federal funding, can be all things to all neighborhoods. City Hall’s array of departments—even in difficult budgetary times—has capacity to support neighborhoods. If that capacity can be mobilized to deliver neighborhood services that are *strategic, coordinated, and targeted*, the impact can be remarkable.

On March 31, 2005, the Housing Task Force recommendations became the official housing policy of Kansas City when the Council passed a resolution directing the City Manager to implement the recommendations. The Task Force suggested a holistic, targeted approach to neighborhood revitalization. It urged more transparency and accountability through a competitive process. It championed meaningful performance standards, based on real improvement rather than busy work. It strongly pushed for leveraging of scarce resources.

The Task Force insisted that the City upgrade complementary programs such as code enforcement. It challenged the City to fight predatory lending practices and rogue landlords. It encouraged the City to abandon the “one size fits all” policy and move to

more strategic thinking and resource allocation. Finally, the Task Force urged the City to recognize the role of community development organizations in delivering neighborhood renewal services, and back up these organizations with focused help from all appropriate City departments. (The Neighborhood Improvement Program championed by Councilman Jim Glover is a good first step in this regard.)

Action on the recommendations listed in HUD's Office of Community Planning and Development's February 22 communication would be another solid step in restoring the City's housing program. These included specific suggestions on capacity building and long-term reform measures.

Building Neighborhoods – Not Just Houses. This is the phrase – almost a mantra -- that has risen in our neighborhoods during the last two years of upheaval. This should be the guiding principle directing a new Council policy.

City Manager Wayne Cauthen has heard the mantra and has taken very effective steps to move in this new direction. He recognized that this new direction would start with a strong planning component and require interdepartmental collaboration. Placing the responsibility for housing in the Planning and Development Department and creating a steering committee of directors and senior staff from the appropriate departments was a strong first step in this regard. The Neighborhood Development and Housing Committee looks forward to working with the Director of Planning and Development and receiving support from the steering committee as we develop a city housing policy.

It is imperative that the Director of Planning and Development has the resources to effectively support the Neighborhood Development and Housing Committee's efforts. All collected information needs to be compiled in a meaningful form. FOCUS neighborhood assessments must be updated. A system for collecting housing condition information needs to be created. A lack of professional capacity certainly contributed to our past failures and still today is sighted by HUD as a serious issue requiring immediate attention. The Neighborhood Development and Housing Committee will rely on the City Manager to insure that resources and skilled professional staff are available to support the committee's efforts.

Recommendation 2.
I agree.

The Neighborhood Development and Housing Committee will host a series of work sessions, open to the public, to begin the work of developing a housing policy.

A draft Housing Policy will be introduced to the Neighborhood Development and Housing Committee where public hearings will take place.

In addition, with support from Mayor Kay Barnes, I propose a committee of citizens with a wide variety of expertise on housing and neighborhood issues to provide input to the Neighborhood Development and Housing Committee.

Recommendation 3.
I agree.

Appendix G

City Manager's Response

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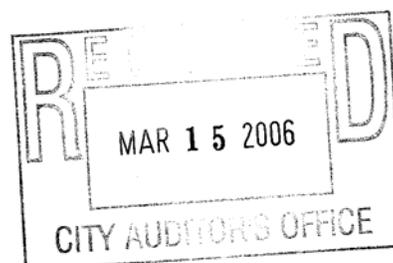
Office of the City Manager

Memorandum

DATE: March 15, 2006

TO: Mark Funkhouser, City Auditor

FROM: ^{W.A.C.} Wayne A. Cauthen, City Manager



SUBJECT: Response to the Council Oversight of Housing Audit

I have read and considered findings and recommendations resulting from the draft audit on *Council Oversight of Housing Programs*. The audit resulted in one recommendation intended for the City Manager. Please find my response below.

Recommendation #1: *We recommend the City Manager ensure city staff provide responses to individual councilmember questions to all City Council members.*

Response: Agree. In order to remove any doubt or ambiguity as to the intentions of any city staff, or council person, it is important that this objective be maintained. It is crucial to preserve the objective of any program the city administers, which is to serve the citizens of Kansas City. I will communicate to city staff the importance of clearly communicating all requests and answers to those requests made by individual council members to the entire council.