

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date:	January 26, 2015
	Agenda Item No.	55
	Roll Call No.	<u>15-0146</u>
	Communication No.	<u>15-041</u>
	Submitted by:	Scott E. Sanders, City Manager

AGENDA HEADING:

Authorizing the City Manager to explore opportunities and constraints for alternative forms of housing agency governance.

SYNOPSIS:

Authorizing the City Manager to explore opportunities and constraints for alternative forms of housing agency governance. This will include an analysis of the viability and any benefit to establishing an independent housing agency as well as options for staffing and contracting of specified services.

FISCAL IMPACT:

Amount: \$306,231 less revenue from Des Moines Municipal Housing Agency (DMMHA) for Indirect Cost Allocations. This loss will be made up by other cost centers with approximate \$238,760 charged to the General Fund and approximately \$67,500 charged to Enterprise Funds. Costs for oversight of the new governance model will be determined in this exploration as well.

Funding Source: S350 HS120130; S350 HS120131; S350 HS120132; S350 HS120133; S350 HS120134; S350 HS121000; S350 HS122000; S350 HS123000; and S350 HS125000; pages 108 - 116

ADDITIONAL INFORMATION:

The DMMHA has been operating at a deficit for over the past five (5) years. To date all reserve funds within the Public Housing and Section 8 programs has been depleted. Since 2014, the DMMHA with annual U.S. Department of Housing and Urban Development (HUD) approval has been balancing their annual operating budget through use of Disposition Funds (proceeds from sale of scattered site single-family homes). The projected deficit for Fiscal Year (FY) 2016 is over \$700,000 (\$438,000 Section 8 administration, \$220,000 Public Housing and \$55,000 in Central Office). Given the current annual operating deficit, the DMMHA would deplete all of its disposition funds within three (3) and one-half years.

It is important to identify that HUD controls the revenues and pro-rates the expense reimbursements. The Housing Agency has limited control over its income or expense reimbursement. Current pro-rations are estimated to be at 99.4% for rental assistance payments; 79% for Section 8 Administration; and 87% for Public Housing.

The DMMHA has reduced staffing by 25% over the past four (4) years while increasing services through grants in an effort to reduce annual operating expenses and generate additional revenues.

Additional operational cuts would be devastating to the DMMHA and would not allow them to meet federal regulatory requirements and would result in a reduction in services to the low-income families that they serve.

Consideration of transferring governance from the City of Des Moines to Polk County was evaluated by Polk County who hired an independent consultant to evaluate the DMMHA. Upon completion of that study, Polk County informed the City Manager's Office that the County was not interested in assuming governance of the DMMHA. Staff believe that the following options are available to the Council:

1. Leave the Governance the same and either support the operations with General Fund resources or contract out significant portions of the operation;
2. Create an independent housing agency and pursue opportunities for the agency to contract out significant portions of the operation; and
3. Eliminate the DMMHA and return the program back to HUD due to being underfunded.

Staff is recommending that the City Council direct the City Manager to proceed with exploring the opportunities and constraints for establishing alternative forms of housing governance including an analysis of the viability and benefit to establishing an independent housing agency as well as options for staffing and contracting of specified services. As a part of this effort, staff will be rehiring Nan McKay and Associates who completed the assessment of the DMMHA.

PREVIOUS COUNCIL ACTION(S): NONE

BOARD/COMMISSION ACTION(S):

Board: Housing Services Board

Date: January 21, 2015

Resolution Number: N/A

Action: Presentation from City Manager to Housing Services Board regarding exploration of establishing an Independent Housing Authority.

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

Staff recommendation; approval of related documents, agreements and transfer of assets and diminution of positions.

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