



TO: City of San Diego Ad Hoc Committee on Redevelopment

FROM: Rick Gentry, President & Chief Executive Officer

Date: May 12, 2011

Subject: Transfer of the City of San Diego's Redevelopment Agency Assets and/or Activities to the San Diego Housing Commission

The Housing Commission's core activities include housing assistance, creating and preserving affordable housing, and providing supportive services. In addition, the Housing Commission administers a number of programs on behalf of the City, including the Community Development Block Grant (CDBG) Program, the Neighborhood Stabilization Program (NSP), the Homelessness Prevention and Rapid Re-Housing Program (HPRP), and the HOME Program.

This report will cover two areas: the capacity of the Housing Commission to take on the Redevelopment Agency's affordable housing activities and the capacity of the Housing Commission to take on all redevelopment activities. Separate Transition and Management Plans for the affordable housing activities and for all Redevelopment activities are a part of this report and are included as attachments.

1. Transfer of all Redevelopment Agency Activities

The analysis of the Housing Commission's capacity to manage and operate the City's Redevelopment Agency was based on information contained in the Redevelopment Agency's FY 2011 Budget and Annual Report, available on the City's website.

The Annual Report identified five major activities:

- Blight Alleviation
- Improve Public Infrastructure
- Increase Housing Opportunities
- Economic Development
- Neighborhood Preservation

The FY11 Redevelopment Agency Budget includes expenditures and revenues of \$46.5 million. Expenditures include costs associated with 29 Redevelopment Agency staff positions at \$3.5 million; non Redevelopment Agency personnel costs (City) of \$310,000 (supplies, procurement, IT, capital expenditures), and non personnel expenditures (capital projects, low mod housing, tax sharing and debt service) of \$42.7 million.

The transfer of all redevelopment activities would necessitate development of new lines of business for the Housing Commission. The estimates in the Transition Plan, Attachment 1, were made without complete knowledge of all necessary requirements. Because of this lack of familiarity of the overall tasks involved, it is proposed that the Housing Commission absorb the current redevelopment staff over a six month period. There may be a loss of experienced

redevelopment agency staff because of job classification and salary/benefits package offered by the Housing Commission that would be extended to the redevelopment staff. The Housing Commission provides 14% pension contribution, 457 contributions of up to 2.5%, Life and LTD insurance, flex benefits, State Unemployment Insurance, Medicare, and Workers' Compensation.

It is also estimated that following the proposed transition period of all redevelopment activities, financial savings of over \$300,000 annually could be realized by eliminating redundant operational functions such as Information Technology, Human Resources, Procurement, Property Management, Compliance/Portfolio Management, and Financial Management. Additional savings would be likely if other City services and support were provided in another manner.

In the event all the redevelopment activities were to be transferred, the Housing Commission Smart Corner building does not have sufficient space for 29 Redevelopment staff and office lease costs would be incurred. An average range for professional staff located in the downtown area based on 350 to 450 square ft per person (Inclusive of bathrooms, break room, conference room, hallways and utility rooms) is \$1.70/SF.

One viable option is to lease the Redevelopment Agency's current space.

In addition, \$2,000 dollars per staff member is anticipated for Informational Technology support that does not include network infrastructure or specialized unknown software requirements.

2. Transfer of Redevelopment Agency Affordable Housing Activities

The transfer of affordable housing activities provides many advantages, since many of the functions of the Redevelopment Agency and the Housing Commission are closely related. It would consolidate all public affordable housing assets, creating consistency in the implementation and management of affordable housing throughout the City. This approach could be accomplished with existing Housing Commission personnel and the need for only two additional support staff.

The Housing Commission has management and staff experience in development, financing, construction, asset and portfolio management, rental assistance, loan originations and servicing, special housing initiatives, and compliance monitoring. The Housing Commission's dedication to create, implement and manage affordable housing, coupled with its existing systems, makes the agency uniquely positioned to absorb Redevelopment Agency affordable housing activities. A Transition Plan of affordable housing assets and future activities with operations and personnel cost implications is outlined in Attachment 2 of this report.

It is also expected that the transfer of the Redevelopment Agency activities would entail significant legal fees, such as amendment and creation of Ordinances, creation of Bylaws, adoption of codes and resolutions, changes in property title and insurances, and other necessary due diligence.

Attachment1 – Transition and Management Plan of All Redevelopment Activities

Attachment 2– Transition and Management Plan of Redevelopment Affordable Housing Assets