



# **Louisiana Housing Corporation Transition Plan**

**Preliminary Draft Report Prepared 12/15/2011**

**By: Louisiana Housing Corporation Transition Committee Staff**

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## Exhibits

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Exhibit 2 *	Programs to be Transitioned to the Louisiana Housing Corporation (LHC), and Detailed Descriptions of the Programs
Exhibit 3 *	Current Organization Charts: OCD/DRU Programs and LHFA Programs
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\*Exhibit is included in Transition Plan Preliminary Draft binder (Other Exhibits available upon request)

## I. Overview

Act 408 (the Act) of the 2011 Regular Session of the Louisiana Legislature, effective July 5, 2011, created the Louisiana Housing Corporation (See Exhibit 1 – Act 408). The intent of the Act was to consolidate the funding sources and programs for affordable housing throughout the state and provide for a coordinated approach to overall state housing policy to ensure an adequate supply of affordable and accessible housing for all residents of the state.

Billions in federal and state dollars flow through many different agencies in Louisiana, including the Louisiana Housing Finance Agency, the Office of Community Development's Disaster Recovery Unit, the Department of Health and Hospitals, the Department of Children and Family Services, and the Louisiana Housing Authority, along with many other state programs that plan, fund and monitor homeownership, homelessness prevention, rental assistance and even housing related childcare.

As a result of this new legislation a significant number of programs from various agencies will be merged into the operation of the new Louisiana Housing Corporation (See Exhibit 2 – For a listing of the programs being recommended for transition to the Louisiana Housing Corporation). As stated in the legislative intent of the Act, it is time for a coordinated approach to solve the affordable housing shortages around the entire state and that effort should be driven by clear statewide policy regarding the funding sources for development.

The transition phase of the merger into the Louisiana Housing Corporation is designed to facilitate a smooth transition of programs and personnel so as not to disrupt the vital services currently being provided to the citizens of the state through the ongoing programs. Developing a comprehensive set of recommendations for consideration by the new corporation's Board of Directors should expedite the completion of the merger once the new Board assumes control on January 1, 2012.

## II. Background

### **ACT 408 Transition Related Requirements**

The Act created a Transition Committee made up of the Commissioner of Administration, the Speaker of the House of Representatives or designee, the President of the Senate or designee, and the Chair of the Board of Commissioners of the Louisiana Housing Finance Agency (LHFA). The tasks of the Transition Committee are as follows:

- Determine workable transition plans for the transfer of programs, powers, duties, responsibilities, and functions as shall be necessary to implement the provisions of the Act.
- Plans shall include detailed procedures for the realignment, distribution, assignment, consolidation, and coordination of agencies, programs, and functions designated in the Act.
- Plans shall include detailed procedures for the transfer and utilization of positions, personnel, funds, office space, facilities, equipment, and such other detail as is necessary to effectuate the purpose of the Act.

- A report on these plans shall be presented to the Senate Committee on Local and Municipal Affairs and the House Committee on Municipal, Parochial, and Cultural Affairs for review no later than December 15, 2011.

The Act also creates within the Louisiana Housing Corporation the Housing and Transportation Planning and Coordinating Commission to act as an advisory committee to the Board of Directors relative to coordinating the integration of planning and spending by local governments, parish and municipal governing authorities, and the Department of Transportation and Development on housing and transportation needs. This Commission shall recommend multiple modes of transportation and multiple types of housing developments to be planned so as to provide planned recreational growth, more fully integrated and livable communities, and effective spending of public funds for the betterment of life for Louisiana citizens. The Commission shall also create a statewide housing plan for state agencies and conduct a parish-by-parish assessment of housing once every five years. The Corporation, in turn, shall update its housing needs assessment based on the Commission's housing plan.

The Act also grants the Corporation all the powers and duties of a housing authority created pursuant to the Louisiana Housing Authorities Law, R.S. 40:381, et seq., necessary to administer the Permanent Supportive Housing Program.

### Membership of Transition Committee and Subcommittees

- **Transition Committee**  
Commissioner of Administration Paul W. Rainwater, Chair  
Louisiana Housing Finance Agency Board of Commissioners Chair Allison A. Jones, Vice Chair  
Senator Lydia P. Jackson  
Speaker of the House Jim Tucker
- **Subcommittee on Staffing and Powers and Duties of the Corporation**  
Commissioner of Administration Paul W. Rainwater, Chair  
Pat Forbes, Executive Director of the Office of Community Development Disaster Recovery Unit  
Alesia Wilkins-Braxton, Vice President and Acting President of the Louisiana Housing Finance Agency  
Jerome Boykin, Sr., Chair LHFA Human Resources Committee
- **Subcommittee on Budget and Finance**  
Senator Lydia P. Jackson, Chair  
Mayson Foster, Chair LHFA Budget and Finance Committee  
Susan Pappan, Disaster Recovery Unit
- **Subcommittee on Contracts and Compliance**  
Commissioner Allison A. Jones, Chair  
Frank Thaxton, III, Chair LHFA Legal Committee  
Dan Rees, Disaster Recovery Unit
- **Subcommittee on Investments**  
Speaker Jim Tucker, Chair  
Joseph Scontrino, III, Chair LHFA Single Family Committee  
Bradley Sweazy, Disaster Recovery Unit

## Schedule of Transition Meetings held through October 5, 2011

(Schedule will be updated as events occur)

- July 14, 2011: Organizational meeting of the Transition Committee
- July 26, 2011: First meeting of the Subcommittee on Staffing and Powers and Duties of the Corporation
- August 8, 2011: First meeting of the Subcommittee on Investments
- August 8, 2011: First meeting of the Subcommittee on Budget and Finance
- August 9, 2011: First meeting of the Subcommittee on Contracts and Compliance
- August 9, 2011: Second meeting of the Subcommittee on Staffing and Powers and Duties of the Corporation
- August 10, 2011: Second meeting of the Transition Committee
- Public Outreach Meetings of the Transition Committee
  - August 29, 2011 Shreveport
  - September 7, 2011 Alexandria
  - September 12, 2011 Monroe
  - September 14, 2011 Baton Rouge
  - September 28, 2011 New Orleans
  - October 5, 2011 Lake Charles

## Act 408 Timeline of Significant Events

- July 5, 2011, effective date of Act 408
- Formation of Transition Committee and Subcommittees
- Begin committee/subcommittee meetings and development of transition plan
- Submit Transition Plan to Legislature no later than December 15, 2011
- Establishment of a Board of Directors of the Louisiana Housing Corporation by January 1, 2012
- Current Board of Commissioners of Louisiana Housing Finance Agency terminates midnight December 31, 2011
- Louisiana Housing Finance Agency becomes a subsidiary of the Louisiana Housing Corporation on January 1, 2012
- New Board of Directors of the Louisiana Housing Corporation assumes control of the Louisiana Housing Finance Agency on January 1, 2012
- Transition Committee terminates no later than January 1, 2012
- Transfer of programs and personnel to the Louisiana Housing Corporation
- Louisiana Housing Finance Agency terminated June 30, 2012

## III. Staffing, Powers and Duties of the Corporation

### Staffing: Current Organization:

(See Exhibit 3 - Current Organization Charts: LHFA and OCD/DRU)

- **Louisiana Housing Finance Agency (LHFA):** there are currently 120 employees at the Agency.
  - 101 permanent positions (classified civil service)
  - 4 in the unclassified service
  - 15 job appointments
- **OCD/DRU:** there are currently 23 employees associated with the housing programs selected by the Commissioner of Administration for transfer to LHC
  - 10 unclassified OCD/DRU employees currently on job appointment
  - 2 classified full time OCD/DRU employees
  - 11 contract staff
- **Department of Children and Family Services:** there is currently one full time employee (classified) and six (6) part-time employees within the Emergency Shelter Grant/Emergency Solutions Grant (ESG) program, the Homeless Prevention and Rapid Re-housing (HPRP) program and, and the Louisiana Interagency Action Council on Homelessness (LIACH)

### Staffing the LHC: Civil Service Requirements:

- The Department of State Civil Service has taken the position that the creation of the Louisiana Housing Corporation (LHC) is essentially a merger of various agencies. Accordingly, under the provisions of Chapter 24 of the Civil Service Rules, the LHC is the “gaining agency” and the Office of Community Development/Disaster Recovery Unit (OCD/DRU), the Department of Children and Family Services (DCFS), and LHFA are the “losing agencies”. The rules provide that all of the losing agencies classified positions and incumbents associated with these functions transfer to the gaining agency. All allocations and individual pay rates of those classified employees who transfer shall not change. After the transfer is complete and if the gaining agency determines there is a lack of work for the amount of staff, Chapter 17 of the Civil Service Rules is then used to process a layoff.
- According to Civil Service, the job appointments granted to OCD for the disaster recovery unit are unique to OCD and that authority is non-transferrable. The proposed LHC organization will have to be approved by the new Board of Directors of LHC along with the proposed staffing of positions within that organization. Act 408 expressly provides that the executive director appointed by the Board of Directors “shall submit a staffing plan to the board for its approval.”
- The LHC, although it exists in law, does not currently have an appointing authority and will not until there is a quorum of the Board of Directors. At that point the Chairperson of the Board would be considered the appointing authority. That function will be delegated to the new Executive Director, when appointed.
- Under Civil Service Rules, only the appointing authority for an agency can petition the Civil Service Commission for any additional unclassified authority.
- Article X, Section 2(B) of the State Constitution provides that only the executive director of the LHC and his/her principal assistant are included in the unclassified civil service and that only the commission can grant additional unclassified authority to the LHC.

- Prior to the time when the new Board of Directors assumes control of LHFA (January 1, 2012) if there is a quorum of the Board they can conduct business and can prepare its plan for additional unclassified authority for LHC to be submitted to the Civil Service Commission for approval.
- In addition, prior to the new Board assuming control of LHFA, it is feasible to fill some of the current vacancies at LHFA with OCD/DRU personnel. This would require Division of Administration approval due to the hiring freeze and the positions, which are classified, would have to be advertised pursuant to Civil Service rules and procedures. Then they would transition over to LHC at the time all other classified incumbents are moved over as explained below.
- The LHC is a new entity and will require a new agency code within the Civil Service system. Once that code is established all classified positions at LHFA, OCD/DRU, and DCFS can be transferred to LHC. Pursuant to the language of Act 408, Section 9, the new LHC Board of Directors assumes total control of LHFA on January 1, 2012. "Subsequent to assumption of control of the Agency (LHFA) by the Corporation, the Corporation to the extent the Corporation deems necessary to carry out the functions of the Corporation and/or the Agency, shall transfer employees to the Corporation, and they shall, insofar as practicable and necessary, continue to perform the duties heretofore performed, subject to applicable state civil service laws, rules and regulations."
- As a practical matter, there is no need to create any additional classified positions at LHFA prior to December 31, 2011. There is a need to create a number of unclassified positions within LHC to accommodate the transition and the fact that the OCD/DRU programs transferring over to LHC are tied to federal grants that will expire at some point in time. As stated above, the Executive Director will be unclassified pursuant to the state constitution.
- There are currently two unclassified positions (apart from the administrator) at OCD/DRU that are in the Permanent Supportive Housing program, which will be part of the activity of the Louisiana Housing Authority at LHC. According to direction from State Civil Service, housing authority positions within state government are generally classified, except for the manager (executive director/administrator). The LHFA does not currently operate as a housing authority and does not have these positions in its table of organization. These will have to be submitted to Civil Service as new classified positions at LHC after the LHC has a designated appointing authority and as part of the overall staffing plan.

#### **Assumptions:**

- a. No later than January 1, 2012, the Governor, and the Speaker of the House of Representatives and the President of the Senate make a sufficient number of appointments to the new Board of Directors to meet the requirement in Act 408 that "no action shall be taken by the board until such time as at least seven of the members have been appointed and have taken the oath of office."
- b. The Board of Directors appoints an Executive Director within a reasonable time after (a) above occurs.

#### **Recommended Procedures:**

- a. All ten of the OCD/DRU personnel transferring to LHC who are currently unclassified (except the two unclassified positions in the LHA/PSH program) remain unclassified and that the positions of

Chief Administrative Officer, Chief Programs Officer, and the Administrator of the Louisiana Housing Authority be unclassified. Job descriptions for the unclassified positions being requested will need to be developed in conjunction with HR staff and justification for the unclassified authority provided along with the request to civil service. (See Exhibit 4 – Proposed Organization Chart for the LHC).

- b. OCD/DRU Housing Manager submit to LHC Board written justification for maintaining the current level of Contract staff or justification for those contract employees he determines are essential for program operations.
- c. Direct Civil Service to establish the new agency code for LHC.
- d. The Board transfer all classified positions within LHFA, OCD/DRU, and DCFS to the LHC as soon as practicable after Civil Service establishes the new agency code.
- e. The Executive Director (or Board Chair) submit the request for the additional unclassified authority outlined in (a) above as soon as practicable.
- f. The Executive Director complete the LHC staffing plan, update and/or amend the new organizational chart for LHC, as required by the Act as soon as practicable and submit same to the Board of Directors for approval.
- g. The Executive Director prepare the appropriate SF-3s and related documents for submission to Civil Service for creation of the new classified positions required in the Louisiana Housing Authority.

### **Powers and Duties of the LHC:**

- The powers and duties of the corporation are enumerated in Act 408 of the 2011 Regular Session of the Legislature, at R.S. 40:600.91 through 600.111. Essentially, the LHC will assume all the functions of the LHFA (Exhibit 5 – LHFA Policies and Procedures), incorporate the disaster housing programs currently operated through the OCD/DRU and recommended for transfer to LHC, and assume the Emergency Shelter Grant /Emergency Solutions Grant, Homelessness Prevention and Rapid Re-housing, and the Louisiana Interagency Action Council on Homelessness programs operated by the Department of Children and Family Services. (Exhibit 20 - LHFA Program Guide) The legislature expressly stated in Act 408 that “state leadership is needed to achieve an adequate supply of affordable and accessible housing for all residents of the state and that such leadership shall be provided through the corporation.” Additionally, “the corporation should have the maximum amount of flexibility, responsibility, and discretion to assure that all the residents of the state shall have access to decent, safe, sanitary, accessible, and affordable housing; therefore, in carrying out the purposes of this Chapter, the corporation shall be presumed to possess broad powers and legal prerogatives which enable the corporation to carry out its purposes...” Implicit in the Act is the ability of the corporation to continue the effort of consolidation of housing programs. The corporation should continue to work with other agencies of the state to determine if there are housing programs that might benefit from transfer to LHC, such as the Housing Opportunities for Persons with AIDS (HOPWA) program currently under grant to the Department of Health and Hospitals. Also, the corporation will continue the work begun by the Office of Community Development in the design of an emergency housing plan for the state in the event of future disasters.

- As defined in Section 600.87 of the Act, a state agency is “any board, authority, agency, department, commission, public corporation, body corporate and politic, or instrumentality of the state.” At Section 600.88, the LHC was created as “a public body corporate and politic” and “shall be an instrumentality of the state.” Consequently, as a state agency, the LHC should function as any other executive branch agency, and utilize associated state services established to assist state agencies in the performance of their duties and responsibilities.
- Additionally, the Louisiana Housing Authority (LHA) will be housed at the LHC. The LHA is an ongoing entity that operates under a Section 8 Consolidated Annual Contributions Contract and a Shelter Plus Care Grant Agreement with HUD. Under the federal legislation, contained in Chapter Six of the Supplemental Appropriations Act of 2008, P.L. 110-252 (the Act), HUD is to provide funding for 3,000 units of permanent supportive housing (PSH): \$20 million for 2,000 project based vouchers (PBV/1 year funds, renewable), \$3 million of administrative expense for PBV, and \$50 million for 1,000 Shelter Plus Care units (S+C/5 year funds, renewable). The Act provides that the State or its designee or designees may act in all respects as a public housing authority for the purpose of administering these funds. Act 408 included similar language that authorizes the housing authority at the state level. The LHA has not operated with a Board of Commissioners, rather the executive director has had full authorization to act on behalf of and administer the LHA. (See Exhibit 6 - LHA Administrative Plan)
- The Act also provides for the establishment by the Board of Directors of the Housing and Transportation Planning and Coordinating Commission as an advisory committee to the Board. This 15 member Commission is appointed by the Board, and includes the LHC Executive Director, or designee, and two additional members of non-profit housing development organizations appointed by the Board. (See Exhibit 7 - Members of the Housing and Transportation Planning and Coordinating Commission)
- The corporation shall adopt bylaws for its own governance and internal organization.
- The Act provides that the corporation shall establish an operating budget for the use of its funds.
- The corporation shall adopt, in accordance with the provisions of the Administrative Procedures Act, R.S. 49:950, et seq., those rules and regulations as are necessary and proper for the performance of its duties and responsibilities, subject to the exceptions enumerated in Sec. 600.91(A)(3)(c).
- The corporation is authorized to establish the LHFA as a subsidiary of the corporation, and to operate the LHFA as a subsidiary until June 30, 2012.
- The corporation is authorized to and required to assume administration or management of disaster recovery programs funded by the Department of Housing and Urban Development Block Grants and the Supplemental Appropriations Act of 2008 (P.L. 110-252) as designated by the Commissioner of Administration.
- The Homelessness Prevention and Rapid Re-housing program in the Department of Children and Family Services shall be transferred to the corporation.
- The corporation shall, in accordance with the provisions of the Administrative Procedures Act, promulgate the schedule of fees to be charged by the corporation in connection with the

programs administered by it, and submit the schedule to the Joint Legislative Committee on the Budget for approval.

#### **Assumptions:**

- a. The Governor, and the Speaker of the House of Representatives and the President of the Senate make a sufficient number of appointments to the new Board of Directors to meet the requirement in Act 408 that “no action shall be taken by the board until such time as at least seven of the members have been appointed and have taken the oath of office.”
- b. The Board of Directors appoints an Executive Director within a reasonable time after (a) above occurs.

#### **Recommended Procedures:**

- a. The Board of LHC adopts bylaws for operations as soon as practicable (see Exhibit 8 - proposed draft of By-laws).
- b. The Board takes all necessary steps to establish the Louisiana Housing Finance Agency as a subsidiary of the corporation effective January 1, 2012 and ending June 30, 2012.
- c. The Board appoints all the members of the Housing and Transportation Planning and Coordinating Commission at its first regular meeting.
- d. The Board of LHC and staff undertake all necessary action to utilize the services of the following agencies (if not already at LHFA): Office of Uniform State Payroll, Office of Information Technology, Office of Contractual Review, Office of Finance and Support Services, Office of Computing Services, Office of Information Services, and the Office of Telecommunications Management.
- e. The Board and staff undertakes as soon as practicable development of a new LHC website for the agency. The Louisiana Housing Corporation, as a new state entity, has been selected by the School of Graphic Design at Louisiana State University as a client for the development of a new branding/design concept. Four seniors have been assigned to the project and will submit the design plans for consideration in November or December of 2011. The Board and staff should consider these designs and, if acceptable, incorporate them into the branding strategy for LHC.
- f. The state completes the analysis of the facility for staffing and equipment needs. There is currently sufficient space at the LHFA facility on Quail Drive in Baton Rouge to accommodate all the full time housing program staff at OCD/DRU and the one position at DCFS. There is not sufficient space to house the contract staff at this time. Either the required contract staff remain in place at the State Office Building on 3<sup>rd</sup> Street or move to the contractor facility at Reiger Road, as determined by OCD/DRU. Any additional equipment needs for the new staff can be provided by OCD/DRU on a loan basis as part of the housing programs. The OCD Housing Manager should, in conjunction with the LHFA facilities manager, conduct a survey of available space at OCD and what, if any, equipment is available for use and determine what needs to be transferred to the LHC for program operations. It is recommended that for the most part, program records be maintained in the current secure environment and that arrangements be made for use of files offsite on an as-needed basis.

- g. The Board and staff review and approve the emergency housing plan. Staff should work with the Governor's Office of Homeland Security and Emergency Preparedness, and other agencies involved to insure full implementation.
- h. Initiate a Board orientation/training session for LHC legislation, ODC/DRU programs, LHFA status and programs, and DCFS programs.
- i. The LHC Board of Directors delegate full authority to the administrator of LHA to act on behalf of and administer the LHA. This is important in order to avoid any disruption in LHA's dealings with HUD or its landlords or assisted families.
- j. Because of the language in the federal appropriation that makes the funds available to the state or its designee for the Permanent Supportive Housing program, that the Board seek an executive order from the Governor providing that LHC shall take responsibility for determining the future means of administering the LHA, and may delegate the responsibility for any or all aspects of administering LHA to any entity or official that it chooses.
- k. The corporation apply for a new DUNS number, if required, from Dun & Bradstreet for purposes of compliance with OMB requirements.
- l. The corporation obtain a new tax Identification number, if required.

#### IV. Budget and Finance

OCD/DRU: From a budget perspective, the programs being considered for transfer to LHC have received their allocations of CDBG funds as reflected in the Action Plan Amendments (Exhibit 9 – OCD/DRU Action Plans and Amendments). The programs have been designed and implemented and will, at some point in the future, expend all the available funds and will be closed out in cooperation with HUD. In some programs there is the likelihood that all the applicants in the pipeline will have been served and there will be funds remaining that will have to be re-programmed or returned to HUD. The objective of each program is to spend down the available resources as provided in the program, utilize the services of contractors as needed, and pay the OCD/DRU staff to manage the programs. Each program has an allocation of administrative funds for staff costs and a budget for program delivery related to the contractors. The majority of the program funds are intended for development of housing through grants or loans. In the event of loans, they are either forgivable over time as spelled out in the plan, or repayable, in which case those payments become program income that can be utilized for CDBG eligible activities related to housing. (See Exhibit 10- OCD/DRU program allocations and expenditures). In the case of the Permanent Supportive Housing Program, it is funded from a separate Congressional appropriation and is not CDBG dollars. In addition, the allocation of funds for the project based vouchers is renewable annually and the allocation for Shelter Plus Care subsidies is renewable every five years. (See Exhibit 6 - LHA Administration Plan) The OCD/DRU does not have any assets. It is anticipated that the Katrina/Rita and Gustav/Ike Piggyback programs will, however, generate a significant amount of program income over the next 30 plus years that can be utilized for housing programs by the LHC. Those projects have 35 year loans repayable to LHC out of surplus cash based on a formula defined in the loan documents.

LHFA: Although LHFA currently operates several OCD/DRU programs under cooperative endeavor agreements, for the most part the programs at LHFA are funded annually through HUD, and the Department of Energy. Income is also derived from administration of the single family programs, the Low Income Housing Tax Credit Programs, the Section 8 compliance contract with HUD, and monies earned from its real estate and investment portfolios. (See Exhibit 11 - LHFA FY 2012 budget)

Transition Issues:

- Act 408 requires that the LHC shall operate from self-generated funds and shall not be a budget unit of the state.
- The LHC may receive state appropriations and the expenditure of such funds shall be subject to budgetary controls or authority of the division of administration.
- LHC is required to establish an operation budget for the use of its funds, subject to the favorable vote of two-thirds of the current membership of the Board of Directors.
- The fiscal year for LHC shall run concurrently with the fiscal year of the state.
- From the time that LHC is initially operational through to the time LHFA is dissolved June 30, 2012, OCD/DRU will continue to expend program funds on operations.
- No finance staff from OCD/DRU will be transferred to the LHC, so all fiscal matters will fall to the current LHFA staff that merge into LHC.
- LHFA has and is operating under the current FY 2012 budget.
- The LHFA currently operates on the same fiscal year as the state; July 1-June 30. The LHA operates on a calendar year basis.
- The LHFA is in the process of developing the budget for the FY 2013.
- Since the transfer of the OCD/DRU programs to LHC is contingent on staffing issues under the control of LHC after January 1, 2012, it is difficult to estimate when that will occur and what the impacts will be to the consolidated operations and related budgeting. It is anticipated that the transition will be complete before June 30, 2012, when the LHFA will terminate under the provisions of Act 408.
- LHC will develop a consolidated operating budget for FY 2013.

**Assumptions:**

- a. LHFA administration has indicated that no changes to the current 2012 operating budget will occur.
- b. LHFA was given an extension of its expired Section 8 Contract until March 31, 2012, with the possibility of 3 additional 3 month extensions. The current budget assumes continued operations through June 30, 2012, at the reduced administrative fee rate of 2%.
- c. OCD/DRU administrative fees for program operations are considered "revenue" to offset actual staff costs (salaries and benefits).
- d. For OCD/DRU programs, revenues equal expenses.
- e. All OCD/DRU program delivery costs are for servicing program contracts/vendors. (See Exhibit 12 - Consolidated Operating Budget.)

## Recommendations

- a. LHC may consider bringing in additional resources to assist staff with the preparation of the new application for the Section 8 contract. Currently LHFA has a staff of eleven associated with this program and the program is a significant revenue generator. In the event LHFA/LHC is successful in retaining the contract, it is unlikely to generate the level of revenue experienced in the past; however it is a key line of business.
- b. OCD/DRU currently maintains the program income from the Katrina/Rita Piggyback program in a revolving loan fund that draws interest. It is the intent of the Transition that this program income be transferred to LHC for additional housing programs. The Katrina/Rita program loans and notes are payable to the Division of Administration. The Gustav/Ike program loans will be structured similarly. Steps should be taken to transfer those loans to LHC and LHC take control of the program income and develop a plan for its utilization.
- c. The current operating budget of LHFA shows fees from the 2011 and 2012 per capita tax credit allocations. The LHFA forward allocated 2012 in the current LIHTC funding cycle. If no tax credits are issued in 2012 there will be a significant reduction in revenues. The LHC Board should consider whether it wishes to forward allocate the 2013 per capita credits in 2012 or skip a year of fee revenue.

## V. Contracts and Compliance

### Contracts

#### OCD/DRU

- There are over 80 separate contracts supporting the program operations recommended for transfer to the Louisiana Housing Corporation (See Exhibit 13 – OCD/DRU Program Contracts). Of that total, approximately 50 are IT related. OCD/DRU has made a substantial investment in the IT services that support not just the recommended programs but also the Road Home Homeowner program (HAP), the Hazard Mitigation Grant program (HMGP), and the Louisiana Land Trust (LLT). Computer hardware, software, data circuits and technical skills are shared by all the programs as part of a cost saving strategy. The resulting technical environment functions well. Separation of any of the components of this environment would be difficult and costly. In some circumstances separation is not possible under any scenario.

Examples of Shared IT services:

1. The Storage Area Network (SAN), which is a high-speed sub-network currently providing more than 40 Terabytes of shared online data storage, is a single entity of hardware and software components which cannot be subdivided.
2. The Virtual Server Environment is actually a server “farm” (software and hardware) consisting of 155 servers, of which 79 are virtual, providing an invisible pool of server capacity supporting all programs.

3. Intertwined Applications. Almost all of the approximately 75 software applications support multiple programs. Separating IT services would require the purchase of additional development, testing, and production licenses.
  4. The Data Warehouse cleanses and validates data from multiple programs before feeding it back to the system of record and supports cross-program reporting.
  5. Call Centers. A single technical environment supports multiple program call centers
  6. IT contractors and employees work across multiple programs which creates efficiencies and cost saving.
  7. Disaster Recovery Environment. The equipment and software that provides the backup capacity in the event of a prolonged data center and/or network outage serves all the programs.
- As a practical consideration, the current LHFA IT system (hardware and software) lacks the capacity to meet the IT requirements of the programs being considered for transfer to LHC. It is not possible to estimate the cost of recreating sufficient systems for these limited life programs and whether or not the LHFA building has the physical space needed for the expansion.

#### **Program Contracts:**

- There are approximately 28 contracts that are specific to the programs recommended for transfer to the LHC. In addition there are 7 consulting and/or legal contracts related to those programs. They range in size from the ACS contract for \$74.5 million with 181 contract workers to the \$43,540 contract and one employee with Casterline Associates for accounting services in the Permanent Supportive Housing program. A majority of the contracts expire in less than 2 years.

#### **LHFA Contracts**

- Each LHFA program is unique and requires separate contract support (see Exhibit 14 – LHFA Contracts). In addition, the agency utilizes outside counsel across program lines and for support with bond financing, tax credit issuance, accounting, and investment advice.
- LHFA has three investment properties, two of which are currently under construction. The agency has a contract with a property management company for the one operational property.
- LHFA also has contracts that augment the IT support systems.

#### **Recommended Procedures:**

- a. OCD/DRU maintain all CDBG funded contracts until expiration. This will avoid the processing of amendments, will not require any involvement of the Office of Contractual Review (OCR), will facilitate a speedier transfer and will not interrupt the delivery of program services during the transition.
- b. As to the contracts that relate to the Permanent Supportive Housing program, the OCD/DRU should transfer those contracts to the Louisiana Housing Authority once it is under the LHC. They are funded apart from the CDBG disaster programs and should be controlled and serviced directly by the Louisiana Housing Authority.

- c. With the completion of the merger of OCD/DRU program staff into LHC, the Corporation will control the program personnel and the program contractors. At the program level, LHC staff will approve the requests from contractors for payment (as they do now), then forward those to OCD/DRU finance to effectuate the draw-down of federal funds through the Office of Finance & Support Services (OFSS). In effect, OCD/DRU will act in the capacity as payment agent for LHC. (See Exhibit 15 – OCD/DRU Funding Draw Flow Chart).
- d. As determined by the new LHC Board, LHC may wish to enter into a comprehensive Cooperative Endeavor Agreement with OCD/DRU that lays out the terms of management and the processing of draw requests. This document may also be utilized by OCD/DRU to allocate monitoring responsibilities between OCD/DRU and LHC as mentioned in the Compliance section below.
- e. At the time of expiration of active OCD/DRU contracts, the LHC Board may consider taking control of the program services. In many instances, the programs will be finished, or nearly so, by the time the contracts come up for renewal or procurement of new vendors. The program delivery budget remaining in each program should support the new contract costs. In any event, the arrangements with the IT support components would need to be maintained at OCD/DRU.
- f. Steps should be taken to transfer the grants for the Emergency Shelter Grant and Homeless Prevention programs from DCFS at the end of the current funding cycle, since these are annual grants.

#### **Compliance Recommended Procedures:**

- a. As is currently the case with disaster programs that are being administered by LHFA, such as the First Time Homebuyer Pilot program, the Non-profit Rebuilding Pilot program, and others, part of the cooperative endeavor agreement (CEA) provides for LHFA monitoring of the program subcontractors and expenditures and OCD/DRU, as the state grantee, has a responsibility under the federal rules to monitor the LHFA.
- b. The responsibilities for monitoring between the two agencies can be defined in the “master” CEA between LHC and OCD/DRU covering all the other programs. Similar steps can be taken with the Department of Children and Family Services (DCFS) for their programs for the duration of the current contracts.
- c. LHC, with assistance from OCD/DRU, should develop a comprehensive monitoring protocol for all programs being transferred from OCD/DRU.
- d. LHC should revise its procurement procedures to align it with the federal program requirements.
- e. OCD/DRU should develop a plan for oversight monitoring of OCD/DRU Programs transferred to LHC.

## **VI. Investments**

Initially, the investment portfolio of the new LHC will be the current portfolio of the LHFA. The OCD/DRU programs are one-time appropriations of federal disaster funds and will be expended on program recipients and on program delivery within the next few years. There will be no actual investment of disaster funds in the traditional sense. However, several programs will be generating

program income through the repayment of long term loans which can be programmed for additional housing development over the next 30-35 years.

Under state law, LHFA may invest in obligations of the U.S. Treasury, obligations of U.S. agencies which are guaranteed by the U.S. government or U.S. government agencies, repurchase agreements, certificates of deposit of banks doing business in the state, investment grade commercial paper, investment grade corporate notes and bonds, and other investments as required by the terms of bond trust indentures. (See Exhibit 16 - LHFA Investment Policy)

LHFA issues revenue bonds to assist in the financing of housing needs in the State of Louisiana. The bonds are limited obligations of the Agency, payable only from the income, revenues and receipts derived from the mortgage loans and other investments related to the trust indentures. The Agency also issued General Revenue Office Building Bonds to finance the construction of the Agency offices on Quail Drive in Baton Rouge. (see Exhibit 17 - LHFA Investment Report) (see also Exhibit 18 - 2011 Investment Audit Report)

Due to the work of the LHFA staff and the investment advisors, the Agency's net assets in 2011 increased by \$59,172,033, or 26%, from June 30, 2010, to June 30, 2011. This increase in net assets is related to the increase in capital assets, amounts due from governments, mortgage loans receivable, and accrued interest receivable.

At the end of fiscal year 2011, LHFA had \$84.4 million invested in capital assets, including the three story office facility in Baton Rouge, one completed apartment complex in New Orleans East (Willowbrook), one apartment complex under construction in New Orleans East (Village De Jardin), and one apartment complex under construction in Baton Rouge (Capital City South).

The LHFA's Moody's bond rating was A1 for the general revenue bonds and the 202 Elderly MR Bonds. The agency's Single Family Mortgage Revenue Bonds, which are not considered the agency's general debt, carry an Aaa rating.

There will be a decrease in investment due to legislation directing a transfer of \$25.1 million in the Spring of 2012 to the state's medical assistance fund.

## Recommendations

- a. The current LHFA staff associated with the Finance Department will be merged into the operations of the LHC. The current contracts with the financial advisors and bond counsel will continue uninterrupted. A key consideration for the transition is maintaining the excellent bond rating currently issued to LHFA. One of the factors is the organization and management of the agency. This recommendation includes the reorganization of the operations of the Chief Financial Officer to include an asset management division and a comptroller to oversee the accounting function. No changes in the investment policy are recommended at this time. The investment portfolio is sound and effectively managed. The Board of LHC will want to review the current portfolio and consider any adjustments in the future as it is anticipated that interest rates will begin to rise, resulting in increased investment income.