

Review of Management Functions

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

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

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Invent the Future

and

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

Summary

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

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

The Need for Transformative Change

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

DHCD Structure, Staff, and Programs

Organizational Structure

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

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

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

Personnel

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

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

Program Funding and Budgets

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

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

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

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

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

DHCD Performance

Funding Allocated to DHCD

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

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

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

Funding Allocated to Nonprofit Organizations

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

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

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

Request for Proposals Process

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

Review of Reports and Audits

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

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

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

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

Performance Data from Federal Program Reports

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

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

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

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

Assessment of DHCD-Administered Funding

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

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

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

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

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

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

Assessment of Housing-Authority-Administered Funding

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

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

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

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

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

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

Comments and Insights from Agency Staff and External Stakeholders

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

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

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

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

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

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

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

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

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

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

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

Comparative Analysis

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

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

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

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

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

Planning for the Future

SWOT Analysis

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

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

¹ Herman, Robert D. and Associates, *The Jossey-Bass Handbook of Nonprofit Leadership and Management*
Review of Management Functions Prince George's County Department of Housing and Community Development

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

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

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

Choices for DHCD and Prince George's County

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

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

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

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

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

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

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

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

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

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

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

The Need for Transformative Change

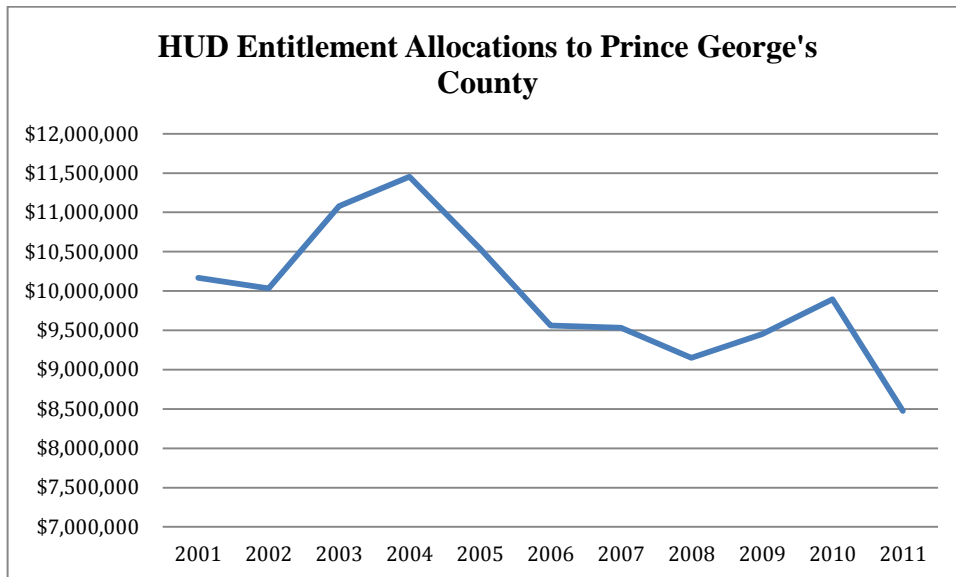
Housing market volatility, shifts in federal housing policies, and inadequate federal funding are forcing local governments to reconsider their approaches to housing and community development.

A Decade of Housing Market Turmoil

From 2002 to 2007, a bubble market developed that pushed housing prices up at an unsustainable pace and caused severe pressure on housing affordability. Then a collapse in the securitized debt market triggered a worldwide financial crisis and the start of the Great Recession. The decade left an unprecedented swath of broken programs and promises, national economic stress, and an uncertain future for housing markets.

Reductions and Shifts in Public-Sector Funding

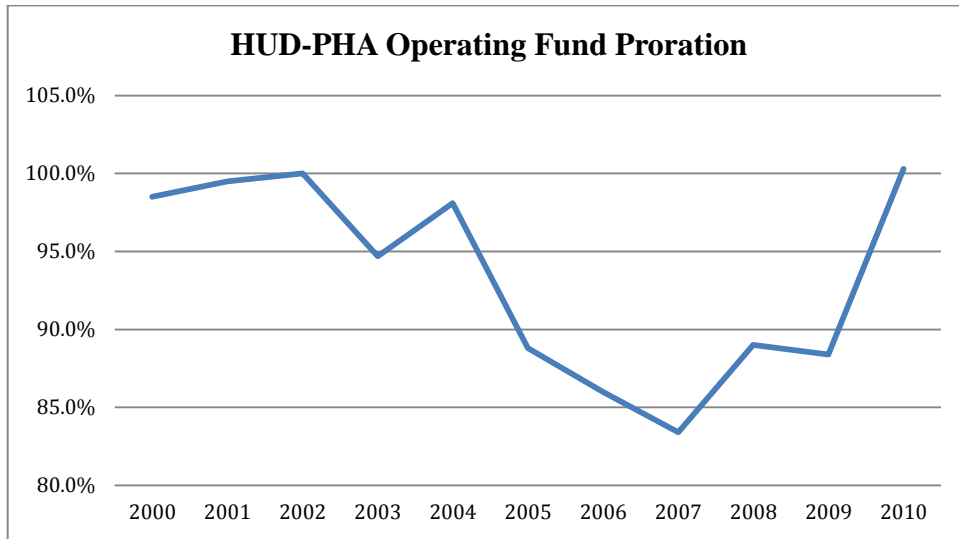
Despite recent surges in federal funding tied to economic stimulus and recovery, the long-term trend for federal funding of HUD entitlement programs is steeply downward. From a peak of \$11.5 million, HUD entitlement funding for Prince George's County has dwindled to \$8.5 million.



Source: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget

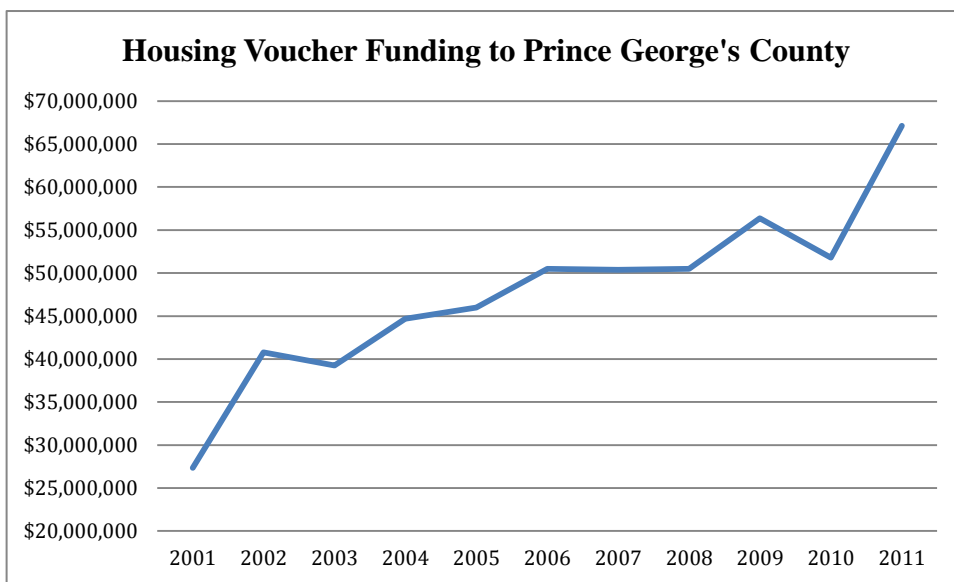
Federal funding for public housing is adjusted annually for increases in operating costs. HUD prorates its operating cost funding to local Public Housing Authorities based on the ratio of the operating fund budget allocation and estimated operating costs (less rents received and other adjustments). Since 2000, PHA's have received full funding of their

operating costs in only two years, and were funded below 90% of operating costs for five of the past eleven years.



Source: HUD Office of Public and Indian Housing, Operating Fund Annual Reports

In contrast to the contraction of entitlement funding and the shortfall in funding public housing operating costs, federal funding of the Housing Choice Voucher (HCV) program for Prince George’s County has more than doubled in the past ten years. Consequently, the HCV program now accounts for more than three-fourths of the Prince George’s County DHCD budget.



Source: Prince George’s County Annual Budgets

As Congress and the Administration focus on deficit reduction, funding for Prince George's major housing and community development programs is likely to be reduced, forcing difficult decisions on the direction and operation of DHCD in the coming years.

Repositioning for Success in the 21st Century Economy

Local government housing and community development programs during the 20th Century primarily followed a grantee model that focused on implementing federal policies and programs. For the foreseeable future, continuation of this model dictates shrinkage and consolidation in the face of declining resources. New approaches are required if local governments are to respond successfully to the housing and community development challenges they face. These approaches will require social entrepreneurship and innovation; local initiative and direction; and public-private networks.

DHCD Structure, Staff, and Programs

Organizational Structure

Department of Housing and Community Development

The Department of Housing and Community Development serves as the lead agency in a consolidated county development agency structure, in which DHCD oversees the administration of the county's housing authority and redevelopment authority. Although each authority has its own governing board, all authority staff reports to the DHCD Executive Director.

DHCD's internal organizational structure consists of three divisions.

1. *Administration* is the policy and leadership center of DHCD. This division establishes overall goals and objectives and manages departmental activities to achieve them. The division also handles personnel, public information, and legislative review responsibilities.
2. *Redevelopment* staffs the activities of the Redevelopment Authority, including real estate transactions and development financing, and assists in facilitating private development ventures that are consistent with county economic development objectives.
3. *Community Planning and Development* manages most program activities other than public housing, including programs supported by the Community Development Block Grant. Through its Housing Development Division, CPD manages the Emergency Shelter Grants program, the HOME Investment Partnerships program, and the Weatherization Assistance Program, as well as Neighborhood Stabilization Program (NSP) funds awarded to the county.

Redevelopment Authority

Redevelopment Authority staff, consisting of nine full-time positions in FY 2012, is located within DHCD's Redevelopment Division, as described above.

The mission of the Redevelopment Authority is to help create "a diverse and vibrant economy and living environment for Prince George's County using community building techniques and providing responsible and responsive development and redevelopment that is designed to enhance quality of life, balanced growth and job creation for diverse, sustainable communities." The authority works with private sector and nonprofit partners to identify opportunities for major, relatively large scale redevelopment and development projects using traditional redevelopment tools and performing classic redevelopment agency roles:

1. Property assemblage, site preparation, technical assistance, and financing;
2. Negotiator for property acquisitions and owner participation agreements; and
3. Facilitator for purchase and sale agreements.

For example, the agency successfully completed the [Palmer Park](#) redevelopment project that includes a mixed-use village center containing 26,000 square feet of retail, office, and community space with 69 units of senior housing. The project provides community access to a variety of neighborhood services at an attractive gathering place. The facility also includes the Palmer Park/Landover Boys and Girls Club, a gift shop, doctor's office, social service facility, small grocery store, barber/beauty shop, and office space. The Agency also does community development planning, facilitates infrastructure improvements, and coordinates revitalization and redevelopment programs and policies among other agencies and departments within Prince George's County and beyond.

According to its web site the Agency is currently involved with three major redevelopment projects:

1. [Bladensburg Town Center](#) is a joint effort with the Town of Bladensburg to create a town center along the Route 450 corridor by acquiring and assembling key properties and developing them into a traditional town center. The project will complement the revitalization of the Port of Bladensburg on the Anacostia River and the resurgence of the Hyattsville portion of the Gateway Arts District. The RA's role is to assist with funding and property acquisition.
2. [Gateway Arts and Entertainment District](#), encompassing the municipalities of Mount Rainier, North Brentwood and Hyattsville along the Route One corridor, will capitalize on the arts as a means of stimulating economic development. The Redevelopment Authority is partnering with the four municipalities and the [Gateway Community Development Corporation](#) to build artist housing and workspace, to attract retail and entertainment amenities to the district, and to provide the necessary public parking.
3. [Suitland Redevelopment Initiative](#) is a major acquisition, demolition, and relocation redevelopment project, with a price tag exceeding \$80 million that will reestablish a positive identity for the Suitland community. Approximately \$5.5 million of federal, state, county and private funds have been spent on façade enhancements to the commercial district, road infrastructure improvements. In addition, the Prince George's County Department of Housing and Community Development spearheaded two housing projects - the renovation of Parkway Terrace and the construction of Windsor Crossing residential community in the Suitland Redevelopment Area. The Suitland Manor Redevelopment project is a 33-acre site once comprised of 200 buildings with more than 700 units and 13 commercial properties, many with different property owners. This redevelopment site is located across from the Suitland Federal Center, which employs approximately 7,000 federal employees.

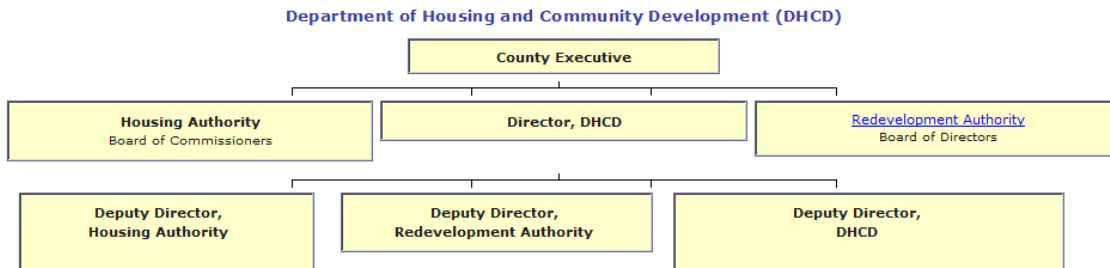
Based on its successful track record of managing large, multi-million dollar redevelopment projects, the Redevelopment Agency developed and managed the \$2.1 million HUD Neighborhood Stabilization Program grant.

Housing Authority

The Housing Authority, which administers activities supported with funding provided through HUD’s Division of Public and Indian Housing, consists of four divisions.

1. *Housing Authority Administration* provides overall leadership and policy guidance for Authority-administered programs.
2. *Financial and Administrative Services* handles fiscal management responsibilities, including rent billing, collection, and accounting for rental payments from public housing tenants.
3. *Housing Assistance* manages public housing owned by the Authority, including Kimberly Gardens in Laurel, Owens Road in Oxon Hill, Marlborough Towne in District Heights, Rollingcrest Village in Chillum, Cottage City in Cottage City, and Coral Gardens in Capitol Heights.
4. *Rental Assistance* manages the Housing Choice Voucher Program (HCVP) and other rental assistance programs, including Veterans Affairs Supportive Housing (VASH) and Housing Opportunities for Persons with AIDS (HOPWA).

Prince George’s County Department of Housing and Community Development Staffing Organizational Chart



Personnel

DHCD’s budget for FY 2012 includes a listing of 145 employees, of which 96 are full-time employees and 49 are “Limited Term Grant Funded” employees, as shown in the following table.

Table 1.
DHCD Staffing, Fiscal Year 2012

	Staff			% of Total Staff
	Full Time	Limited- Term	Total	
<u>Administration</u>	9	0	9	6%
<u>Redevelopment</u>	9	0	9	6%
<u>Community Planning and Development</u>				
Community Development Block Grant and CDBG Single Family Rehab/Admin	16	14	30	21%
HOME Initiative Partnership	3	0	3	2%
My HOME Program		5	5	3%
Neighborhood Conservation Initiative		0	0	
Neighborhood Stabilization Program		1	1	1%
Weatherization Assistance Program		4	4	3%
Subtotal	19	24	43	30%
<u>Housing Authority</u>				
Financial and Administrative Services	9	5	14	10%
Housing Authority Administration	5	2	7	5%
Housing Assistance Division	12	7	19	13%
Rental Assistance Division	33	11	44	30%
Subtotal	59	25	84	58%
Totals	96	49	145	

Source: Prince George's County Department of Housing and Community Development

More than half the staff (84 of 145) is located within the Housing Authority, and the Authority's Rental Assistance Division is the division within the DHCD infrastructure that has the most staff (44). The next largest concentration of staff is the 30-person group responsible for administering the Community Development Block Grant and related activities, located within the CPD Division. These two units make up half the entire DHCD workforce.

The table below identifies the position titles for DHCD's 145 staff positions, along with the number of staff funded in the FY 2012 budget for each position.

Table 2.
DHCD Staff Positions, Fiscal Year 2012

Position	Full-Time	Limited- Term	Totals
Director	1		1
Deputy Director	3		3
Administrative Specialists	4	1	5
Administrative Aides	7	4	11
Administrative Assistants	2		2
Accounting Service Manager	1		1
Accountants	9	8	17
Accounting Technicians	1	1	2
Community Developers	32	19	51
Community Developer Assistants	22	13	35
Community Developer Aides	1		1
Community Service Managers	3		3
General Clerks	5	2	7
Facility Maintenance/Service Associate Director	1	1	2
Budget/Management Analyst	1		1
Program/System Analyst	1		1
Personnel Analyst	1		1
Totals	96	49	145

Source: Prince George's County Department of Housing and Community Development

As shown above, a total of 86 DHCD positions—sixty percent of the DHCD staff infrastructure--are classified by the county's Human Resources Division as "Community Developers" and "Community Developer Assistants." Staff members with the job title of Accountant (17 funded staff positions) and Administrative Aide (11 funded staff positions) make up another twenty percent of the overall DHCD workforce.

Program Funding and Budgets

Funding Sources

As documented in the Fiscal 2012 Annual Action Plan for Prince George's County, activities administered by the Department of Housing and Community Development are to be funded through the following sources in FY 2012.

**Table 3.
Anticipated DHCD Funding Resources
Fiscal Year 2012**

Federal Funding Programs (other than public housing)		
Community Development Block Grant (CDBG)	\$5,456,881	
HOME Investment Partnerships (HOME)	\$2,755,700	
Emergency Shelter Grants (ESG)	\$367,351	
Emergency Food & Shelter (FEMA)	\$125,000	
Neighborhood Stabilization Program (NSP) & Neighborhood Conservation Initiative (NCI)	\$3,502,242	
Housing Opportunities for Persons with AIDS (HOPWA)	\$2,702,490	
Subtotal		\$14,909,664
Public Housing Funding Programs		
Section 8 Housing Choice Voucher & Moderate Rehabilitation	\$71,200,000	
Public Housing Capital Fund	\$404,000	
Conventional Housing Management	\$2,356,800	
Rollingcrest Village Maintenance and Management	\$138,900	
Subtotal		\$74,099,700
Matching Funds – ESG and Other		\$1,763,369
Program Income		
CDBG Program Income	\$141,600	
HOME Program Income	\$341,800	
Rental Income - Coral Gardens	\$99,000	
Rental Income - Marcy Avenue	\$5,200	
Subtotal		\$587,600
Other Funds		
Rental Allowance Program - State of Maryland		\$225,000
Total		\$91,585,333

Source: Prince George's County Department of Housing and Community Development

Program descriptions are provided in a Summary of Annual Anticipated Resources published on pages 13 through 15 of the DHCD FY 2012 Annual Action Plan.

One of the resources identified in the above table—rental assistance funding made available through the Section 8 Housing Choice Voucher & Moderate Rehabilitation programs--accounts for 78 percent of DHCD's entire FY 2012 resource base. FY 2012 HOPWA funding (accounting for an additional three percent of DHCD's resource base) is devoted to rental assistance, meaning that this activity is supported by a total of 81 percent of the FY2012 DHCD resource base.

Two federal entitlement programs—CDBG and HOME—together account for an additional nine percent of the resource base, and the NSP grant award for an additional four percent. These three sources of funding, totaling \$11,714,823, or thirteen percent of DHCD's FY 2012 budget, are the most significant resources available to the county to support site assemblage and bricks-and-mortar investment in housing and economic development ventures. Since the NSP funding is a special grant award, not an ongoing entitlement program, this funding source—amounting to \$3,502,242 in the FY 2012 budget--may not be available to DHCD in FY 2013.

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

Staff and Program Budgets

As shown in Table 4 below, a total of \$11,162,800 of the \$91.6 million DHCD Fiscal Year 2012 budget, or about twelve percent, is allocated to staff (this amount includes salaries and benefits). Of this \$11.1 million staff budget total, more than half (56 percent) is allocated to Housing Authority personnel and most of the remainder to Community Planning and Development staff.

A total of \$81.5 million in the FY 2012 budget is allocated to operating expenses (other than staff) and to DHCD-administered programs. The table shows that the administration of Community Planning and Development activities is substantially more staff intensive than the administration of Housing Authority activities. In FY 2012, CPD program activities (and related operating expenses other than personnel) represent thirteen percent of DHCD's total program budget but required a commitment of 28 percent of DHCD's FY 2012 staff budget. By contrast, Housing Authority activities in the same fiscal year represent 87 percent of DHCD's total program budget but involve a substantially lower commitment of 56 percent of DHCD's staff budget.

However, it would not necessarily be reasonable to conclude that CPD staffing is less productive than Housing Authority staff. The administration of contracts with nonprofit

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

Table 4.
DHCD Staff and Program Budgets
Fiscal Year 2012

	Staff Budget	% of Total Staff Budget	Program & Operating Budget	% of Total Program & Operating Budget
Administration	\$952,000	9%	\$182,300	<1%
Redevelopment	\$842,900	8%	\$239,000	<1%
CPD	\$3,149,500	28%	\$10,253,100	13%
Housing Authority	\$6,218,400	56%	\$70,835,500	87%
Totals	\$11,162,800		\$81,509,900	

Source: Prince George's County Department of Housing and Community Development

DHCD Performance

This section contains an analysis of funding allocations, a review of reports and audits, performance data from Federal Program reports, HUD assessments of DHCD, and an assessment of DHCD-administered funding.

Analysis of Funding Allocations

Funding Allocated to DHCD

Appendix A of the county's Annual Action Plan for Fiscal 2012, published by DHCD shows an allocation nearly \$3.3 million in CDBG and HOME funds to DHCD (excluding funding for general program administration), as shown below. The activities shown are administered by DHCD's Community Planning and Development division

Table 5.
Allocation of CDBG and HOME Funds to DHCD
Fiscal Year 2012

Activity	Units	Amount	Source
My HOME/ Acquisition, Rehabilitation, New Construction Multi-Family Rental Housing	67	\$1,485,143	HOME
Construction and Rehabilitation HOME Homeowner Rehabilitation Program	101	\$443,845	HOME
	10	\$341,800	HOME Program Income
Single-Family Rehabilitation Loan (Program)	10	\$141,600	CDBG Program Income
Single-Family Rehabilitation Loan (Delivery)		\$869,626	CDBG
Totals	188	\$3,282,014	

Source: Annual Action Plan, FY 2012

My HOME and Multi-Family Rental Housing programs. Summary information about these two programs, provided in Appendix A, is not complemented by more detailed information elsewhere in the Annual Action Plan.

- Developers to which CPD will award funds for the development-subsidy component of the My HOME program and for the Multi-Family Rental Housing program are not identified, nor is the process for developer selection described in the Annual Action Plan.
- Text in Table 3C of the DHCD Annual Action Plan states that DHCD's Community Planning and Development Division "may" administer the three

components of the My HOME program, without further explanation here or elsewhere in the Annual Action Plan.

- Text in the Table 3C narrative for the Multi-Family Rental Housing program states that applications are to be taken on a “rolling” basis, meaning that developer information will not be known prior to approval of the Annual Action Plan. The developer selection process is not described elsewhere in the Annual Action Plan.

The best approach for development-subsidy programs of this kind would be to issue a Request for Proposals in September of the preceding year in order to solicit developer proposals for acquisition, rehabilitation, and/or new construction funding. The RFP would include a description of CPD priorities for allocating the funding, as well as an explanation of proposal scoring and ranking criteria. This approach could not have been adopted for FY 2012, in light of the changes in county government and DHCD administration that occurred in 2010-11; however, it should be implemented in preparation for FY 2013, with the issuance of an RFP in September 2011.

An advance RFP approach is particularly well suited for multi-family ventures involving tax-exempt bond financing or Low Income Housing Tax Credit financing, two of the three financing approaches described in the Table 3C narrative for the Multi-Family Rental Housing program. For such ventures, a CPD requirement for developer proposal submissions in advance provides the best possible opportunity to coordinate CPD proposal-underwriting activities with those of the agencies that are issuing the bonds or the tax credits and, in this way, to ensure maximum leveraging of funds and to avoid over-subsidization.

HOME Homeowner Rehabilitation Program. Program narrative should provide a justification for the high average per-unit costs (\$34,000 per home) associated with this program. In the current economic environment, a commitment of this level of subsidy is not a strategic use of limited public funding. An alternative, more cost effective approach for assisting homeowner-occupants with significant home repair needs should be found.

Single-Family Rehabilitation Loan. The Annual Action Plan does not explain why a program offering a \$14,000 per unit subsidy requires the expenditure of \$87,000 per unit for “delivery” costs (the latter are defined in the discussion of “Rehabilitation Administration” in part V, section C.2). Program costs should be scrutinized and adjustments made to achieve cost effectiveness.

Funding Allocated to Nonprofit Organizations

Appendix A of the FY 2012 Annual Action Plan provides information on funding allocations totaling \$1.9 million for 41 nonprofit organizations (this total does not include HOME funding allocated to Community Housing Development Organizations, or CHDOs and does not include funding allocated to local municipalities). Of this total, 28 funding awards support a variety of human services activities: housing counseling, homelessness prevention, adult education, substance abuse treatment, literacy services, and others. Five of the funding awards are for the development or improvement of public facilities (such as the improvement of affordable group homes maintained by Volunteers of America Chesapeake, Inc.), and

another five are for Economic Development activities (such as a job creation and retention program sponsored by Ports Town CDC). Only one bricks-and-mortar housing activity is listed: the rehabilitation of three housing units by the Housing Initiative Partnership.

Portfolio and Leveraging. CPD is funding a large number and a wide variety of nonprofit organization activities, at an average cost of about \$47,000. The CPD staff and service costs associated with administering such a large number of contractual relationships are likely to be considerable.

Examination of the CPD portfolio of funding allocations to nonprofit organizations also raises a question of the agency's overall mission. Should CPD continue to invest one third of the county's CDBG budget to support human service and facilities development activities, leaving a relatively small amount of CDBG funding to address housing and economic development priorities?

The Table 3C submissions in Appendix A do not identify the amounts of other funding, if any, that the nonprofit organization activities are leveraging from municipal governments, charitable foundations, local institutions, and other sources. In the future, CPD should require and publish evidence of a commitment of matching funds for every nonprofit organization activity proposed for CDBG funding. In addition, some of the activities currently listed in Appendix A (e.g., Dance makers, Inc., Daughter For the Day, Inc.) should probably be funded entirely by local governments, school districts, community foundations, or the workforce development system, with no CPD participation.

Housing Counseling. Six nonprofit organizations are to receive funding for housing counseling services (other than housing counseling services associated with homelessness prevention and special-needs housing populations). Although five of these organizations are receiving the same amount of CDBG funding (\$37,630), the cost per beneficiary of these services ranges widely, from \$75.26 to \$368.92 per beneficiary, as shown in the table below.

Table 6.
CDBG Funding for Housing Counseling Services
Prince George’s County, Fiscal Year 2012

Organization	Number of Beneficiaries	CDBG Funding	Cost per Beneficiary
HIP Services, Inc.	158	\$37,630	\$238.16
Housing Options and Planning Enterprises	210	\$37,630	\$179.19
Homefree USA	500	\$37,630	\$75.26
Sowing Empowerment and Economic Development	102	\$37,630	\$368.92
United Communities Against Poverty	252	\$37,630	\$149.33
Unity Economic Development Corporation	52	\$19,401	\$373.10

Source: Annual Action Plan, FY 2012

This information strongly suggests that CPD’s funding of housing counseling services is not guided by policy as much as by a desire to divide up the available funding equitably among the organizations deemed qualified to receive it. In the future, CPD needs to establish a systematic policy foundation for funding housing counseling services. This policy should be based on the following considerations.

- Group counseling has limited effectiveness, and the extent of its value to consumers cannot be determined precisely. In some cases, group counseling may have little value—or no value at all.
- Pre-purchase counseling should be conducted on a one-to-one basis (one counselor per household), should begin prior to the execution of the agreement of sale, and should be followed by at least one year of post-settlement monitoring.
- Homes being considered for purchase by counseled homebuyers should be subject to pre-sales inspections completed by American Society of Home Inspector (ASHI) certified home inspectors. Any housing quality issues identified as a result of the inspection should be resolved prior to settlement.
- Counseling for homeowners threatened with foreclosure should be implemented as one element of a strong county government commitment to make fullest possible use of the provisions of Maryland’s Foreclosure Mediation Law, which took effect in July 2010.

Request For Proposals Process

Most or all CDBG funding, including funding for municipal government projects, should be allocated based on a competitive Request For Proposals process that begins with the publication of RFPs in September of each year. Adoption of this approach provides an

opportunity for CPD to explain the relationship between county policies and the awarding of county-administered federal funds, as well as an opportunity to describe in detail the proposal ranking and scoring process leading to the award of funds.

Review of Reports and Audits

Previous reports and audits from internal investigators identified a number of operational and strategic challenges within CPD. These audits and reports establish a track record of issues affecting the ability of CPD to effectively manage and implement programs funded, mostly by HUD grants and programs. This section summarizes the major findings from these studies ultimately leading to the justification and recommendation for the management review conducted by the Virginia Tech Center for Housing Research.

In October 2009, Prince George's County Office of Audits and Investigations (A&I) conducted an audit on CPD's HOME Investment Partnership (HOME) funded programs, focusing specifically on CPD controls for managing funding to Community Housing Development Organizations (CHDOs). In HUD's HOME program, established to increase the amount of affordable housing for low-income families, a required set-aside of 15 percent of total grant funds can be awarded to CHDOs, private nonprofit, community-based service organizations charged with providing affordable housing solutions to the community. A government agency's management of CHDO-related funding can be a good performance indicator, because success in carrying out this responsibility requires an ability to maintain external partnerships, manage sub-grantees, and meet HUD mandated reporting, funding, and project management requirements.

The audit found that many of the requirements for proper implementation management of the CHDOs program were missing or had not been completed.

- Certifications had not been completed for 93 percent of the CHDOs.
- No documentation of staff review or approval for CHDO applications could be found.
- Thirty percent of CHDOs had incurred expenditures exceeding the amount allowed under grant agreements.
- Progress reports documenting the use of fund were not available for 67 percent of the funded CHDOs.
- Grant agreements with a number of CHDOs were signed after, rather than before, the start of the mandatory performance period.³

These findings indicate a lack of the internal controls and management structure that are necessary for managing external partnerships and sub-recipient relationships.

³ *Prince George's County, Maryland Office of Audits and Investigation. Department of Housing and Community Development Community Housing Development Organization (CHDO) Audit, October 2009.*

Recommendations from the audit included the institution of a comprehensive records management policy and quality control review process.

In April 2010, a consultant conducted a Fiscal Year 2011 budget review of DHCD's staffing and expenses. Challenges were identified in three main areas: operational and performance goals; portfolio management with necessary internal and external control of resources; and operational structure and its relationship to meeting long-term goals. Recommended actions to overcome these challenges included a stronger DHCD leadership focus on strategy; increased attention to enabling partnerships and facilitating innovation; the creation of stronger internal controls; and structural and operational changes to improve service delivery.

A full management audit of DHCD activities, to be conducted by an independent entity, was also recommended, and the Virginia Tech Center for Housing Research was retained for this purpose. The scope for the Virginia Tech project is described in the "Project Description" subsection above.

HUD reviews of DHCD performance have been favorable with respect to DHCD's administration of several HUD-funded programs. An independent audit by Bazilio & Associates on behalf of HUD found FY 2008 activities conducted by the Prince George's County Housing Authority to have no substantial negative findings. Additionally, other HUD mandated reporting on the NSP, CDBG, and public housing rental assistance programs found activities generally to be within the necessary requirements and operating guidelines.

Performance Data from Federal Program Reports

HUD's web site provides data on municipalities, counties, and states that receive funding through the Community Development Block Grant program that can be useful in a comparative analysis, as described in the narrative that follows (see http://portal.hud.gov:80/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget/disbursementreports). Although comparable data is not available in this form for the HOME Investment Partnerships Program and other HUD programs, the CDBG data provides relevant information and insights about county administration of the federal funding over which county government has the most discretion in addressing housing and community development needs and opportunities.

Allocation of CDBG Funds by Program Category

HUD publishes data on each CDBG grantee's annual expenditure of CDBG funds, by expense category. With this data, it is possible to review significant variations in CDBG-funded investment from year to year and to compare one grantee's expenditure patterns with those of other grantees.

As shown in the table below, the pattern of CDBG expenditure types in Prince George's County has varied somewhat during the most recent five-year period for which HUD has posted this data.

Table 7.
Prince George's County
CDBG Expenditures by Category, Fiscal Years 2005 – 2009

Expenditure Category	Percent of Total Fiscal Year Expenditures*				
	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Administration and Planning	20	19	12	18	20
Public Facilities and Improvements	33	31	33	20	14
Public Services	16	12	14	11	18
Housing	18	25	14	32	35
Economic Development	12	6	24	18	1
Acquisition	1	7	1	1	12

* Note: Columns may not total 100 percent due to rounding.

Source: U.S. Department of Housing and Urban Development

For Prince George's County, the line items shown in the Table 8 below are the highest CDBG expenditures (each representing more than ten percent of total fiscal year expenditures) in each of the five fiscal years.

Table 8.
Prince George's County
Major CDBG Expenditures by Activity, Fiscal Years 2005 – 2009

Fiscal Year	Activity	Percent of Total Fiscal Year Expenditures
2009	Public Facilities and Improvements (General)	21
	General Program Administration	20
	Rehabilitation: Single-Unit Residential	12
2008	Rehabilitation: Single-Unit Residential	20
	Street Improvements	18
	General Program Administration	17
	Public Facilities and Improvements (General)	12
2007	Street Improvements	16
	Financial Assistance to For-Profit Businesses	12
	General Program Administration	11
2006	Street Improvements	16
	General Program Administration	15
	Rehabilitation Administration*	15
	Commercial/Industrial Building Acquisition, Construction, Rehabilitation	14
2005	Rehabilitation Administration*	25
	General Program Administration	13
	Rehabilitation: Single-Unit Residential	11

* Note: Rehabilitation Administration expenses are expenses that are directly related to the rehabilitation of housing, including architectural, engineering, appraisal, and other professional services; the preparation of work specifications and work write-ups; loan processing and loan origination fees; the completion of surveys, site plans, and utility plans; and the processing of applications.

Source: U.S. Department of Housing and Urban Development

Although this expenditure data cannot be used to draw conclusions about program quality or performance during the years indicated, the data illustrates continuity and change in program priorities over the years. This data can also be useful in evaluating the outcomes associated with significant levels of expenditure to support certain activities, such as those identified in the table above.

HUD restricts the amount of CDBG funding that can be spent on General Program Administration to not more than twenty percent of the total CDBG allocation. In order to

diversify the funding base for government operations, most CDBG grantees—both counties and municipalities—routinely allocate a full twenty percent of the CDBG grant award to General Program Administration (within the Administration and Planning category) each year; Prince George’s County has followed this practice as well (although, as shown in tables 7 and 8, funding within this expenditure category may not be fully spent within a twelve-month period).

Because small municipalities have limited resources available to support the cost of public improvements (such as the resurfacing of a street, the rehabilitation of a senior center, or the improvement of a park) or public services (such as programs for youth, the elderly, special-needs populations, or those seeking employment training), the *Public Facilities and Improvements* and *Public Services* categories are major expenditure categories in many counties, as they have been in Prince George’s County.

Because of the wide range of needs for funding in the Public Facilities and Improvements and Public Services categories that can be found in any county, the number of eligible activities in these categories far exceeds the CDBG funding that is available. County governments have to decide to either devote most of their CDBG resources to these two categories, leaving relatively little finding available to support activities in the *Housing* and *Economic Development* categories, or to find ways to limit commitments to the first two of the above categories in order to have funding available for investment in the latter two. Expenditure data from other metropolitan-area counties shows how different priorities are reflected in CDBG funding allocations.

Table 9.
CDBG Expenditures in Selected Metropolitan-Area Counties
Fiscal Year 2009

Expenditure Category	County				
	Baltimore County MD	Cook County IL	Dekalb County GA	Delaware County PA	Monroe County NY
Administration and Planning	15	26	18	21	27
Public Facilities and Improvements	25	51	50	60	30
Public Services	17	14	9	15	19
Housing	42	4	17	4	9
Economic Development	-	1	5	-	15
Acquisition	-	5	1	1	-

Source: U.S. Department of Housing and Urban Development

As shown in this table, Housing expenditures were as low as four percent in two of the selected metropolitan-area counties, and Public and Facilities Improvements expenditures

represented fifty to sixty percent of all Fiscal 2009 CDBG expenditures in three of the five counties.

As indicated above, the CDBG expenditure data cannot be used to evaluate the quality or appropriateness of expenditure choices for a particular county. Priority-setting and decision-making about the use of CDBG funding are the responsibilities of the county government. Because local and countywide needs far exceed the availability of funding, strategic investment of CDBG resources to produce the greatest economic and social benefit is critically important.

Timeliness of CDBG Expenditures

HUD also records and publishes a “timeliness ratio,” as part of an individual Performance Profile posted for each CDBG grantee (see <http://www.hud.gov/offices/cpd/communitydevelopment/library/performanceprofiles/index.cfm>). The ratio is the amount of unexpended funds (including unexpended funds from the current program year as well as from prior program years) as a percent of the total funding award for the current program year. Because some CDBG-supported activities, such as housing development, may take longer than a year to complete and because the contract period for most sub-recipients of CDBG funding (such as nonprofit development or service organizations) does not coincide precisely with the length of the fiscal year, the timeliness ratio for most CDBG grantees exceeds 1. That is, for most municipalities, counties, and states that receive CDBG grant funds, the amount of funding in the grantee’s line of credit with HUD exceeds the grantee’s current-year CDBG budget.

HUD may recapture CDBG funds from grantees with timeliness ratios exceeding 1.5, and HUD has emphasized the need for grantees to monitor expenditures in order to avoid recapture of funds.

The table below shows timeliness ratios for Prince George’s County during the most recent three years for which data is posted on the HUD web site. As shown, the county failed to meet the 1.5 standard in two of those years.

**Table 10.
Prince George’s County
CDBG Timeliness Ratios Recorded in September 2008, 2007, and 2006**

	September 2008	September 2007	September 2006
Prince George’s County	1.35	1.61	1.68
National Average	1.42	1.42	1.28

Source: U.S. Department of Housing and Urban Development

As shown in the first row of data in the table below, the September 2008 timeliness ratio for Prince George’s County of 1.35 was identical to that reported for another metropolitan-area county (DeKalb County, Georgia) and lower than that reported for three other counties.

Also shown below are timeliness ratios for major cities that receive their own CDBG grant awards. Because cities, unlike counties, do not distribute portions of their CDBG funding awards to other municipalities, some city governments can achieve substantially lower timeliness ratios than county governments, as illustrated by the data in the last row of the table below.

Table 11.
CDBG Timeliness Ratios for Selected Metropolitan-Area Counties and Cities
Recorded in September 2008

Timeliness Ratio - Counties				
Baltimore County	Cook County	DeKalb County	Delaware County	Monroe County
MD	IL	GA	PA	NY
1.42	1.41	1.35	1.57	1.21
Timeliness Ratio – Cities				
City of Baltimore	City of Chicago	City of Atlanta	City of Philadelphia	City of Rochester
1.50	.72	1.37	1.16	1.12

Source: U.S. Department of Housing and Urban Development

Assessment of DHCD-Administered Funding

Funding made available to the county through federal “entitlement” programs—the Community Development Block Grant (CDBG), the HOME Investment Partnership Program (HOME), Emergency Shelter Grants (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) are administered by staff of the Community Planning and Development Division within the HUD District of Columbia office.

CDBG Funding

Commentary on CPD’s performance in administering CDBG funding is included in the “Performance Data from Federal Program Reports” section above.

HOME Funding

On a quarterly basis, HUD publishes performance data on the HOME program (at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/snapshot/historical.cfm>). The table below illustrates this “snapshot” data for the first quarter of calendar years 2011, 2010, and 2009. Prince George’s County data is shown and compared with the average of data for other HOME funding recipients in the State of Maryland (including state government, the City of Baltimore, and the Maryland county governments that received

HOME funding). Based on the latter comparison, Prince George's County is ranked in comparison with the other Maryland HOME funding recipients.

As the data in the first two left-hand columns of this table indicate, Prince George's County significantly improved the percentage of HOME funds committed and the percentage of HOME funds disbursed between 2009 and 2011. However, as the data ranking shows, most other HOME funding recipients in Maryland performed better than Prince George's County during each of these years. In March 2011, Prince George's County was the lowest-performing jurisdiction in the state (among the seven jurisdictions for which data was compiled for this snapshot).

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

The two right-hand columns in this table are indicators of the county's performance in disbursing funds committed to rental housing activities and funds reserved for community housing development organizations (CHDOs). In the March, 2010 snapshot, Prince George's County failed to meet the "red flag" threshold in each of these categories. At that time, 70.08% of funds committed to rental housing activities had been disbursed; the threshold requirement called for a disbursement percentage of 75.25% or greater. During the same snapshot period, 25.45% of funds reserved for CHDOs had been disbursed; the threshold requirement called for a disbursement percentage of 50.43% or greater.

The March 2011 snapshot shows that county performance in both categories had improved substantially but that the county had not yet been able to move beyond "red flag" status with respect to CHDO disbursements.

Table 12.
HOME “Snapshot” Performance Data, Prince George’s County
1st Calendar-Year Quarter, 2011, 2010, 2009

	% of Funds Committed	% of Funds Disbursed	Leveraging Ratio/ Rental Activities	Completed Rental Disbursements as % of All Rental Commitments	Completed CHDO Disbursements as % of All CHDO Reservations
March 2011 Snapshot					
Prince George's County	96.88%	75.56%	19.22	94.58%	49.41%*
State Average	96.82%	89.14%	7.61	95.08%	69.03%
Prince George's County Rank (of 7)	4	7	1	4	6
"Red Flag" Threshold				<79.77%	<57.73%
March 2010 Snapshot					
Prince George's County	90.86%	65.07%	17.82	70.08%*	25.45%*
State Average	93.21%	83.11%	6.03	89.92%	60.07%
Prince George's County Rank (of 6)	5	5	1	5	6
"Red Flag" Threshold				<75.25%	<50.43%
March 2009 Snapshot					
Prince George's County	87.32%	65.67%	17.82	78.83%	37.74%*
State Average	91.44%	81.78%	5.99	91.97%	62.82%
Prince George's County Rank (of 6)	5	5	1	5	5
"Red Flag" Threshold				<71.84%	<47.80%

* “Red Flag” threshold exceeded.

Source: U.S. Department of Housing and Urban Development

A July 1, 2011 letter from HUD Assistant Secretary Peter A. Kovar to two U.S. House of Representatives subcommittee chairs provides information on the status of DHCD's use of HOME funds to provide two predevelopment loans to Kairos Development Corporation, Inc.

...In its April 19 [2011] letter and enclosed findings, HUD determined that the County was in apparent violation of several HUD requirements with respect to Kairos, including failing to validate Kairos' eligibility as a CHDO, providing awards to Kairos that apparently exceeded the amount that the County could provide to a CHDO as predevelopment loans, and allowing Kairos to utilize HOME funds for ineligible land acquisition activities. HUD explained that unless the County can satisfactorily explain these apparent violations, it must use non-federal funds to repay over \$1.02 million in HOME funds.

Peter A. Kovar, HUD Assistant Secretary for Congressional and Intergovernmental Relations, letter to The Honorable Randy Neugebauer, Chairman, House Subcommittee on Oversight and Investigations and The Honorable Judy Biggert, Chairman, House Subcommittee on Insurance, Housing and Community Opportunity, July 1, 2011

This letter was received by the Virginia Tech team after the deadline for the submission of this report, and no additional information about this issue was received by the team prior to the report submission deadline.

Administration of Neighborhood Stabilization Program Funds

DHCD has also been recognized for strong performance in administering Neighborhood Stabilization Program (NSP) funding made available through the Housing and Economic Recovery Act of 2008 (HERA). NSP funds may be used to support the acquisition, rehabilitation, and resale of foreclosed properties located within designated target areas.

DHCD was particularly successful in using NSP funds to provide deferred loan financing to assist homebuyers of vacant, foreclosed properties with down payment and closing costs. DHCD's FY 2012 budget submission to the county indicated that 650 homebuyers were assisted through this program in FY 2011, a total that increased by the end of the fiscal year. In addition, with NSP funding support, the Redevelopment Authority acquired and rehabilitated 23 foreclosed houses for sale to homeowner-occupants.

Assessment of Housing Authority-Administered Funding

Public housing funds awarded to the Housing Authority are administered by staff of the Public and Indian Housing Division within the HUD District of Columbia Office.

PHAS Assessment

HUD assesses the performance of housing authorities in managing public housing sites through the use of a performance management tool known as the Public Housing Assessment System (PHAS). In a PHAS assessment, key areas of performance are evaluated by HUD and assigned numerical scores that, in the aggregate, produce an overall PHAS score.

In Fiscal Year 2009, the most recent year in which the Housing Authority of Prince George’s County received a PHAS assessment, the assessment covered four performance categories.

1. *Physical Condition*, to determine the extent to which housing authority units comply with federal housing standards. The score is based on the results of HUD inspections of housing authority properties.
2. *Financial Condition*, to determine whether, based on a review of the housing authority’s portfolio, the authority has sufficient financial resources to maintain and operate public housing consistent with federal standards. Indicators used to establish the score include quick ratio (current assets to current liabilities), months expendable net asset ratio (which shows the number of months of operating expenses that can be covered with currently available, unrestricted funding resources), and debt service coverage ratio (net operating income available to make debt payments to the amount of debt payments).
3. *Management Operations*, to determine the extent to which the operation of public housing sites is consistent with federal standards. Indicators used to establish the score include occupancy, tenant accounts receivable, and accounts payable.
4. *Resident Assessment*, to determine public housing resident satisfaction with housing authority performance. This topic has been addressed through a resident survey covering five topics: maintenance and repair; communication; safety; services; and housing property appearance.

The following table shows the highest scores that could be assigned for each performance category, the lowest scores that HUD would consider a passing score within each category, and the score that the Housing Authority of Prince George’s County received in each category.

Table 13.
PHAS Scores, Fiscal Year 2009

	Physical Condition	Financial Condition	Management Operations	Resident Assessment	Total PHAS Score
Maximum Score	30	30	30	10	100
Passing Score	18	18	18	6	60
Prince George’s County HA Score	22	9	25	4	60

Source: U.S. Department of Housing and Urban Development

Although this table indicates an overall passing score, HUD designated the Housing Authority as “Substandard Financial,” in light of the very low score in the Financial Condition category.

HUD reported the Fiscal 2009 PHAS scores to the Housing Authority in January 2011. The Housing Authority subsequently entered into discussions with HUD’s District of Columbia (Public Housing) Program Center and provided a list of measures that could be taken in order to improve the Financial Condition score. The Housing Authority agreed to submit updated, unaudited financial data to HUD in August, 2011, and HUD’s Real Estate Assessment Center staff is to review this data in order to determine the extent to which the appropriate actions have been taken to address outstanding financial problems and position the Housing Authority for a substantially improved PHAS score under the current interim rule and scoring system.

SEMAP Assessment

HUD evaluates housing authority performance in administering Section Eight rental assistance subsidies (also known as Housing Choice Vouchers) through the Section Eight Management Assessment Program (SEMAP). To complete this assessment, HUD personally reviews the housing authority’s performance with respect to fifteen indicators, as follows:

1. Proper selection of applicants from the housing choice voucher waiting list.
2. Sound determination of reasonable rent for each unit leased.
3. Establishment of payment standards within the required range of the HUD fair market rent.
4. Accurate verification of family income.
5. Timely annual reexaminations of family income.
6. Correct calculation of the tenant share of the rent and the housing assistance payment.
7. Maintenance of a current schedule of allowances for tenant utility costs.
8. Ensuring compliance with housing quality standards before families enter into leases and the housing authority enters into contracts.
9. Timely annual housing quality inspections.
10. Performance of quality control inspections to ensure housing quality.
11. Insuring that landlords and tenants promptly correct housing quality deficiencies.
12. Ensuring that all available housing choice vouchers are used.
13. Expanding housing choice outside areas of poverty or minority concentration.
14. Enrolling families in the family self-sufficiency (FSS) program as required and helping FSS families achieve increases in employment income.
15. A Deconcentration Bonus is awarded to the housing authority if a specified percentage of all Housing Choice Voucher families with children reside in low-poverty census tracts at the end of the reporting period.

On an annual basis, HUD assigns each housing authority a SEMAP rating, based on scores for each of the fifteen indicators. Based on the SEMAP score, HUD gives the housing authority an overall performance rating of high, standard, or troubled.

As of September 2010, the Housing Authority of Prince George's County received a SEMAP rating of 100 percent and an overall performance rating of high. This outcome was consistent with past SEMAP performance. The Housing Authority's 2009 SEMAP score was 103 percent (including bonus points), and the 2008 score was 100 percent.

Housing authorities within the HUD Program Center's jurisdiction that received lower SEMAP scores scored lower with respect to indicators 2, 5, 6, 8, and 9. In contrast, as indicated above, the Housing Authority of Prince George's County has received consistently high scores for these indicators, as well as other SEMAP indicators.

Expenditure of American Recovery and Reinvestment Act (ARRA) Funds

In November 2010, the HUD Field Office conducted an on-site review of the Housing Authority's administration of American Recovery and Reinvestment Act (ARRA) Funds to support a weatherization program. HUD found the Housing Authority to be in compliance with all regulatory and programmatic requirements associated with the ARRA funding. A Housing Authority manager reported to the Virginia Tech project team that the weatherization program had been developed "from scratch" by Housing Authority staff, and that program development tasks included the training of both staff and contractors. HUD staff credited the work of an outstanding Housing Authority staff member as a significant factor that contributed to Prince George's County's success in administering ARRA funds.

Administration of Veterans Affairs Supportive Housing (VASH) Funds

The Housing Authority of Prince George's County administers funding available through HUD's Veterans Affairs Supportive Housing (VASH) program within HUD's District of Columbia Field Office jurisdiction. The program combines rental assistance (provided through housing choice vouchers) with case management and clinical services made available through the federal Department of Veteran's Affairs and community-based outreach clinics. Although coordination problems have limited the effectiveness of the VASH program in other jurisdictions, these problems have not occurred with respect to Housing Authority of Prince George's County administration of the program within the District of Columbia Field Office's jurisdiction. The Housing Authority's administration of the VASH program has been characterized as "extremely successful."

In response to a recent HUD VASH survey, the Housing Authority indicated that being proactive helped the agency to avoid obstacles while administering the VASH Program. The authority attributed its VASH Program success to the following actions:

1. Establishing procedures for program operation prior to the funding award and updating them as needed while the program was being implemented.
2. Ongoing collaboration and communication with HUD and VASH social work staff at the Veterans Affairs Medical Center; and
3. Extensive efforts on the part of Housing Authority staff, through monthly briefings, to encourage landlords to consider renting to veterans with special needs.

Comments and Insights from Agency Staff and External Stakeholders

The best insights and ideas are often suggested by those within the organization. Two key components of the management review included an anonymous online survey to which all DHCD staff members could respond and personal interviews with selected senior managers. Both contributed to understanding the organization and ideas for improving the organization. The results of the staff work experience survey not only provided invaluable information about the internal workings of DHCD from the perspective of employees but allowed employees to have a voice. Responding to the anonymous survey served as a vehicle for staff to provide critical feedback to top management in DHCD. The management interviews helped researchers establish a broad understanding of DHCD by focusing on what the managers believe is working and what needs to be improved. As with the online survey, the personal interviews provided managers the opportunity to voice their opinions and to help guide the review process.

Also critical to performing this review was input from external stakeholders. While the opinions of only a small sample of external stakeholders were obtained due to the limited time and funding, their views provided important insights and suggestions for how DCHD can improve.

Staff Survey

Survey Methodology

The Virginia Tech project team conducted an online survey of DHCD staff as part of the management and organizational review. The survey was designed and developed by the team with input from Prince George's County government representatives and was approved by the Internal Review Board of Virginia Tech.

Virginia Tech contacted DHCD staff members by email and asked them to participate in an anonymous survey about their work experience. Staff members previously had been notified by the Director's Office that they would be receiving instructions from Virginia Tech for completing an online survey. The email request from Virginia Tech directed staff members to a secure online website offered by Virginia Tech (www.survey.vt.edu). Staff members were assured that their responses would be anonymous (no identifying information was required, only a shared password provided by Virginia Tech). Staff members were also assured of confidentiality and advised that only grouped results would be shared with the County. Staff members were sent two reminder emails asking them to participate. Of the 137 staff members contacted, 73 (53.3 percent), participated.

The survey consisted primarily of multiple-choice questions. Respondents also were invited to comment after each question and were offered several open-ended questions to which they could respond without being restricted to the choice of a limited number of particular answers. The multiple choice questions allow for a quantitative analysis based on the grouped answers, while the comments and open-ended questions allow for a qualitative analysis. Survey questions and the grouped answers provided by staff (both frequencies and percentages) can be found under **Staff Survey Multiple Choice Questions and Results** in the Exhibits.

Discussion of Multiple Choice Results

The survey was designed to elicit staff opinions about their work experience in DHCD as a department, and, to some extent, the responses may be interpreted as reflecting the views of the DHCD staff as a whole. However, responses also may reflect the personal experience of the staff member working under a particular manager or within a particular division. As a precaution for instilling confidence of anonymity, the survey purposely did not ask the respondents to reveal their division within DHCD.

Agency and Division Performance. Staff members were split in their rating of the overall performance of DHCD administration. While about one-third of respondents rated performance as *good* or *very good*, 41% viewed overall performance as *poor* or *very poor*.

The overall performance ratings for the individual divisions were more favorable with *poor* or *very poor* ratings reported by less than one-fourth of respondents.

- Only five percent of respondents rated the Financial and Administrative Services Division as having *poor* or *very poor* performance and that division led others in favorable responses with over half of the respondents rating performance as *good* or *very good*.
- The Housing Assistance Division and the Rental Assistance Division also received favorable ratings (respectively rated *good* or *very good* by 39 percent and 37 percent of respondents).
- The Community Planning Division stood out in that one in ten staff members rated performance as *very poor* while only 4 percent rated the division as *very good*.

Community Perceptions of DHCD. Over half of the respondents responded *poor* or *very poor* when asked to rate the general community perception of the Department of Housing and Community Development within Prince George's County while 30 percent responded *good* or *very good*. Nearly half the respondents were *neutral* or responded *don't know* when asked the same question regarding the perception outside the County and over one-third responded *poor* or *very poor*. Overwhelmingly the comments pointed out that the unfavorable perception comes from past poor leadership and the resulting negative media coverage.

Manager Competence and Professionalism. Nearly half of the respondents *disagree* or *strongly disagree* that senior managers are very competent and professional while over one-third *agree* or *strongly agree* that is the case. Program managers/supervisors and line staff in the respondent's program area were viewed more favorably with 55 percent and 57 percent of staff members respectively agreeing or strongly agreeing that those other than senior managers are competent and professional. Favoritism was the most cited comment regarding manager behavior.

DHCD Mission. Responses were somewhat divided concerning whether DHCD has a clear mission guiding its work. While 42 percent *disagree* or *strongly disagree* with this statement, 32 percent *agree* or *strongly agree*. Nearly 60 percent of respondents indicated that they

disagree or *strongly disagree* that there is strong communication from managers to employees with just over one-fourth agreeing or strongly agreeing. Lack of communication was pointed out consistently in the comments as a significant problem within DHCD.

Resources. Staff members varied in their opinions of whether or not they have the tools and resources to do their job. Forty-six percent *disagree* or *strongly disagree* and nearly 30 percent *agree* or *strongly agree*. Lack of equipment, over-sharing of equipment, and excessive caseloads were all mentioned in the comments.

Training. Nearly two-thirds of respondents chose *agree* or *strongly agree* when asked if they have the training they need to do their job with slightly less than one-quarter disagreeing or strongly disagreeing. However, comments throughout the survey identify lack of training as an issue. Respondents generally felt that they personally had the training needed to do their jobs but that DHCD was inadequate in providing training.

Morale. In responding to the question, “The morale in my department is high,” only seven percent chose *agree* or *strongly agree*. The question prompted the most unfavorable response on the survey with 70 percent of respondents choosing *disagree* or *strongly disagree* when asked if morale is high. Comments echoed the strong sentiment that morale needs to be addressed.

Ownership of Job Responsibilities. The majority of the staff members responded *seldom* or *not at all* when asked if DHCD encourages its employees to take ownership of their job responsibilities. More significantly, nearly one-quarter responded *not at all*. About 40 percent of staff members responded *most of the time* or *always*.

Managers and Work Environment. Over two-thirds of staff members responded negatively (*seldom* or *not at all*) when asked if DHCD managers lead by example and create a positive and productive work environment. Comments focusing on lack of leadership generally applied to managers at all levels and not solely to top management. Some unfavorable comments were tied to particular managers while the favorable comments were generalized.

A series of management approach questions on the staff survey were derived and modified from the International Organization for Standards (ISO9004 standards for managing for sustained success of the organization). The ISO is well-recognized in business and increasingly in public administration for their standards that address quality management approaches. The management approach questions asked dealt with leadership, resources, monitoring program performance, and improvement priorities.

Leadership. Forty-two respondents (58 percent) described the leadership approach of DHCD as reactive and based on top-down instructions. Only ten percent described the approach as proactive with high involvement of the relevant DHCD staff in its decision-making. About 30 percent responded *neither of the above* or *don't know*, possibly indicating a lack of understanding of the question or a need for additional choices. Comments under this question included many that indicated leadership has been severely lacking in recent years.

Resource Management. Nearly two-thirds of the respondents indicated that resources are managed ineffectively and inefficiently. Comments focused on poor and outdated equipment and the frequency of running out of supplies. In addition, respondents suggested that some managers do not use their staff efficiently and make staff decisions based on favoritism.

Performance Indicators. About one-third of the respondents chose the response “Performance indicators are lacking for some processes and programs.” About one-fifth indicated the performance indicators are used to monitor all process and programs and another one-fifth chose the response “Performance indicators exist but are not monitored or tracked in a timely manner.” There clearly is a wide range of opinions about performance indicators among staff. Based on comments, performance indicators are in place for many federal programs but may be lacking within some divisions regarding departmental processes.

Designation of Priorities. Forty percent of staff members indicated that improvement priorities are determined based on errors, complaints or narrow and ineffective criteria, followed by 23 percent that indicated improvement priorities are based on needs and expectations of some stakeholders. Only one in ten chose the response “Based on trends and inputs from all stakeholders as well as analysis of social, environmental, and economic changes.” Nearly all the comments focused on decisions being made in reaction to a crisis and poor leadership.

The staff input regarding management approach suggests a low standard that is reactive rather than proactive and lacking in effectiveness and oversight. In addition, the results point to a need for guiding decisions based on strategic planning.

Comments and Open-Ended Questions and Results

Many of the survey participants provided comments in conjunction with the multiple choice questions. In addition, the survey included some open-ended questions (questions without a set of answers from which to choose) to which staff members could respond. The comments and open-ended responses are summarized and paraphrased below (to protect anonymity, individual responses are not provided in this report).

At the end of the multiple choice questions on the online survey, several open-ended questions were asked of staff members. The questions were as follows:

- What do you believe are DHCD’s strengths and the major things that it does very well?
- What are major things that do *not* work well in DHCD?
- List any suggestions for how DHCD could improve its management.
- List any other suggestions for how DHCD can improve.

For the purposes of summarizing results, both staff comments on individual questions and responses to the above open-ended questions were grouped and divided into two main categories: general and specific. The general comments and open-ended responses below

address recurring themes, favorable and unfavorable, expressed by staff regarding DHCD management, organization, and function. The specific comments and responses following the General Comments and Open-ended Responses section highlight ideas for how DCHD may improve.

Favorable Comments. By far the most often expressed favorable comment was related to the overall purpose of DHCD, serving the housing needs of the citizens of the county. Many respondents described a department that serves its citizens well and genuinely cares about its clients. Other favorable themes were:

- Department offers good programs and needed services
- Knowledgeable, tenured line staff employees
- Hardworking employees
- Getting things done despite a less than positive work environment and responding in crisis mode
- Hope associated with new leadership

Unfavorable Comments. The comments and responses to the open-ended questions were largely unfavorable speaking to poor morale as an overriding issue within the department. While there were many broad negative comments, most unfavorable comments were targeted and included:

- Poor communication
 - Management does not listen to staff
 - Lack of communication from management to employees
 - Lack of communication between divisions/ lack of cohesion
 - Need for more teamwork
- Poor leadership at top
 - Politicized
 - Need strong, consistent leadership (stability)
 - Lack of knowledge about housing, policies, regulations, and department programs
 - Failing to take responsibility and to be accountable
 - Reactive when should be proactive
 - Lack of ethics
 - No clear mission
- Management Shortcomings
 - Incompetence, need better management skills
 - Personalities unsuited for leadership roles
 - Need to listen more
 - Need for confidentiality

- Lack of support for staff
 - Need to lead and set clear expectations
 - Need to be held accountable and consistently follow existing policies
 - Crises are the result of not following or circumventing existing county policies
- Favoritism or cronyism
 - Politicized hiring and promotion
 - Managers hired without proper knowledge and training
 - Inconsistent and selective standards regarding employee performance
 - Lack of opportunity for promotion at all levels (experience, education, and overall competence often disregarded)
- Staffing inconsistencies
 - Get rid poor-performing staff and hire more qualified, competent staff
 - Too many managers, not enough staff
 - Some divisions over-staffed, some under-staffed
 - Need to permanently hire, or provide high-performing, limited-term employees with some benefits
 - Improperly placed staff / under-utilized people
 - Need for consistent and fair human resource policies including standard and regular performance evaluations
 - No incentive or rewards for those working the hardest
- Not treating employees as professionals
 - Stop micro-managing
 - Managers should ask for employee input before decisions are made
 - Need for working hours flexibility and/or telecommuting
 - Need for additional/adequate training
- Other areas that need improvement
 - Productivity is hurt by lack of funding to replace antiquated and insufficient equipment (including technology resources)
 - Efficiency is impacted by review processes that take too long working through the chain of command
 - Supplies run out and critical equipment delayed due to a procurement process that needs to be streamlined
 - The culture promotes not working together, encourages gossip, and tolerates inappropriate behavior
 - A reactive management system that breeds crises
 - County/DHCD relations in need of improvement

In addition to the comments and open-ended responses that could be generalized, staff members provided some notable specifics for addressing improvement needs within the department (some of these specific comments echo the generalized comments).

- Strategic Housing Policy
 - Ensure that for HUD programs, HUD policies take priority over County policies
 - Combine ineffective divisions with divisions that are performing well

- Administration, Management and Leadership
 - Set deadlines for projects and hold individuals accountable for meeting those deadlines
 - Consider rotating management
 - Conduct a thorough review of job descriptions to ensure lower-level staff are doing the work associated with their position and know what they are supposed to be doing

- Program Operations and Internal Procedures
 - Set up a system for checks and balances to eliminate the possibility of fraud
 - Implement aggressive accounts receivable collection methods
 - Embrace technology and reduce use of paper

- External Partnerships, Communication and Transparency
 - Designate a person who knows HUD regulations, etc. that can disseminate information and make sure all staff are correctly interpreting and following the rules
 - Work to improve relationships with peer organizations in the County
 - Market DHCD in a positive light to the community, as public only hears the negative

Interviews with Managers

To supplement the online survey, informal individual interviews were conducted with selected senior and middle management staff. The interview format was open-ended: interviewees were simply asked to comment on positive characteristics of DHCD and on issues that needed to be addressed in order to improve DHCD performance. The interviews were not recorded, and no notes were taken. Similar comments received from more than one interviewee are indicated with an asterisk (*).

Positive Leadership and Management Characteristics of DHCD

- With new leadership this year, communication and coordination have improved.*
- The Housing Authority inventory is very old but is being reasonably well maintained, considering its age.
- Staff was reorganized after loss of HOME funds due to timeliness problems—the system is working now.
- The DHCD web site was recently improved and is much better than it had been.
- DHCD has been successful in administering NSP funds.
- No major union problems—negotiations aren't extremely difficult.

Past Problems and Current Needs for Improvement

Managers provided many insights regarding past problems and the need for improvement. Below is a summary of comments.

- Strategic Housing Policy
 - No sense of mission/strategic planning. What does DHCD stand for and how does it fit into a plan for the county?*
 - Programs not assessed for performance, relevance. Single-family rehab program funded with \$1 million in administrative costs, but completed an average of only ten loans a year.*
 - Prince George's County has high foreclosure rate—so why isn't DHCD making that issue more of a priority?*
 - Excessive fees from the departments of Transportation, Water, and Parks & Planning discourage business development and expansion and create a disincentive to do business in the county.

- Administration, Management and Leadership
 - Lack of coordination between staffs and between divisions is a problem. An operations manager is needed to make sure everyone is given direction and is working together.*
 - DHCD has been a “graveyard” to which county officials have assigned politically connected people.*
 - Some veteran employees have experience, but may lack initiative.*
 - Limited potential for staff recognition/advancement.*
 - Lack of DHCD Director engagement in CPD-related activities had been a problem in past years, especially lack of engagement with Council regarding CPD proposals.
 - Funding isn’t available to pay for a single person to handle issues such as fair housing review and environmental review.
 - Not all managers are cooperative.
 - In prior years, DHCD staff members were assigned to staff some Redevelopment Authority functions while also retaining some DHCD-related responsibilities, making it difficult to sustain focused attention on Redevelopment Authority activities when needed. Staff transfers between Redevelopment Authority and DHCD made Redevelopment Authority management difficult. Any DHCD staff assigned to Redevelopment Authority should not also be tasked with DHCD responsibilities.

- Program Operations and Procedures (Internal)
 - Nonprofit groups funded through DHCD not selected through competitive process.*
 - Training on workplace and business practices is needed.*
 - Physical separation between DHCD and county administrative offices is a problem.
 - Inflexibility about work-hour rules was a problem under DHCD Executive Director Johnson.
 - The Office of Finance has slowed down the proposal review and approval process. Delays include raising legal issues regarding proposals that the Office of Law has already reviewed and approved for processing.

- External Communications, Partnerships, and Transparency
 - At the time when the Five-Year Consolidated Plan was due, DHCD didn’t have the resources needed to organize a good plan and propose constructive changes, such as changes in sub-recipient relationships.
 - DHCD staff needs training—not on regulatory issues, but on workplace procedures and communication/coordination to improve performance. Cross-training is needed as well.

Current Organizational Challenges — and Some Proposals for Addressing Them

Interviews with managers resulted in identification of some organizational challenges faced by DHCD. Below are a summary of challenges and proposals for addressing them.

- *One view of ARC:* The ARC process had worked effectively years ago and shouldn't be eliminated now; transition to a new process could be disruptive, creating new problems. Communication among participants in the ARC process is the key to effective operation.
- *Another view of ARC:* Staff with ARC-related responsibilities should all be employed by DHCD. Among other benefits, this approach would enable a DHCD staff person to complete drawdowns on the HUD letter of credit (slow follow-through on the part of the Office of Finance in drawing down on the letter of credit has been an ongoing problem).
- Questions about agency roles and activities should be considered in light of reduced government funding. Example: Should the Housing Authority move toward an exclusive focus on administering vouchers?
- The Redevelopment Authority has the capacity to manage surplus properties owned by the Housing Authority.
- Foreclosure is at a high level, but the quality and/or sufficiency of DHCD-funded housing counseling services have not been evaluated.
- DHCD has a large number of sub-recipients relative to the low level of funding available.
- Organizing the funding of sub-recipients by issue area (e.g., Economic Development, Facilities) would be a good idea.
- The Housing Authority should review its list of surplus properties to assess marketability; this review might lead to advertisement, conveyance, and a reduction of maintenance costs and insurance expense.
- The Housing Authority needs access to unrestricted funds in order to pay for expenditures that require cash up front. Funding might be obtained through the sale of surplus properties. The possibility of a state bond issue is being explored—but the bond financing would cost money.
- New Market Tax Credits could be used to help finance development of RA-owned parcels.

Short-Term Goals of New DHCD Administration

Because the staff interviews were conducted shortly after the appointment of then-Interim DHCD Executive Director Eric C. Brown, most of the interviewee comments refer to issues that are not associated with Mr. Brown's leadership of the agency (Mr. Brown's permanent appointment was approved by County Council on July 12, 2011). In order to supplement these staff comments with a forward-looking view from DHCD leadership, the project team asked Mr. Brown to provide a brief summary statement for inclusion in this report. He responded with the following summary of short-term goals for FY 2012.

SHORT TERM GOALS FOR FY 2012

Eric C. Brown

Director, DHCD

Executive Director, Prince George's County Housing Authority

Executive Director, Redevelopment Authority

Implement at least one (1) model program aimed at reducing the foreclosure rate in the county.

Develop and implement a training curriculum that will improve the capacity of CHDOs (Community Housing Development Organizations) to be competent housing developers

Review and appropriately revise the Department's policies and procedures for the production of affordable rental and for sale housing

Review and appropriately revise the Community Development Block Grant (CDBG) and HOME Investment Partnership programs guidelines, applications and procedures.

Meet all the Department's funding commitment targets

Improve the Department's relationship with key stakeholder such as U.S. Department of Housing and Urban Development, Maryland Department of Housing and Community Development, developers, and community-based organizations.

Provide down payment assistance for at least 25 homes in the Suitland area.

Substantially increase the Department's capacity to review and analyze development deals.

Improve the Department's use of technology and social media to communicate with the public and deliver services.

Work with the Office of Management and Budget and the Office of Human Resources Management to fill critical vacant positions and restructure the Department as necessary.

Achieve a standard performer status for the Housing Authority's Public Housing Program.

Maintain the High Performer status for the Housing Authority's Housing Choice Voucher Program.

Review and analyze the Housing Authority, Redevelopment Authority and Community Development's financing tools for Housing development, retail and commercial development.

Along with other commentary on an initial draft of this report that was circulated during August, 2011, Mr. Brown submitted the following additional information.

In addition to the short terms goals, the new DHCD team has

- Created venues that foster improved internal and external communication.
- Increased communication and coordination with other County agencies as well as state and federal agencies.
- Encouraged training and staff development.
- Encouraged teamwork and cross training of staff.
- Created a list of departmental priorities that include among other things foreclosure prevention and mitigation, leveraging departmental resources to the greatest extent feasible, redevelopment of Suitland Manor, and restoring the department's credibility.

External Stakeholder Meetings

The Virginia Tech team held two meetings with community stakeholders and local governments that interact with the Department of Housing and Community Development to obtain their views about DHCD performance. Representatives of a Prince George's County coalition group known as Real Estate Professionals for Change were interviewed on May 24, 2011. Virginia Tech also organized a roundtable discussion on June 15, 2011 in which representatives from a small sample of non-profit organizations and municipalities were invited to share their views on DHCD.

These two meetings with external stakeholders reaffirmed many of the comments and insights provided by the management interviews and staff survey, especially as related to program operations and the management of DHCD's federal portfolio. Members of both these external groups emphasized the need for DHCD to develop a strategic policy that integrates housing, community/economic development and land use planning (such as transit oriented development). They expressed the view that Housing and Community Development should play a stronger role in long range land use and economic development planning for the county and that DHCD could be a stronger advocate for pilot testing creative housing strategies such as inclusionary zoning and mixed-use transit oriented development that many of its neighboring jurisdictions have been implementing for decades. While other County departments/agencies have the lead responsibility for economic development and land use planning, DHCD could play a pivotal role by ensuring that long term plans and highly visible development projects have a cohesive housing and community development focus.

The following are summaries from those two meetings.

Roundtable of Nonprofits and Municipality Stakeholders—Insights and Major Themes

Nonprofits and local municipality stakeholders were invited to participate in a roundtable discussion moderated by the Virginia Tech team. Participants were selected on the recommendation of and in consultation with the Prince George's County Audits & Investigations team where the overriding focus was to have a group with experience in various programmatic areas and established interaction as DHCD sub-grantees. While not all identified were able to participate, those absent were given the opportunity to speak separately via phone. The objective of the roundtable was to understand their perspectives, discuss positive and negative experiences, and find ways DHCD and the County's housing, as a whole, can improve. Overarching findings from the roundtable focused on DHCD Staff and Leadership, Business Processes, Policy Issues and Recommendations, HUD Funds, and Inter-County Relationship and Coordination.

Here is an overview of issues brought forward and some suggested fixes.

Issues:

- Poor leadership
- Staff not always qualified
- Staff need training opportunities
- Lack of transparency in the funding review process
- Bottlenecks where the process is delayed

Fixes:

- Need for long-term housing policy
- Focus on improving and diversifying funding resources streams to maximize limited amount of funding
- Improve review processes
- Provide capacity-building training
- Institute a Housing Affordability Plan
- Prepare and follow a strategic plan
- Increase public/private partnerships
- Improve inter-county relationships

A detailed summary of comments may be found under **Roundtable of Nonprofits and Municipality Stakeholders – Supplemental Meeting Notes** in the Exhibits.

Prince George’s Real Estate Professionals for Change, LLC

The Virginia Tech team met with the Real Estate Professionals for Change, LLC to hear their views on DHCD. The Real Estate Professionals for Change group includes realtors, brokers, and development professionals and has a mission/goal to provide education about real estate policy and practices and to advocate for reforms.

Real Estate Professionals for Change has had a long-term interest in DHCD and the following is an overview their opinions regarding the department.

Need for systematic change:

- DHCD needs to be run more like a business in terms of handling financing, deal structuring, transparency, communication, efficiency, maximizing the use of funds, and media coverage
- DCHD managers and division heads often lack the necessary expertise or knowledge
- DHCD does not have the ability to get the job done
- Need for better staff performance and/or performance evaluations
- Staff lack knowledge of the real estate market and related development cycles
- Poor development process, including lack of transparency, and ability to make business deals.
- Very little compliance or teeth in existing policies, such as enforcing Minority Business Enterprise requirements
- Does not understand fundamental management principles including the value and importance of auditing and evaluating processes
- Poor web site in comparison to other municipalities (DC and Montgomery County)

Additional information from the meeting with the Real Estate Professionals for Change, including a summary of their detailed notes about some systematic issues affecting DHCD, may be found under **Real Estate Professionals for Change – Supplemental Meeting Notes** in the Exhibits.

Comparative Analysis

The project team consulted with the internal project advisory group (PAG), the DHCD acting director and HUD for advice on identifying comparable agencies to DHCD. There was no clear identification of comparable agencies and the potential list of comparable agencies varies depending on whether the similarity is based on functions, location type, or size. Few agencies have the same functional mix as DHCD, particularly in regard to public housing and redevelopment functions, which are often organizational separate from community development and other (non-PHA) housing functions. As a result, comparisons are made to a variety of agencies depending on the purpose.

Benchmarking with other Housing Agencies and Programs

Our statistical approach to identifying comparable agencies was based on urban counties receiving HUD entitlement funds (CDBG, HOME, ESG and HOPWA), excluding merged city-county metropolitan governments and multi-county consortia. Based on FY10 HUD allocations, there were 178 urban counties receiving HUD funding as entitlement communities. All of the 178 received CDBG funds, ranging from \$332,000 (Multnomah County, OR) to \$32.2 million (Los Angeles County, CA), but only 153 received HOME funds, ranging from \$355,000 (Shelby County, TN) to \$13.7 million (Los Angeles County). The average CDBG funding was \$3.3 million, while the average HOME funding was \$1.5 million (or \$1.7 million for those receiving HOME funds). Only 102 counties received ESG funds, averaging \$189,000, and only one county was listed as receiving HOPWA funds. Prince George's County received \$6.5 million in CDBG funds, \$3.1 million in HOME funds, and \$266,000 in ESG funds.

CDBG, HOME and ESG funds were summed for each county to establish a single measure of HUD entitlement funding. Prince George's County received a total of \$9.9 million, making it the 16th largest urban county recipient in the country. The average for all 158 counties was \$4.9 million, ranging from \$332,000 to \$47.2 million. Los Angeles County receives nearly twice that of Dade County, FL, the second largest recipient. The group of urban county recipients is skewed by a few very small recipients (9 counties receive under \$1 million) and a few very large recipients (4 counties receive more than \$20 million).

Closest in HUD entitlement funding to Prince George's County, 25 counties received between \$7 million and \$13 million in CDBG, HOME and ESG funds (see table below). This group includes three other counties in the Washington-Baltimore Consolidated Statistical Area: Baltimore and Montgomery Counties in Maryland, and Fairfax County, Virginia.

Table 14.
Counties Closest in HUD Entitlement Funding to Prince George’s County

COUNTY	STA	CDBG10	HOME10	ESG10	TOTAL	US Rank
CONTRA COSTA	CA	\$3,736,986	\$3,220,509	\$151,604	\$7,109,099	32
BALTIMORE	MD	\$4,499,463	\$2,652,980	\$183,708	\$7,336,151	31
UNION	NJ	\$5,846,679	\$1,508,634	\$235,253	\$7,590,566	30
CUYAHOGA	OH	\$4,441,134	\$3,011,402	\$173,749	\$7,626,285	29
MONTGOMERY	MD	\$5,562,912	\$2,491,884	\$224,839	\$8,279,635	28
KERN	CA	\$5,728,036	\$2,341,277	\$222,117	\$8,291,430	27
WESTCHESTER	NY	\$6,412,512	\$1,867,024	\$261,098	\$8,540,634	26
HUDSON	NJ	\$4,083,473	\$4,311,069	\$165,103	\$8,559,645	25
ESSEX	NJ	\$6,810,141	\$1,727,184	\$273,568	\$8,810,893	24
BROWARD	FL	\$3,965,494	\$4,690,122	\$161,578	\$8,817,194	23
FAIRFAX	VA	\$6,463,133	\$2,692,612	\$262,768	\$9,418,513	22
HILLSBOROUGH	FL	\$6,482,652	\$2,675,216	\$263,750	\$9,421,618	21
DE KALB	GA	\$6,221,085	\$3,008,826	\$253,010	\$9,482,921	20
KING	WA	\$4,878,118	\$4,421,018	\$198,093	\$9,497,229	19
SAN DIEGO	CA	\$5,076,476	\$4,252,789	\$206,669	\$9,535,934	18
ORANGE	FL	\$6,658,594	\$2,808,710	\$270,749	\$9,738,053	17
PRINCE GEORGE’S	MD	\$6,525,969	\$3,104,366	\$266,306	\$9,896,641	16
SACRAMENTO	CA	\$6,299,492	\$3,498,265	\$256,249	\$10,054,006	15
WAYNE	MI	\$6,614,451	\$3,426,847	\$257,588	\$10,298,886	14
ST LOUIS	MO	\$5,997,250	\$4,153,691	\$234,980	\$10,385,921	13
PALM BEACH	FL	\$7,351,246	\$2,777,679	\$299,384	\$10,428,309	12
CLARK	NV	\$6,928,436	\$3,670,250	\$279,951	\$10,878,637	11
SAN BERNARDINO	CA	\$7,728,583	\$4,055,005	\$314,157	\$12,097,745	10
HIDALGO	TX	\$9,139,948	\$2,973,382	\$370,738	\$12,484,068	9
RIVERSIDE	CA	\$9,621,208	\$3,265,475	\$390,003	\$13,276,686	8

Source: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/budget

Although roughly comparable in size of HUD entitlement funding and the criteria used for funding (population, poverty, overcrowding, pre-1940 housing, and population growth rate below the national average for entitlement areas), these 25 counties represent a wide diversity in organizations and local market characteristics.

To gauge the operating efficiency of Prince George’s County DHCD relative to other urban counties, a ratio of employees to funding level was calculated. The number of employees in housing and community development is reported by the U.S. Census Bureau through its

annual survey of Government Employment & Payroll. The number of full-time equivalent employees in housing and community development was identified for all urban counties receiving HUD entitlement funding. Counties reporting from zero to 9 employees in Housing and Community Development were eliminated. In addition, the four largest urban counties (Nassau County, NY; Allegheny County, PA; Miami-Dade County, FL; and Los Angeles County, CA) were dropped from the analysis. This reduced the analysis to 89 counties.

The number of Housing and Community Development FTE employees per \$1,000 of HUD entitlement funding was calculated to estimate the agency's efficiency in administering its programs. The average efficiency measure was 0.0140 with a standard deviation of 0.0154. Although lower values could indicate higher efficiency in administering funds, it could also indicate a broader base of funding (including non-entitlement HUD and other federal funds, as well as state and local funds) and duties. Agencies operating primarily to pass through HUD funding to other local governments and non-governmental agencies could also achieve low ratios.

The ratio of Housing and Community Development employees per \$1,000 of HUD entitlement funding for Prince George's County was 0.0108, below the average (0.0140) for the group of 89 urban counties measured. This suggests that the Prince George's County DHCD is not overstaffed relative to its level of HUD entitlement funding. It needs to be stressed that this is a very broad measure and the number of total employees reported in the Survey of Government Employment for housing and community development includes those administering non-entitlement programs such as public housing.

This analysis illustrates the difficulty in establishing truly comparable measures across agencies. The two counties numerically next to Prince George's County in HUD entitlement funding illustrate the difficulty. Sacramento County, CA and Orange County, FL have virtually the same level of HUD entitlement funding as Prince George's County. However, Sacramento County has 297 Housing and Community Development employees (for an efficiency ratio of 0.0295) and Orange County has only 25⁴ (giving it one of the best efficiency ratios).

The California urban counties tend to be much larger agencies relative to their HUD entitlement funding, but not uniformly so. For example, San Diego County has about a third of the employees of Sacramento County, but fairly similar HUD entitlement funding. And San Bernardino County has \$2 million more in funding but reported only 36 employees.

We contacted several of the urban counties with comparable entitlement funding but significantly smaller staffing levels to help identify any potential strategies for achieving greater efficiency. This revealed either inaccuracy in the employment count or an orientation to passing through the county's entitlement funds to sub-grantees. For example, Wayne County, MI was reported to be focusing much of its funding on Detroit, particularly to

⁴ The Survey of Government Employment count excluded 16 positions in the public housing programs. Even including these positions, Orange County remains one of the most efficient HCD operations in the country.

facilitate demolitions of excess housing inventory. The county apparently reduced its direct involvement in housing and community development and staff size has consequently shrunk.

Case Studies

Orange County, Florida

Orange County, FL (Orlando is the county seat and receives its own HUD entitlement funds) provides an example of a very streamlined operation with only 47 positions⁵ in the Orange County Housing and Community Development Division (16 of these are in the Housing Choice Voucher and Tenant Based Rental Assistance programs). Central Florida was one of the nation's fastest growing housing markets during the housing boom but has been severely impacted by foreclosures and high vacancies since.

Despite its small staffing level, the OCHCDD operates a full suite of housing programs, including CDBG and HOME programs, ESG, HOPWA, the Neighborhood Stabilization Program, rental assistance, down payment assistance, home buyer's education, foreclosure prevention, an impact fee incentive program for affordable housing, owner-occupied housing rehabilitation and minor repair programs, weatherization program, and a multi-family construction program (with funds from the State Housing Initiative Partnership). Orange County does not own or manage any public housing units, although there are housing authorities in the cities of Orlando and Winter Park. The Division is expected to be 'self-supporting' and receives very little General Revenue funds from the County.

A better comparison between OCHCDD and Prince George's County in the efficiency of operating entitlement programs requires excluding Housing Authority and Redevelopment Authority employees. Most of the DHCD positions in Prince George's County are with the Housing Authority (83 of the 145 positions in the FY2011 budget) and there are 12 positions in the Redevelopment Authority. Adjusting for these, DHCD has 50 positions devoted to overall administration and HUD entitlement programs under Community Planning and Development, which is twice the number of staff in OCHCDD performing roughly the same functions.

The OCHCDD's 2011-2016 Draft Consolidated Plan identifies three goals for the division:

Goal #1: Work in collaboration with local governments, other County departments, nonprofit organizations and housing industry partners to stabilize low to moderate income communities through redevelopment and affordable housing initiatives.

Goal #2: Utilize capital projects, affordable housing and public services as a platform to improve the quality of life of low to moderate income residents.

Goal #3: Expanding Orange County's economy through capital improvements and affordable housing activities.

⁵ The Division director reported between 20 and 25 employees, excluding HCV and TBRA.

The Division relies extensively on other county departments and external partners. Its staff focuses on planning, grant management, and fiscal management. OCHCDD utilizes a Request for Applications (RFP) process for making funding recommendations under the CDBG and ESG programs. HCDD staff review proposals by eligible nonprofit organizations and make recommendations for funding to the Community Development Advisory Board.

One of partner agencies of the Orange County Housing and Community Development Division is the Orange County Housing Finance Authority (OCHFA), “a public benefit, quasi-governmental organization whose mission is to promote and provide financial resources for affordable and workforce housing for Central Florida families and individuals.” The OCHFA issues mortgage revenue bonds to finance affordable housing development and home purchases in four central Florida counties.

San Bernardino County, CA

Although little additional insight was gained about efficiency and staffing levels, several of these communities provide possible examples for organizing and communicating the housing and community development function within a broader, better integrated strategic focus. San Bernardino County organizes the HCD functions (with 36 employees) within its Economic Development Agency (<http://www.sbcountyadvantage.com/>). Its purpose statement is aggressively oriented to growth:

The Economic Development Agency includes Economic Development, Redevelopment, Workforce Development, and Housing and Community Development. Each plays an important role in ensuring the County of San Bernardino is well positioned to support expected resident and business growth.

Working together, they provide vital resources for residents and businesses, create a solid platform for investment, and ensure an inviting environment for Corporate America when considering a location for their operations and workforce.

The Economic Development Agency strives to compete globally for investment and position the County to attract and retain business by:

- *Creating a stable and predictable governance system*
- *Providing infrastructure for a global gateway of goods movement*
- *Developing a highly educated and trained workforce*
- *Utilizing redevelopment as a catalyst for growth*
- *Building a complete community of jobs, housing, recreation, and amenities*

The Economic Development Agency’s website clearly reinforces its areas of emphasis: site selection, live & play here, redevelopment, business services, housing resources, and search for jobs. The Housing and Community Development division operates many of the same programs, including NSP, as Prince George’s County DHCD. There is also a separate

Housing Authority (<http://www.hacsb.com/>) with an inventory of over 10,000 units owned or managed.

Baltimore County, MD

Within the metropolitan region, Baltimore County, MD, Montgomery County, MD, and Fairfax County, VA are agencies of comparable HUD entitlement funding, with \$7.3 million in Baltimore County, \$8.3 million in Montgomery County, and \$9.4 million in Fairfax County. Baltimore County is slightly smaller in population than Prince George's County, while Montgomery and Fairfax are somewhat larger. Montgomery and Fairfax have higher median incomes, higher percentages of bachelor's degree or higher education, higher percentages of foreign born, and higher median house values. Among persons reporting one race, Prince George's County has a majority population identified as African American or black, whereas the majority populations in the other three counties are identified as white.

Baltimore County's HCD function was reorganized under the County's Office of Planning in 2011 as part of an effort to increase local government efficiency. Current staffing level is 33, below half the level (76) reported in the 2009 Survey of Government Employment data. The fundamental mission of the Office of Planning is "to strengthen, enhance and stabilize the county's older, established communities" which are designated as priority funding areas (mostly between the I-695 beltway and the City of Baltimore). In response to the foreclosure crisis, the County has increased the maximum Settlement Expense Loan and initiated a Mortgage Assistance Loan Program. As the county has a relatively high percentage of persons 65 and older (14.4%), it has emphasized improvements to the older housing stock through its Single Family Rehabilitation Loan and Emergency Repair Grant programs. The Housing Choice Voucher program is operated by the County's Department of Social Services.

Montgomery County, MD

Montgomery County, MD had \$8.3 million in HUD entitlement funding and reported 84 employees in housing and community development in the Census survey. Montgomery County's Department of Housing and Community Affairs has a long standing reputation as a national leader in affordable housing policy and programs. The County, which has one of the most expensive housing stocks in the country, has integrated land use and zoning policy with its affordable housing objectives. The County's Moderately Priced Dwelling Unit Program (MPDU) is recognized as the country's largest local affordable housing program. Initiated in 1974, the County's MPH Law requires between 12.5% and 15% of housing units in new subdivisions of 20 or more units to be MPDUs. The MPH Law also requires that 40% of the MPDUs be offered to the Montgomery County Housing Opportunities Commission (HOC) and other non-profit housing agencies for use by low and moderate income families.

More recently, Montgomery County has implemented a Workforce Housing (WFH) Program. The Workforce Housing policy required a minimum of 10% workforce housing units (set at 120% of AMI) in developments of 35 or more units near Metro stations. Initially adopted as a requirement, the program was made voluntary in 2010 in response to the downturn in the housing market and low level of use. The Village at King Farm provides the County's first Workforce Housing Units, with condominium units affordable to incomes between 71% and 120% of the AMI (\$48,500 and \$128,500).

Cuyahoga County, Ohio

Cuyahoga County received \$7.6 million in HUD entitlement funding and reported 31 employees in housing and community development in the Census survey. Like Prince George's County, Cuyahoga County has been severely affected by the foreclosure crisis and the recession. The County's Department of Development integrates all of the county's programs addressing development (other than land use planning): Community Development, Housing, Brownfield Redevelopment, Economic Development, Energy Task Force and Sustainability, and the County Airport. The Department's mission statement is "to undertake and support initiatives that sustain the quality of our communities, provide open and affordable housing choices, expand and retain employment opportunities, help assure the lasting viability of local businesses and strengthen the tax base one project and one parcel at a time." Its annual report is entitled *Growing— Ideas, Businesses & Communities* and emphasizes "collaboration, innovation, public-private partnerships, effective administration and positive results." The report provides an effective communication of accomplishments in projects completed, people served and jobs created.

Performance and Innovation Management Models

The project team conducted an extensive search for models of management reviews explicitly applicable to DHCD. The review included key word searches of literature databases and internet sources; professional associations in housing and community development; reviews of pertinent research literature; and consultation with the Virginia Tech Center for Public Administration and Policy.

Searches of ICMA, NAHRO, and PHADA failed to identify any performance measurement and management models applicable to DHCD. Literature searches using several databases identified a few applicable models which are reviewed under **Identified Performance and Innovation Management Models** in the Exhibits.

DHCD can copy available models and practices to improve its management. To do so, it has to engage its staff and stakeholders in identifying the core values and mission that need to be preserved, establish clear goals and objectives that are diffused throughout the organization, measure and monitor performance, and create transparent and open communication. The best management model is an inherently goal driven process targeted to external validation of success. It incorporates performance management and continuous improvement to respond to customer and stakeholder requirements and to increase customer and stakeholder satisfaction. It both "drills-down" and "rolls-up"—strategic goals and objectives are established through a highly participatory process that establishes direction from top to bottom of the organization, and provides standards for all aspects of operational and organizational performance (the drill down). Performance and goal attainment measures are then rolled up and monitored at each successively higher level of the organization.

It additionally balances continuity of core values and purpose with the need to change organizational culture, operating practices, and specific goals and strategies. Overemphasizing change can be disruptive and threatening, and counterproductive. DHCD leaders, including staff and stakeholders, have to crystalize its core values and purpose to

preserve, while forcefully changing its culture, goals, strategies and practices to achieve greater external validation of performance.

A strong management model should establish and reinforce processes for selecting and implementing new approaches and improvements to established practices. The larger challenge is developing an organizational culture that supports creative problem solving in response to the serious challenges facing DHCD and, more broadly, Prince George's County. DHCD should progressively develop an organizational culture that focuses on outcomes, makes strategic commitments, adapts to changing circumstances, provides incentives to promote change, has the capacity to detect and correct errors, and promotes clear accountability and responsibility for decisions. This is a culture that requires transparency, openness to new ideas from internal and external sources, a willingness to take risks, personal responsibility for performance, and clear orientation to achieving goals.

Planning for the Future

Despite the challenges, the timing seems ripe for transforming DHCD into a high performing organization. With new county government leadership committed to change, this report offers a framework for evaluating the present with an eye towards the future. The following section attempts to synthesize the extensive data and analysis provided throughout this report. Since our work is a strategic program/policy assessment and not a detailed management audit, we adapted a classic strategic planning tool—a *SWOT Analysis*—for evaluating DHCD’s *Strengths, Weaknesses, Opportunities and Threats* in four major areas that seem to reoccur throughout this report:

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

The matrices below highlight several of the major issues and themes that cut across this entire project.

SWOT Analysis

Strategic planning can play a critical role in helping organizations address complex management (internal) and policy (external) problems. A strategic plan provides a roadmap for achieving a vision that often demands wise decision-making and strong leadership. Strategic plans typically set broad goals with more specific objectives along with different action plans that target resources, staff, and programs to specific activities or places consistent with the organization’s overall vision and mission. Strategic planning and action planning are more successful when strong leadership commits the appropriate time and resources.⁶

One of the first steps in developing a strategic plan and action plan is the evaluation of internal capacity and external dynamics. A common method for completing this assessment is to perform a *SWOT Analysis* that evaluates an organization’s *Strengths, Weaknesses, Opportunities, and Threats*. Strengths and weaknesses assess *internal capacity*, such as the organizational process or the fiscal constraints of the environment within which the organization is working; organizations typically have the most control over these internal challenges. Resources, process, and performance measures are useful for evaluating and addressing strengths and weaknesses.⁷

External dynamics, the source of *opportunities and threats*, are often the most influential but an organization may have little control over them. While threats are more likely to receive attention because of their perceived interference, it is equally important to recognize and

⁶ Herman, Robert D. and Associates, *The Jossey-Bass Handbook of Nonprofit Leadership and Management* (San Francisco: Jossey-Bass Publishers, 1994) 154-163.

⁷ Ibid.

capitalize on opportunities. To complete its *SWOT Analysis*, the Virginia Tech study team considered the following questions about Prince George’s housing programs and policies.⁸

Table 15.
SWOT Analysis Questions

Strengths	Weaknesses
<p>What are your advantages?</p> <p>What do you do well?</p>	<p>What can you improve?</p> <p>What is done poorly?</p> <p>What areas are not covered?</p>
Opportunities	Threats
<p>What are the opportunities you are facing?</p> <p>What are the opportunities you might choose to pursue?</p> <p>What trends can you take advantage of?</p>	<p>What obstacles do you face?</p> <p>Are the requirements needed to address issues changing?</p> <p>What is holding you back?</p>

Source: SWOT Analysis, The Quality Portal

⁸ The Quality Portal. “SWOT Analysis” in *Glossary of Quality Terms:: S:: The Quality Portal*, <http://thequalityportal.com/glossary/s.htm>.

Strategic Housing Policy and Interagency Coordination

Strengths	Weaknesses
<p>The county is better positioned for economic recovery than other U.S. regions given outlook for jobs and business growth.</p> <p>Compared with its neighboring jurisdictions (WDC and Montgomery), Prince George’s County housing prices are comparative affordable and the County has substantially more undeveloped land (greenspace).</p>	<p>The agency is not guided by an overall strategy; it administers programs and commits resources reactively rather than proactively.</p> <p>The agency is not actively involved with county wide economic development and land use planning/smart growth initiatives</p>
Opportunities	Threats
<p>Opportunity for making real changes by expanding DHCD’s housing policy and program tool kit in light of the new county executive and the new DHCD director—the best opportunity for real change in decades.</p> <p>Opportunities to “build from strength” based on the competitive advantages of the metropolitan area (available land and affordable housing) and to subsequently generate significant return on investment are likely to emerge during the coming years.</p> <p>County seems ripe for mixed used, walkable neighborhoods that could promote/produce mixed income, affordable housing</p>	<p>The county has experienced record high levels of foreclosure activity.</p> <p>Housing market recovery—both nationally and in much of the region—will be slow.</p> <p>Obtaining credit and leveraging private financing will continue to be difficult.</p> <p>Federal and state funding will be in short supply for the foreseeable future. Securing major funding awards for large-scale ventures will be continue to be limited. Federal budget priorities and contractions likely will require difficult choices in administering federal housing programs.</p> <p>Will the residents/community groups as well as the development community embrace smart growth, mixed use development projects?</p>

Administration and Management

Strengths	Weaknesses
<p>Consolidated organizational structure, with the major housing and redevelopment functions under one agency, is well suited to coordinated implementation toward strategic housing and community development objectives</p> <p>Some staff members, at both the senior and middle management levels, are capable and committed.</p>	<p>Executive leadership has been poor during much of the past decade.</p> <p>When the ARC process was originally instituted, the process facilitated financial transactions; now it may slow them down.</p> <p>Sub-recipient evaluation, selection, and funding are not consistently based on specific performance criteria linked to Consolidated Plan objectives.</p> <p>Communication between some managers and their staffs is poor, and there are some significant manager-staff conflicts.</p> <p>DHCD is not engaged in nonprofit training and capacity building.</p>
Opportunities	Threats
<p>The new DHCD Executive Director has appropriately focused on organizational development and has shown responsiveness to staff concerns.</p>	<p>Adaptation to a new economic environment is a major organizational challenge for government agencies.</p> <p>The agency has been subject to undue political influence, in terms of both staff appointments and funding decisions.</p>

DHCD Program Operations

Strengths	Weaknesses
<p>The agency performed successfully in administering recovery act funds.</p>	<p>Increased reliance on hiring of temporary workers has reduced DHCD's level of professionalism.</p> <p>Overall DHCD is not properly equipped with the latest technology and could improve its allocation of resources, workload, and performance with better technology.</p> <p>Some of the program workload is distributed unevenly, overburdening some staff.</p> <p>The process for paying invoices is difficult to coordinate and subject to delays and could benefit from improved technology.</p>
Opportunities	Threats
<p>A consultant has developed a policy and procedures manual for the CPD division and HUD has expressed satisfaction with the contents of the manual.</p>	<p>Will CPD get sufficient support to make necessary staffing changes?</p>

Community Engagement, Partnership, and Transparency

Strengths	Weaknesses
	<p>Long standing frustrations with the operations (the way they do business) within DHCD and an overall lack of confidence that anyone can change the ways things have been done for many years</p> <p>General lack of transparency in how resources are allocated and decisions made behind closed doors with little opportunity for the community to share thoughts and opinions—community groups often feel they have to go directly to the County Council and by-pass DHCD leadership and sometimes the County Executive.</p> <p>DHCD does not present a welcoming environment for consumers and external stakeholders seeking information or services.</p>
Opportunities	Threats
<p>Changes with new County Executive seem promising and community organizations have noticed subtle and slight improvements with DHCD, but</p> <p>Local academic institutions and nonprofits have sponsored training sessions for DHCD staff on a regular basis.</p>	<p>Community groups and organizations still leery of County Executive’s interests in making affordable housing a top priority and also concerned whether new DHCD Director can effectively manage a large office with a national portfolio of housing issues going through tremendous change when compared to his previous position.</p>

Choices for DHCD and Prince George's County

Improvement Versus Impact

It is important to distinguish between improvement and impact. The Department of Housing and Community Development is already demonstrating the capacity to administer public funds and operate government programs in a capable and professional manner. Neither a structural overhaul nor a comprehensive re-staffing of DHCD is needed in order to address outstanding issues such as the need for timely disbursements of HOME funds to CHDOs or the desirability of improved interagency communication and coordination between DHCD and other county agencies. With capable leadership and management, DHCD operations and programming can continue to improve, as they already have under the current administration.

The more critical issue facing DHCD and Prince George's County is one of impact and the question of whether DHCD can develop the capability to contribute in a more significant way to the economic vitality and social well-being of Prince George's County and its communities during the coming years. Generating significant economic and social impacts is different from simply operating a series of programs in a professional manner, although the former is dependent in part upon the latter. With its consolidated multi-agency structure and its existing pool of managerial talent, DHCD is in a better position than its counterparts in many other counties to organize and implement strategic investment policies that produce both economic development and human capital development benefits to the community at large every year. In order to make DHCD as effective as it needs to be, DHCD and county leadership need to reach an agreement about the future scope and impact of the agency and, in the months and years that follow, authorize policies and make programmatic decisions that are consistent with this agreement.

Three Alternative Organizational Identities

DHCD's future scope and impact can be viewed in terms of three alternative identities for the agency: *adequate*, *dynamic*, or *elite*. These alternatives can each be differentiated from one another in terms of four defining characteristics: strategy; leadership and organization; resource allocation; and communication. Each alternative identity and its associated characteristics are described in the narrative that follows (in this narrative, "DHCD" is used to include the Housing Authority and Redevelopment Authority, as well as the Department of Housing and Community Development).

Alternative One: Adequate

DHCD is already well on the way to achieving a level of scope and impact that could be termed adequate, a condition characterized by the maintenance of operations in compliance with federal regulations and county policies and practices. In recent months, DHCD staff has been working in coordination with HUD Field Office staff to resolve longstanding problems associated with the disbursement of HOME funds to CHDOs, and it is reasonable to expect that these problems can be resolved during Fiscal Year 2012. The Housing Authority's low Financial Condition rating is expected to be addressed in the near future as well. DHCD's executive leadership appears to be working effectively with county government officials, and the FY 2012 Annual Action Plan was authorized and submitted to HUD in a timely manner. Staff members have responded favorably to changes made by the new DHCD administration and have cited improvements in

communication and coordination between managers and staff. These and similar actions can enable DHCD to achieve consistently reliable performance in administering programs and disbursing funds.

Strategy. The strategy associated with an adequate development agency is ongoing compliance with regulations and adherence to existing policies. Broad strategic objectives such as “increasing the number of affordable housing units” and “targeting available assistance” to certain housing consumers are published in the Annual Action Plan as required by HUD, but little action other than the appropriate and timely expenditure of available funds is specified.

Leadership and Organization. In this alternative, DHCD leadership is responsive to proposals for funding new kinds of activities, but also takes care to ensure that funds are allocated in a manner consistent with regulations. Contract administration, based on established policies and procedures, is a major organizational priority. Contract execution and invoice processing become more efficient, and related staff training is provided as needed.

Resource Allocation. Procedures that contributed to the success of the Neighborhood Stabilization Program are replicated in other program areas in order to improve the delivery of resources. However, resources such as CDBG funding continue to be widely dispersed across the county to support a variety of activities other than housing preservation, housing production, and economic development. Nonprofit organizations that receive funds through DHCD establish their own performance goals and operational practices, and DHCD monitors them on that basis rather than in terms of any standards that DHCD has established on its own initiative. In general, DHCD’s role is limited to ensuring that funds are allocated in compliance with regulations and that activities proposed by recipients of funds are completed as documented in their applications for funding.

Communication. The DHCD web site is improved to provide better access to program information. Agency managers work more closely with nonprofit organizations to improve the process for requesting funding, executing contracts, and submitting invoices. The Annual Action Plan contains more detailed information about program application procedures. DHCD staff responds to requests for information, addresses complaints, and resolves problems as needed to administer funding responsibly and efficiently.

In light of the progress that has been made under the new county administration in improving DHCD operations and programming, it may seem unfair to characterize DHCD’s current status as less than “adequate.” However, as of the close of Fiscal Year 2011, the agency remained deficient with respect to performance standards governing the HOME program and the public housing program, two key federal program resources entrusted to DHCD. Lacking resolution of these issues, DHCD cannot yet be characterized as an adequately-performing HUD grantee.

Alternative Two: Dynamic

Moving to a new level of scope and impact is more than a choice; it is a policy decision that has to be clearly articulated, then reinforced in subsequent practice from year to year. The achievement of this status is dependent on the establishment of an investment strategy that guides DHCD funding decisions and management practices, on consistently strong professional leadership and management at DHCD, and on the observance of an agreement between DHCD and county government leadership to support DHCD autonomy (subject to legislative oversight) in executing county-authorized policies and programs.

Many metropolitan-area county and municipal development agencies strive to achieve this status but are not fully successful in doing so. Becoming and continuing to operate as a dynamic agency requires the development of managerial capacity to establish and act upon multiple priorities, backed up by consistent political support for agreed-upon policies. Many agencies have some of the characteristics described below but cannot be regarded as having fully achieved the status of a dynamic agency due to inconsistent leadership, limitations of management capacity, or political interference in agency operations.

In a “dynamic” organization, the four defining characteristics can be described as follows.

Strategy. In coordination with the County Executive, DHCD leadership organizes and publishes a housing strategy that is based on an understanding of existing real estate market conditions and is supported by market data. The housing strategy identifies principles and standards that are to guide decision-making about policies, program development, and resource allocation.

The scope of the five-year plans that DHCD and the Housing Authority are required to submit to HUD is broadened to include an explanation of how proposed activities are designed to support the housing strategy and to contribute to the county’s overall economic development strategy.

The housing strategy serves as a guide to action, not a compilation of recommendations. For every element of the strategy, a determination is made regarding the delegation of responsibilities, implementation roles, performance expectations, and monitoring of results.

Leadership and Organization. County leaders give the DHCD Executive Director the authority to organize and implement all program activities that are consistent with the housing strategy and to make related staffing and workload assignment decisions.

Further consideration is given to organizing agency staff with “Community Developer” job titles based on the identification of centers of expertise. In this approach, most or all planning, program development, budgeting, contract administration, and monitoring

activities are staffed within one agency or division and all development financing and real estate acquisition and disposition activities within another agency or division.

The Housing Authority continues to manage existing public housing and administer rental assistance vouchers. However, to the extent feasible, staffing or technical support for Housing Authority bond financings and for the sale of Housing Authority-owned properties is provided by the staff that manage other DHCD-related development financing or real estate transactions.

The past practice of placing within the housing agencies individuals who are referred from other units of county government but have no particular experience and qualifications relevant to housing and community development is discontinued permanently.

To support DHCD organizational development and capacity building, special attention is given to the insights, concerns, and recommendations of veteran agency staff members who have consistently maintained high standards of professionalism and have delivered high-quality results over the years. These staff members are given better opportunities to influence DHCD decision-making about the workplace environment, about the relationship between workload assignments and staff capabilities, and about plans for staff training and professional development.

Resource Allocation. Each year, prior to the scheduling of workshops for prospective recipients of DHCD-administered funding, DHCD publishes a Notice of Funding Availability (NOFA). The NOFA contains detailed information on goals for the coming program year, on program activities to be implemented in support of these goals, and on criteria to be used to select funding proposals related to these activities. The NOFA specifies the types of activities that will not be considered for funding and includes a description of other restrictions and limitations, such as the targeting of some funded activities within specified geographic areas only.

Based on the NOFA, the workshops are designed to enable prospective funding recipients to organize proposals that will have the best prospect of being considered for the types of funding that are to be offered during the coming program year.

The NOFA or subsequently published Requests For Proposals (RFPs) describe the system to be used in ranking and scoring proposals for funding. For each RFP, proposal review is undertaken by an interagency review committee, with committee recommendations referred to the County Executive, for final approval by County Council. Proposal ranking and scoring information is made available to the public upon request following the announcement of funding awards.

Because the county's economic development strategy emphasizes the use of incentives to promote business development and expansion, housing agency administrators work with their economic development agency counterparts to determine how DHCD-administered

resources can be used in coordination with incentives such as tax increment financing and tax abatement to leverage private investment.

DHCD allocates resources to address the ongoing problem of foreclosure, using as a frame of reference an annual analysis of the extent of foreclosure countywide, as well as annual updates on concentrations of foreclosure activity within certain areas and on the identification of properties that have become vacant as a result of foreclosure.

Communication. A strong positive message about DHCD’s mission and purpose is communicated through the completion of low-cost improvements that give the entrance, lobby, and ground-floor offices at 9400 Peppercorn Place a more welcoming, business-friendly appearance.

Recognizing that capable, responsible staff members are DHCD’s most valuable assets, the DHCD Executive Director:

- Schedules one or more “general meetings” of all agency staff each year in order to personally deliver a message about recent accomplishments, coming challenges, and current opportunities for improvement and to respond to staff questions and comments;
- Ensures that managers are communicating with their staffs and that concerns raised by top-performing staff are being addressed;
- Corrects imbalances in the assignment of workload and the allocation of staff and funding resources in order to promote cost-effective operation.

DHCD’s Executive Director and managers schedule separate group meetings with real estate professionals and with representatives of non-profit development organizations to discuss DHCD policies, programs, and performance, as well as to consider opportunities for strengthening the working relationship between DHCD and these private and nonprofit business entities.

Alternative Three: Elite

The ideal organizational identity that Prince George’s County should consider as an ultimate goal is to become one of a number of elite development agencies that have the capability to organize and participate in metropolitan-area coalitions in order to comprehensively address key development issues. The organization functions, operates, and is managed as one “enterprise system.”

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

Some major federal funding awards have shown consistency with this perspective. For example, of the 56 awards approved by HUD headquarters in the second competitive funding round of the Neighborhood Stabilization Program, 37 were for proposals submitted by “consortium” applicants—groups of public and nonprofit agencies and organizations, as opposed to individual city or county governments. The largest NSP2 award--\$223.9 million—was made to a consortium managed by the Michigan State Housing Development Authority (Michigan’s state housing finance agency), which included twelve cities. DHCD could not have obtained such an award in the NSP2 competition due to unresolved HOME program and Housing Authority issues. If a new opportunity emerged during the coming months to obtain federal funds through a similar competition, could Prince George’s County, in partnership with state and municipal agencies, organize a comparable, equally competitive proposal?

An elite development agency possesses the same defining characteristics as that of an agency in the “dynamic” category, but its ability to form and manage effective collaborations reflects a higher level of organizational capacity. If it currently had the status of an elite development agency, DHCD would be working with other public, private, and nonprofit entities in Prince George’s County to address the following key issues on a countywide level during the course of the fiscal year.

Economic Development

- Make use of the Section 108 program to establish a revolving loan/loan guarantee fund as one component of the county government’s overall economic development strategy.
- Set aside a portion of the CDBG budget to provide “gap” funding for business development and expansion ventures, for possible use in combined loan/gap funding financing strategies coordinated with the county’s Economic Development Corporation (EDC).
- With the EDC’s Workforce Services Division, consider 1) using CDBG funding to leverage other funding in support of new and/or expanded job training and job readiness programs that have proven successful within Prince George’s County and in other counties with comparable characteristics and 2) making available short-term rental assistance to graduates of workforce development programs who have been hired in private-sector jobs but have housing needs that jeopardize the prospects for long-term success.

Foreclosure

- Establish training, certification, and performance standards for all housing counselors employed by organizations supported with DHCD funding. Discontinue CDBG funding for group counseling. Useful guidance on the organization of housing counseling resources is available through a number of sources (one example: *Homeownership Education and Counseling: Do We Know*

What Works? at

http://www.housingamerica.org/RIHA/RIHA/Publications/76378_10554_Research_RIHA_Collins_Report.pdf

- Work in collaboration with housing counseling agencies, the Prince George’s County Bar Association, and legal services organizations to organize a strategy for maximizing homeowner participation in foreclosure mediation (based on the provisions of Maryland’s Foreclosure Mediation Law) and to ensure that legal counsel and housing counseling services are available for every income-eligible participant in foreclosure mediation.
- Obtain funding (through a charitable foundation and/or a group of bank foundations, possibly using CDBG funding as leveraging) to support the completion of an annual assessment of the impact of foreclosure mediation in preventing or reducing foreclosure, to be used as the basis for adjustments in the countywide strategy (example: The Reinvestment Fund, *Philadelphia Residential Mortgage Foreclosure Diversion Program: Initial Report of Findings*, June 2011 at http://www.fhcsp.com/pdf/Foreclosure_Diversion_Initial_Report.pdf).

Homeless and Special Needs Housing

- With the Department of Social Services (DSS) and homeless and special needs housing and service providers, design and publish a five-year plan for preventing and reducing homelessness countywide.
- On a pilot-program basis, test the potential benefits of providing “shallow rent” subsidies as one element of a homelessness prevention strategy.

Shallow rent is rental assistance funding that pays for a portion of market rent—but not necessarily in the amount needed to reduce the assisted household’s share of the rent to thirty percent of gross income (the standard used in connection with the Section Eight Housing Choice Voucher Program). In some shallow rent programs, the share of rent paid by a household may be as much as fifty percent of income, with shallow rent subsidy payments providing the remainder. This approach differs from the “affordability gap” approach, in which the household’s share of the rental payment never exceeds thirty percent of income (or a similar, substantial portion of income established as an affordability standard). Because the overall cost per unit of rental assistance is lower in a shallow rent program, more individuals and families can be served. This approach may be particularly useful for people who need temporary housing assistance and who anticipate increased income and a return to market-rate housing in the foreseeable future.

A shallow rent approach may also be suitable for other special-needs households. In a research project for which a report was published in 2007, housing outcomes were studied for 403 households eligible to receive assistance through the federal HOPWA program (Housing Opportunities for Persons With AIDS). Of these

households, 185 received shallow rent subsidies, and the other 218 did not. At the end of the first year of the study, 99 percent of the households that had received shallow rent assistance remained stable, independently housed, while only 32 percent of the comparison-group households had comparable outcomes. After two years, the outcomes were 96 percent and 10 percent, respectively.

- With DSS and special-needs housing and service providers, examine the “Housing First” model operating in Washington, D.C. and explore the possibility of replicating this model in Prince George’s County.

“Housing First,” a model developed by the national Pathways to Housing organization, is designed for an individual who, unlike a typical recipient of rapid re-housing assistance through the federal Homelessness Prevention and Rapid Re-Housing Program (HPRP), may have a long history of chronic mental illness, substance abuse, institutionalization, or life on the streets. In Pathways’ approach, a homeless person is given the opportunity to move directly from the streets into a private apartment that is funded through a rental assistance contract. A case management team offers supportive services to address the resident’s mental and physical health, substance abuse, education, and employment readiness needs.

This approach is also radically different from conventional emergency shelter/transitional housing programs that require participants to enter treatment as a condition for remaining in assisted housing or in which progress toward recovery must be demonstrated before an opportunity to live independently is offered. Through this alternative approach, Pathways has housed hundreds of individuals successfully, with an 85 percent retention rate, even among individuals who would have been categorized as unready for independent living based on standards used by some publicly-financed programs.

The Pathways model has been replicated in more than eighty cities.

Community Facilities and Community Services

- With United Way of the National Capital Area and United Way partner agencies, organize an approach for assessing countywide community facility and community service funding needs and to identify mutually-supported goals and priorities.
- Based on the results of the above, explore the best opportunities for leveraging of public and private funding in order to address these goals and priorities and generate broader impact, so that the impact of DHCD expenditures of CDBG funds in the Public Facilities and Improvements and Public Service expenditure categories can be strengthened.

Prince George’s County is better positioned than other municipalities and counties that are striving for elite status, in that its community development department, housing authority, and redevelopment authority are already consolidated within one

organizational structure. In many other places, a substantial amount of time would need to be spent in designing, negotiating, and authorizing intergovernmental agreements in order to achieve the kind of working relationship that already exists at DHCD. If DHCD and Prince George's county government can successfully address the organizational development and capacity building challenges described in this report, this structural advantage can help them achieve successful outcomes at a much earlier stage than would be possible elsewhere.

Glossary

Annual Action Plan. Annual proposal, prepared by the Department of Housing and Community Development in Prince George's County, for federal funding made available by the U.S. Department of Housing and Urban Development. The Annual Action Plan, posted on DHCD's web site, provides detailed information about how HUD funding is proposed to be used in the current program year.

ARRA, or American Recovery and Reinvestment Act. Federal stimulus program that provided funding to Prince George's County to support weatherization improvement activities.

ASHI, or American Society of Home Inspectors. National organization that provides credentialing and certification for individuals who conduct home inspections to identify repair and improvement needs for a prospective buyer or investor.

CDBG. Community Development Block Grant, a federal program administered by HUD, that provides funding for housing, economic development, public service, public facilities development and improvement, and other activities.

CDC, or Community Development Corporation. Nonprofit organization, often associated with a particular neighborhood or community of interest, that conducts planning, development, and/or service activities.

CHDO. Community Housing Development Organization, a nonprofit organization eligible to receive federal HOME funding to support affordable housing development activities and, in some instances, associated organizational operating expenses.

CPD. Community Planning and Development. The CPD division of Prince George's County's Department of Housing and Community Development manages federal and county funds allocated for housing and development program activities. The CPD division of the U.S. Department of Housing and Urban Development (HUD) administers federal funds that are made available to municipal, county, and state governments to support these activities.

DHCD. Prince George's County's Department of Housing and Community Development, the county agency responsible for administering housing and community revitalization programs.

EDC, or Economic Development Corporation. Prince George's County government agency responsible for administering and coordinating economic development activities.

Entitlement programs. Federal programs that make funding available to municipal, county, and state governments annually, with the amount of funding based on factors such as

population and poverty level rather than on a review and scoring of competitive proposals.

ESG or Emergency Shelter Grants. Federal program that provides funding for the development and operation of emergency shelters and transitional housing for the homeless or for others with combined housing and human service needs.

HOME, or HOME Investment Partnerships Program. Federal program that provides funding for affordable housing production and preservation activities, including funding made available to nonprofit organizations known as Community Housing Development Organizations (CHDOs).

HOPWA, or Housing Opportunities for Persons with AIDS. Federal program that provides funding to support housing programs and services for persons with AIDS, including rental assistance subsidies that enable an individual or household to afford rental housing available in the private market.

Housing Counseling. Assistance, often provided by a nonprofit service organization, to help homeowners, homebuyers, or renters, make responsible decisions about purchasing a home, avoiding mortgage foreclosure, resolving a landlord-tenant dispute, and other issues.

HUD. U.S. Department of Housing and Urban Development, the federal agency that provides funding to municipal, county, and state governments to support a variety of housing, redevelopment, and public and community service activities.

NSP, or Neighborhood Stabilization Program. Federal program, authorized through the Housing and Economic Recovery Act of 2008 (HERA), in which funding is made available for the acquisition, demolition, rehabilitation, and/or reuse of housing that has been foreclosed upon or that is affected by nearby properties subject to foreclosure.

PHAS, or Public Housing Assessment System. System used by the U.S. Department of Housing and Urban Development to assess the performance of housing authorities that receive federal funding. In a PHAS assessment, key areas of performance, including Physical Condition, Financial Condition, and Management Operations, are evaluated and assigned numerical scores that, in the aggregate, produce an overall PHAS score.

PIHI, or Public and Indian Housing. Division of the U.S. Department of Housing and Urban Development that administers funding for public housing development, improvement, and management activities, including funding for the Section Eight, or Housing Choice Voucher, rental assistance program.

Public Facilities and Improvements. Improvements to public infrastructure (such as the resurfacing of a street) or to public or community facilities (such as the expansion of

a senior citizens' center) that are eligible to be supported with federal Community Development Block Grant funding.

Public Services. Service activities, including housing counseling, homelessness prevention, adult education, substance abuse treatment, literacy services, and others, that are eligible for funding through the Community Development Block Grant program.

Real Estate Professionals for Change, LLC. Organization of realtors, brokers, and development professionals that provides education about real estate policy and practices and that advocates for reforms.

RFP, or Request for Proposals. Advertisement, often issued by a government agency, inviting the submission of proposals for funding. An RFP may specify activities eligible to receive funding, the amount of funding to be made available, and the criteria to be used in ranking and scoring competitive proposals in order to make a determination regarding the number and amount of funding to be awarded to respondents.

Section Eight or Housing Choice Voucher Program. Federal program through which funding is made available to enable housing authorities to provide rental assistance subsidies to income-eligible households, making it possible for these households to afford rental housing available in the private market.

SEMAP, or Section Eight Management Assessment Program. Assessment tool used by the U.S. Department of Housing and Urban Development to evaluate the performance of a housing authority in administering Section Eight rental assistance subsidies (also known as Housing Choice Vouchers), based on a scoring of fifteen performance indicators.

Special Needs Housing. Housing available to individuals or households with combined housing affordability and human service needs, including the homeless, as well as persons with physical or mental disabilities.

SWOT. Analytical tool used to evaluate an organization's internal capacity and external dynamics by identifying **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats associated with the organization.

Table 3C. Section of the Annual Action Plan (the annual proposal, prepared by the Department of Housing and Community Development in Prince George's County, for federal funding made available by the U.S. Department of Housing and Urban Development) that provides individual listings and summary descriptions of each activity proposed for funding through the federal Community Development Block Grant program.

Timeliness Ratio. In connection with the Community Development Block Grant (CDBG) program, a ratio consisting of the amount of unexpended CDBG funds (including

unexpended funds from the current program year as well as from prior program years) as a percent of the total CDBG funding award for the current program year. This ratio is recorded and published by the U.S. Department of Housing and Urban Development as part of an individual Performance Profile completed for each government entity that receives CDBG funding (including the Prince George's County government).

VASH, or Veterans Affairs Supportive Housing. Federal program that combines funding for rental assistance vouchers with funding for case management and clinical services made available through the federal Department of Veteran's Affairs and community-based outreach clinics

WAP, or Weatherization Assistance Program. Federal funding available to support the completion of weatherization or energy conservation improvements in existing rental or owner-occupied housing.

Exhibits

Staff Survey Multiple Choice Questions and Results

Roundtable Discussion of Nonprofits and Municipality Stakeholders – Supplemental Meeting Notes

Real Estate Professionals for Change – Supplemental Meeting Notes

Identified Performance and Innovation Management Models

Staff Survey Multiple Choice Questions and Results

Prince George's County Staff Work Experience Survey

The Virginia Tech Center for Housing Research is conducting a management and organizational review of Prince George's County's Department of Housing and Community Development (DHCD). We want to know about your experience working in the department and would appreciate your taking 10 minutes of your time to complete this survey. We seek maximum participation and request that you promptly complete the survey responding no later than March 31, 2011. **Your responses are anonymous, secure, and will not be released or published in any form that could identify you.**

Following each question is a Comment area where you may contribute additional information related to that question. In addition, at the end of the survey you will have an opportunity to answer or comment on several open-ended questions regarding your work experience.

For the purposes of this survey, the term DHCD refers to the department as a whole including DHCD, the Housing Authority, and the Redevelopment Authority. Thank you for your participation.

1. Based upon your experience as a DHCD employee, please rate the overall performance of the following:

DHCD Administration	<u>2</u> (3%)
Very Good	
Good	<u>22</u> (30%) 33% good or very good
Neutral	<u>16</u> (22%)
Poor	<u>19</u> (26%)
Very Poor	<u>11</u> (15%) 41% poor or very poor
Don't Know	<u>2</u> (3%)
<i>no answer</i>	<u>1</u> (1%)

The Community Planning Division of DHCD

Very Good	<u>3</u> (4%)
Good	<u>17</u> (23%) 27% good or very good
Neutral	<u>12</u> (16%)
Poor	<u>7</u> (10%)
Very Poor	<u>7</u> (10%) 20% poor or very poor
Don't Know	<u>23</u> (32%)
<i>no answer</i>	<u>4</u> (5%)

The Redevelopment Authority

Very Good 4 (5%)
Good 17 (23%) 28% good or very good
Neutral 13 (18%)
Poor 7 (10%)
Very Poor 1 (1%) 11% poor or very poor
Don't Know 30 (41%)
no answer 1 (1%)

The Housing Assistance Division of the Housing Authority

Very Good 7 (10%)
Good 21 (29%) 39% good or very good
Neutral 16 (22%)
Poor 8 (11%)
Very Poor 5 (7%) 18% poor or very poor
Don't Know 14 (19%)
no answer 2 (3%)

The Rental Assistance Division of the Housing Authority

Very Good 7 (10%)
Good 20 (27%) 37% good or very good
Neutral 12 (16%)
Poor 13 (18%)
Very Poor 4 (5%) 23% poor or very poor
Don't Know 16 (22%)
no answer 1 (1%)

Financial and Administrative Services

Very Good 9 (12%)
Good 31 (42%) 54% good or very good
Neutral 17 (23%)
Poor 4 (5%)
Very Poor 0 (0%) 5% poor or very poor
Don't Know 10 (14%)
no answer 2 (3%)

Comments:
17 responses

2. Please rate the general community perception of the Department of Housing and Community Development (DHCD):

DHCD within Prince George's County

Very Good **1** (1%)
Good **21** (29%) 30% good or very good
Neutral **11** (15%)
Poor **22** (30%)
Very Poor **15** (21%) 51% poor or very poor
Don't Know **3** (4%)
no answer **0** (0%)

DHCD outside Prince George's County

Very Good **0** (0%)
Good **13** (18%) 18% good or very good
Neutral **18** (25%)
Poor **14** (19%)
Very Poor **12** (16%) 35% poor or very poor
Don't Know **15** (21%)
no answer **1** (1%)

Comments:
18 responses

3. Which statement best describes the leadership approach in DHCD (please choose the one that best fits)?

Proactive with high involvement of the relevant DHCD staff in its decision making **7** (10%)
Reactive and based on top-down instructions **42** (58%)
Neither of the above or I don't know **21** (29%)
no answer **3** (4%)

Comments:
24 responses

4. How well are resources (such as people, equipment, etc.) used by DHCD to get results (please choose the one that best fits DHCD)?

Management and use of resources are planned and efficiently deployed to the satisfaction of stakeholders and clients	<u>5</u> (7%)
Resources are managed efficiently and in a way that takes into account their individual scarcity	<u>17</u> (23%)
Resources are managed ineffectively and inefficiently	<u>44</u> (60%)
None of the above or I don't know	<u>6</u> (8%)
<i>no answer</i>	<u>1</u> (1%)

Comments:
16 responses

5. How well does DHCD monitor program performance (please choose the one that best fits DHCD)?

Performance indicators are used to monitor all processes and programs	<u>14</u> (19%)
Performance indicators are lacking for some processes and programs	<u>25</u> (34%)
Performance indicators are unavailable for most processes and programs	<u>6</u> (8%)
Performance indicators exist but are not monitored or tracked in a timely manner	<u>15</u> (21%)
None of the above or I don't know	<u>12</u> (16%)
<i>no answer</i>	<u>1</u> (1%)

Comments:
11 responses

6. How are improvement priorities decided (please choose the one that best fits DHCD)?

Based on trends and inputs from all stakeholders as well as analysis of social, environmental, and economic changes	<u>7</u> (10%)
Based on needs and expectations of some stakeholders	<u>17</u> (23%)
Based on errors, complaints or narrow and ineffective criteria	<u>29</u> (40%)
None of the above or I don't know	<u>19</u> (26%)
<i>no answer</i>	<u>1</u> (1%)

Comments:
11 responses

7. Please indicate the extent to which you agree with the following statements regarding your work experience:

DHCD's senior managers are very competent and professional

Strongly Agree	<u>4</u> (5%)	
Agree	<u>22</u> (30%)	35% agree or strongly agree
Neutral	<u>12</u> (16%)	
Disagree	<u>19</u> (26%)	
Strongly Disagree	<u>16</u> (22%)	48% disagree or strongly disagree
Don't Know	0 (0%)	
<i>no answer</i>	0 (0%)	

Programs managers/supervisors in my program area are very competent and professional

Strongly Agree	<u>13</u> (18%)	
Agree	<u>27</u> (37%)	55% agree or strongly agree
Neutral	<u>11</u> (15%)	
Disagree	<u>13</u> (18%)	
Strongly Disagree	<u>9</u> (12%)	40% disagree or strongly disagree
Don't Know	0 (0%)	
<i>no answer</i>	0 (0%)	

The line staff in my program area are very competent and professional

Strongly Agree	<u>11</u> (15%)	
Agree	<u>31</u> (42%)	57% agree or strongly agree
Neutral	<u>13</u> (18%)	
Disagree	<u>11</u> (15%)	
Strongly Disagree	<u>6</u> (8%)	23% disagree or strongly disagree
Don't Know	<u>1</u> (1%)	
<i>no answer</i>	0 (0%)	

DHCD has a clear mission guiding its work

Strongly Agree **7** (10%)
Agree **16** (22%) 32% agree or strongly agree
Neutral **17** (23%)
Disagree **20** (27%)
Strongly Disagree **11** (15%) 42% disagree or strongly disagree
Don't Know **2** (3%)
no answer **0** (0%)

There is good communication from managers to employees

Strongly Agree **3** (4%)
Agree **16** (22%) 26% agree or strongly agree
Neutral **10** (14%)
Disagree **21** (29%)
Strongly Disagree **22** (30%) 59% disagree or strongly disagree
Don't Know **1** (1%)
no answer **0** (0%)

I have the tools and resources I need to do my job

Strongly Agree **3** (4%)
Agree **18** (25%) 29% agree or strongly agree
Neutral **18** (25%)
Disagree **22** (30%)
Strongly Disagree **12** (16%) 46% disagree or strongly disagree
Don't Know **0** (0%)
no answer **0** (0%)

I have the training I need to do my job

Strongly Agree **11** (15%)
Agree **32** (44%) 59% agree or strongly agree
Neutral **13** (18%)
Disagree **9** (12%)
Strongly Disagree **8** (11%) 23% disagree or strongly disagree
Don't Know **0** (0%)
no answer **0** (0%)

The morale in my department is high

Strongly Agree	<u>3</u> (4%)
Agree	<u>2</u> (3%) 7% agree or strongly agree
Neutral	<u>15</u> (21%)
Disagree	<u>18</u> (25%)
Strongly Disagree	<u>33</u> (45%) 70% disagree or strongly disagree
Don't Know	<u>0</u> (0%)
<i>no answer</i>	<u>2</u> (3%)

Comments:
19 responses

8. Does DHCD encourage its employees to take ownership of their job responsibilities?

Always	<u>10</u> (14%)
Most of the time	<u>19</u> (26%) 40% most of the time or always
Seldom	<u>23</u> (32%)
Not at all	<u>16</u> (22%) 54% seldom or not at all
Don't know	<u>3</u> (4%)
<i>no answer</i>	<u>2</u> (3%)

Comments:
12 responses

9. Do DHCD managers lead by example and create a positive and productive work environment?

Always	<u>10</u> (14%)
Most of the time	<u>14</u> (19%) 33% most of the time or always
Seldom	<u>19</u> (26%)
Not at all	<u>26</u> (36%) 62% seldom or not at all
Don't know	<u>3</u> (4%)
<i>no answer</i>	<u>1</u> (1%)

Comments:
21 responses

Roundtable Discussion of Nonprofits and Municipality Stakeholders – Supplemental Meeting Notes

- DHCD Management, Staff, Leadership (capacity of DHCD staff and previous staffing policy):
 - A general consensus that many of staff are under-qualified to do their jobs but qualified individuals do exist and are very valuable.
 - Factors include organizational and employee-specific - lack of necessary training, lack of competency.
 - Staff exists in DHCD who are capable but also willing to improve.
 - An accounting background would be key. Get recommendations on how other counties succeed with their staff levels and internal processes.
 - Over 100+ staff but could easily manage with half. Also, as staff becomes older, staff becomes more expensive.
 - San Francisco's DHCD operates with about half the staff as Prince George's County and is considered a much more active department.
 - Staff not allowed or discouraged to get training/professional development
 - Staff wants to go to training. Staff is thirsty for knowledge, like what they do, and want more training but no BUDGET for training.
 - From a housing development standpoint - learning from back-end and HUD regulations but don't understand front-end.
 - Two-day training from HUD. For one lady at DHCD, it was first training in 9 years. Mostly necessary for problem with HUD so it doesn't happen again.
 - Capable staff is extremely valuable but then get overloaded with work, reducing their efficiency.
 - Staff morale is low; give them some control over something. More professional environment, etc.
 - DHCD leadership has been poor.
- DHCD Program Operations/Business Procedures:
 - Program Manager seems to be critical in project management (timeliness, communication) of CDBG programs.
 - Some participants recently had better (not perfect) experiences with receiving CDGB funds 30-45 days after completing requirements. Others were surprised with this response, describing situations where they had to be much more involved with project managers and contract review.
 - Many different areas where the process can be delayed
 - If County Council is behind approval.
 - Currently one dedicated lawyer for DHCD has helped expedite contract review, but before, there were very long delays.
 - Environmental impact reviews.
 - The problem with environmental impact reviews is they have to be done prior to spending money while only one person for all reviews, it can't

possibly be done in a timely way. At one point a former administrator utilized a contractor for the reviews and it was ok.

- HOME path, once you bid on project you have 30 days. So it's impossible to get environment impact plan done in that timeframe.
- Environment review usually takes 34 days (regulations from HUD). Now try and do an outside third person as a contract to speed up. Other thing they can do is a tier-one review.
 - Two-thirds of contracts are renewed but they still make you redo the whole thing if only change insurance and corporate acknowledgements.
- Lack of transparency in review process of funds
 - Review process goes to one individual for recommendations (no staff input, ratings, or outside input, or measurement at all).
 - The County Executive can make the decision but designates to Housing Administration.
- Policy Issues and Fixes:
 - Issues with long-term housing policy
 - With a previous County Executive the model was to promote higher income to increase tax base and in-turn have more funding for social services. Past 16 years of housing activity focuses on building executive style homes and removing low-quality but affordable multi-family (as a policy decision). Now in this housing recession there is a large housing stock (exec and low-income) needing to be filled.
 - Challenge for those in building community because need to build up. Never a HOPE VI, a challenge for the County. The balance is the existing foreclosed homes while also replacing those turned-down.
 - Rental market is so tight. Really need to address housing stock in poor shape.
 - Funding sources are limited and basic; a focus needs to occur on improving and diversifying resource streams.
 - HOME only for affordable housing production. The funds don't go far. There has to be other resources.
 - Lack of innovative funding to bring a HOPE VI or IV.
 - Housing Authority has bonding authority but never used. Only using HOME and CDBG but they could float bonds to increase funding. As a Housing Trust Fund.
 - Improve review process
 - Encourage a fast-track taskforce, so it does include non-profits but also law, council, DHCD.
 - Environment Impact Review: Try to do an outside third person as a contract to speed up. Other thing they can do is a tier-one review
 - Capacity building workshop should be done by DHCD. The idea is to improve the capacity to best understand the system.
 - Affordable Housing Policy
 - Partner with Non-profits to help implement

- Things that can build capacity are to get non-profits to partner with for-profit developers for mixed-income housing projects. It has to be a real non-profit to get the points. Have to show they are really a partner. This is a huge step forward. County has to push for-profit to build affordable housing. Non-profit will be the moral voice at the table.
 - Affordable housing has to be in every area. Low-income is really focused within the beltway; they should have a choice outside too.
 - Strategic Planning Process
 - Not enough time for community involvement process
 - Very little in the consolidated plan.
 - TIFs could help with infrastructure improvements
 - College Park has grown a lot in the past few years. 30k students who are residents still need student housing. Still a demand for plans to keep growing. Could have had several projects, but politics gets in the way.
 - PG had a few TIFS. About 5, but steals from education tack base.
 - Leverage funds and incentives more effectively to promote housing policy.
 - Manage incentives more strategically.
 - Improve knowledge on how the process works.
 - CDBG is always used but hardly ever leveraged.
 - Use Neighborhood Strategy Areas as a method of leveraging more funds around CDBG percentage caps.
 - In Technical Assistance areas: the application process the county could do better in recommending people in which areas to apply in. Too many people go into specific areas.
 - Increase partnerships with other Prince George's County Departments
 - Department of Environmental Resources (much more talking between the two). Code Enforcement in DER. There is lacking that type of coordination.
- CDBG and HOME Funds
 - Many delays in reimbursements affect the ability of non-profits to complete or even participate in projects.
 - Program reimbursement is way too late.
 - A mandatory wait of 4 months into the year for reimbursement has a major effect on cash flow, limiting the ability of smaller non-profits to participate in CDBG.
 - Council hearing in July is way later than typically in May. But good this year.
 - Municipalities use it for infrastructure. It's certainly true about contracts; we'd start July 1 anyway and take risk in delay. Reimbursement is such a problem for small non-profits and municipalities.
 - CDBG and HOME Planning and Admin funds are used mainly for DHCD administration due to lack of other funding streams and previous administration directive. This limits these funds for non-profits
 - The County only uses HOME and CDBG funds for administration of housing. Other departments use various other funds. Prince George's County is far behind the curve in DHCD funding streams.

- Inter-County Relationship and Coordination
 - Very little communication or collaboration between DHCD and Planning
 - Lack of and importance of communicating and collaborating with Maryland State Government
 - Lack of willingness to communicate with State.
 - DHCD is trying to keep low-profile due to mismanagement.
 - Lack of coordination affects long-term funding opportunities
 - Must be sustainable community to receive certain funding from the State. There is not communication or collaboration from a planning standpoint.
 - Can't even apply w/o sustainable plan but there is no training for that.
 - Lack of interaction with Non-Profits
 - Don't have significant production numbers. Things that can build capacity are to get non-profits to partner with for-profit developers.

Real Estate Professionals for Change – Supplemental Meeting Notes

Past DCHD Interactions

Real Estate Professionals for Change has focused on DHCD's NSP and My HOME programs and has lobbied for a more strategic use of this funding.

NSP. REPC lobbied to use part of \$7 million to include down payment and closing cost assistance program. The resulting modification of the original plan of acquisition, renovation, and disposition resulting helped an additional 675 households. Group members expressed the view that DHCD's roll-out of NSP was indicative of systemic problems.

- Political motivation for funding specific non-profits
- Not interested in maximizing resources
- “Culture of Mediocrity”

My HOME. REPC reviewed the first draft guidelines for the program and provided recommendations for the final guidelines.

Ongoing Systemic Problems

The Real Estate Professionals for Change believe that Prince George's County's Department of Housing and Community Development needs to be improved and should be run like a business operation. DHCD has systemic problems concerning how it handles financing, deal structuring, transparency, communication, efficiency, maximum utilization of funds, and media coverage.

- Federal funds:
 - No system to respond to grant requests
 - Misses opportunities for funding
 - Very poor web site
 - Lack of interaction and resources to streamline process
 - No direct contact information
 - Need to adopt best practices of better performing agencies
 - Need to focus to make more transparent, lack of communication to the department
 - Lag in response rate to phone requests, if ever completed
 - Improve response time
 - Need to be more strategic and effecting in dispersing funds
 - Focus largely on CDBG funds
 - Add a department to deal specifically with funding opportunities
 - Address poor performance of existing personnel
 - Maximize use of the funds received
 - Utilize good business practices/partner with developers
 - DCHD needs to focus on more than low-income housing tax credit

- Transit Oriented and Mixed Use Development
 - County needs to respond to high interest in developing transit destinations
 - Should consider the importance of bringing a higher tax-yield, upper income households through mixed used and TOD strategies
 - Mixed use will bolster retail opportunities
- Equity sharing
 - Should follow lead of neighboring jurisdictions in programs for first time homebuyers and capture growth by requiring equity sharing upon sale
- Development process
 - No integration of various county departments within the same development project/deal
 - Approval process of outlets in the National Harbor was not transparent
 - As in the case of the D.C. United Stadium deal, the county is willing to give up much more in comparison to other municipalities in an attempt to lure development
- Section 8 Vouchers
 - Greater focus in creating homeownership opportunities for voucher recipients
 - Better communication including online tools are needed to streamline the process
 - Mandatory allocations of vouchers in future TOD projects
- Attracting upper-income households
 - Improve education system
 - Provide cash incentives, education vouchers, property tax breaks
- Property taxes
 - Excessively high property taxes given quality of county services
 - Advertise program that scales property tax based on income
- Home Ownership Programs
 - Need more financing tools in the market place
 - Lack in maximizing use of state resources in foreclosures and housing assistance
 - Need system for feedback for existing programs

Concerns about Management Review Process

In addition to concerns about how DHCD functions, the Real Estate Professionals for Change expressed apprehension about the handling of the Virginia Tech management review process.

- The management report needs to be readily available to the public
- The report should provide substantive recommendations and actions to improve DHCD
- Important to get workers and end users inputs

- There needs to be a plan for carrying out the recommendations from report (not included in the statement of work for this study although included as an option for additional work)
- The results of the management review should allow for connecting the dots of systematic challenges within the DHCD and serve as a roadmap to improve the department and interconnect with other departments (such as Planning and Economic Development)

Identified Performance and Innovation Management Models

The project team conducted an extensive search for models of management reviews explicitly applicable to DHCD. The review included key word searches of literature databases and internet sources; professional associations in housing and community development; reviews of pertinent research literature; and consultation with the Virginia Tech Center for Public Administration and Policy.

Searches of ICMA, NAHRO, and PHADA failed to identify any performance measurement and management models applicable to DHCD. Literature searches using several databases identified a few applicable models. The following sources provide the best guidance for DHCD.

The most comprehensive approach to continuous improvement in performance is the International Organization for Standardization (ISO) 9000 family of standards. ISO is widely recognized for its development of technical standards to guide business operations. ISO 9000 is a comprehensive set of standards for quality management that is widely used in business. It is applicable to improved performance in public organizations but has been less widely used in the public sector. See the International Organization for Standardization website for more information on ISO 9000 (<http://www.iso.org/iso/home.htm>).

The ISO standards incorporate performance management and continuous improvement to respond to customer and stakeholder requirements and to increase customer and stakeholder satisfaction. It is an inherently goal driven process targeted to external validation of success. It has extensive coverage and provides standards for all aspects of operational and organizational performance, but it can be used as a general guide or mined for more specific standards. Although the QMS terminology can be cumbersome, it can be modified into terms more meaningful to DHCD.

ISO 9004 provides a self-assessment tool to help evaluate the progress of an organization toward performing effectively and efficiently to achieve sustained success by:

- Understanding and satisfying the needs and expectations of interested parties,
- Monitoring changes in the organization's environment,
- Identifying possible areas for improvement and innovation through self-assessment and benchmarking,
- Defining and deploying strategies and policies,
- Setting and deploying relevant objectives,
- Managing its processes and resources,
- Demonstrating confidence in its people, leading to increased motivation, commitment and involvement, and
- Establishing mutually beneficial supplier and other partner relationships.

These key elements of achieving sustained success are evaluated through asking a battery of questions, which were used as a starting point in developing a survey instrument that was made available to all DHCD staff (the results are reported earlier herein).

It additionally balances continuity of core values and purpose with the need to change organizational culture, operating practices, and specific goals and strategies. Overemphasizing change can be disruptive and threatening, and counterproductive. DHCD leaders, including staff and stakeholders, have to crystalize its core values and purpose to preserve, while forcefully changing its culture, goals, strategies and practices to achieve greater external validation of performance.

The Public Innovators Playbook provides a methodical approach to promoting innovation in government. (www.deloitte.com/assets/Dcom.../dtc_ps_innovatorsplaybook_100409.pdf). Innovation is not just the development of new ideas within the organization, but the implementation of the idea into action. The Playbook identifies four phases to the innovation cycle: idea generation and discovery, idea selection, idea implementation, and idea diffusion. Employees and stakeholders can be engaged in idea generation and discovery. Increasingly there are databases and web-based media to aid in identifying new ideas. For example, knowledgeplex (<http://www.knowledgeplex.org/>) provides a variety of news links, expert discussion groups, reports, and lists to query about solutions to housing and community development problems. A variety of search engines exist to help identify information on any given topic. These range from the generic to those targeting specific areas of expertise or information (e.g. ABI/Inform specializes in business research searches).

No single source or approach to idea generation is as likely to yield useful results as a strategy that includes multiple parties and platforms. As a result, it is beneficial to promote idea generation as a problem solving strategy throughout the organization. The ‘suggestion box’ has been replaced by secure intranet sites and open wiki sites that allow ideas to be shared, vetted, and refined. While DHCD might not have the Information Technology resources to fully deploy cutting-edge approaches, it can develop a knowledge management and idea development plan that meets its needs and its resources. DHCD’s capabilities should be enhanced by knowledge management resources provided centrally, but it should actively develop its own capabilities.

Idea selection and implementation should follow on a systematic basis. “New” is relative and does not have to be an original idea to be innovative for a given organization. Innovative organizations copy from others and refine. As T.S. Eliot aptly observed about creativity, *“Immature poets imitate; mature poets steal; bad poets deface what they take, and good poets make it into something better, or at least something different.”* Innovative organizations copy the success of others and improve on their success.

Innovation and change can be hazardous. Evaluation is necessary, along with the willingness to make corrections and to recognize failures. Numerous organizations become path dependent and resistant to change, either by overcommitting to ideas without adequate testing or by developing a culture of resistance to change. The Innovators Playbook provides useful strategies for idea selection, refinement, selection and implementation, much of which can be scaled appropriately to DHCD.

The larger challenge is developing an organizational culture that supports creative problem solving in response to the serious challenges facing DHCD and, more broadly, Prince

George’s County. The Innovation Playbook identifies this as the public sector change paradox, which requires a progressive development of an organizational culture that focuses on outcomes, makes strategic commitments, adapts to changing circumstances, provides incentives to promote change, has the capacity to detect and correct errors, and promotes clear accountability and responsibility for decisions. This is a culture that requires transparency, openness to new ideas from internal and external sources, a willingness to take risks, personal responsibility for performance, and clear orientation to achieving goals.

Table 1.1: The public sector change paradox

How the public sector often thinks and acts	How change actually works
Detail-oriented planning with locked-in execution	Focus on outcomes — what is the real objective?
Requirements gathering focused on what exists	Define and commit to the principles of the new design
Strict adherence to defined requirements	Flexibility to adapt to changed circumstances
Inability to change course	Incentives for leading and supporting change
Postmortems of project failures	Detect and correct errors as they occur
Diffusion of accountability and responsibility	Clear accountability and responsibility supported with commensurate resources and decision making powers

Source: Public Innovators Playbook

Ten characteristics of successful performance management systems are summarized in “Get Results Through Performance Management: An Open Memorandum to Government Executives (State and Local Version)” by the Executive Session on Public Sector Performance Management, Harvard University, Kennedy School of Government. Successful systems are:

1. Outcome-focused
2. Provide a few, simple goals (they recommend a maximum of five), which resonant from the top throughout the organization
3. Challenging, but realistic
4. Cascade down through the organization and roll back up to top management
5. Broadly used
6. Visible
7. Interactive and informational
8. Frequently measured with current data
9. Segmented by program area
10. Fact-based

DHCD can copy available models and practices to improve its management. To do so, it has to engage its staff and stakeholders, identify its core values and purpose (mission) that need to be preserved, establish clear goals and objectives that are diffused throughout the organization, measure and monitor performance, and create transparent and open communication.

About the Authors

This report was prepared for the Office of Audits and Investigations, Prince George's County, Maryland by the Virginia Tech Center for Housing Research (<http://www.vchr.vt.edu>) in conjunction with its affiliated Metropolitan Institute and independent consultant John Kromer. The Virginia Tech team provided objectivity and the necessary depth and breadth of expertise for conducting a thorough review of the management functions of Prince George's County's Department of Housing and Community Development.

The Virginia Tech Center for Housing Research (CHR), located in Blacksburg, Virginia, is a university interdisciplinary research center and the state housing research center as established in 1989 by the General Assembly of the Commonwealth of Virginia. CHR is known as one of the leading academic centers of its kind with a mission to improve the affordability, durability, and quality of housing by creating knowledge through research. CHR is a leader in establishing metrics for housing affordability and helping localities make policy decisions through strategic planning. In addition, CHR has earned a national reputation for conducting sustainability and housing technology research and has completed numerous projects for the US Department of Housing and Urban Development and the National Science Foundation.

The Virginia Tech Metropolitan Institute (<http://www.mi.vt.edu>), CHR's affiliate in Alexandria, Virginia, provides complementary expertise in housing policy and additional depth in redevelopment planning. Additionally, the Metropolitan Institute has a special focus on the National Capital Region and its constituent communities.

John Kromer is an independent consultant with substantial expertise in directing, managing and advising local government on housing and community development (HCD) operations. He is a nationally recognized expert in local government HCD policy and management and the former Director of Housing for the City of Philadelphia, 1992-2001, and is the author of *Fixing Broken Cities: The Implementation of Urban Development Strategies*.

