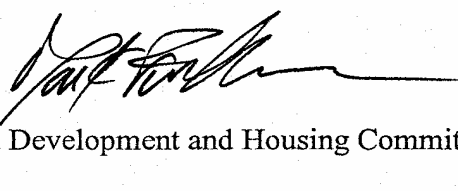




Inter-Departmental Communication

DATE: September 15, 2004

TO: Deb Hermann, Chair, and members of the Neighborhood Development and Housing Committee

FROM: Mark Funkhouser, City Auditor 

SUBJECT: Testimony to the Neighborhood Development and Housing Committee regarding HEDFC

Councilman Glover asked us to respond in writing to Ken Bacchus's testimony to the Neighborhood Development and Housing Committee August 18, 2004, following the release of our performance audit report, *The City's Housing Program and the Role of the Housing and Economic Development Financial Corporation, City of Kansas City, Missouri*, which we conducted jointly with the HUD Office of Inspector General. We obtained a transcript of the committee meeting from the City Communications Division. The transcript was compiled by the closed captioning service and contains phonetic spellings. The beginning of Mr. Bacchus's testimony is missing, as noted in the transcript. We've appended the public testimony portion of the transcript.

Mr. Bacchus said that he wanted to point out three areas where the auditors exhibited lack of understanding or presented misleading and inaccurate information. He discussed five areas of disagreement: our characterization of HEDFC's general and administrative expenses; how we calculated HEDFC's overall average monthly default rate; the City Manager's response published in the audit report was not complete; the percentage of the city's housing grant funds spent on administration; and the clarity of the city's comprehensive plan. He also questioned our expertise to audit housing programs. Mr. Bacchus stated that for these reasons he thinks the audit report is flawed altogether and characterized the audit as an attack against HEDFC.

General and administrative expense. Mr. Bacchus stated that Exhibit 16 in our report is inaccurate because the source we cite for HEDFC's administrative expense is the total for general and administrative expense. However, in the context of financial statement analysis, these terms are synonymous. General and Administrative expense refers to money that an organization spends on activities that support its mission but are not directly attributable to a program,¹ which is what we meant by administrative expense. Mr. Bacchus provided committee members with HEDFC's adjusted trial

¹ Steven A. Finkler, *Financial Management for Public Health and Not-for-Profit Organizations*, Prentice-Hall, Inc., 2001, pp. 308-309.

balance as of May 31, 2003, to illustrate that general and administrative costs include fees for technical advisors, site development, and lead-based paint remediation, and repeated this argument in a September 3, 2004, memorandum to the Mayor and Council. Because HEDFC did not directly allocate these costs to a program in its audited financial statement, we counted these costs as administrative expenses in our financial statement analysis. Our overall conclusion based on the financial statement analysis was that HEDFC's financial position had declined in the five years we reviewed. We based our conclusion on several ratios and trends. Even if we removed Exhibit 16, our conclusion would be the same.

Overall average monthly default rate. In his testimony and September 3rd memorandum, Mr. Bacchus recalculated HEDFC's overall average monthly default rate including HOME loans. As we noted in the report on page 35, we excluded HOME loans from the calculation because these loans are converted to grants once the homeowner has remained in the home for an established period of affordability. HOME loan recipients are required to repay the loan only if they move or sell the home before the period of affordability is up. In effect, these loans are really grants that are converted back to loans when certain conditions aren't met. Unfortunately, we can't tell from HEDFC's monthly Board reports or financial statements what percentage of HOME loan recipients are actually required to repay the loan. In any event, HEDFC agrees that the average monthly default rates for rehabilitation loans was 4.5 percent and for second mortgages was 18.6 percent between June 2002 and May 2003.

City Manager's response is incomplete. Mr. Bacchus noted in his testimony and September 3rd memorandum that our published audit report includes only 2 of 3 pages of the City Manager's response to the audit. He is correct. We inadvertently left off the last page of the City Manager's response when we scanned it in to the report. We've appended his complete response to this memorandum and have posted it on our web site. We regret the error.

City Housing and HEDFC administrative costs together were 40 percent of HOME and CDBG funds in fiscal year 2003. Mr. Bacchus stated that the administrative costs were reasonable and necessary. He also noted administrative costs taken as a percentage of annual expenditures or total spending on housing would be less than 40 percent. First, our finding was that the city's system for addressing housing needs is fragmented, which among other problems, increases administrative costs. An individual agency's administrative costs may be justified under this fragmented system as reasonable and necessary while overall costs are higher than they need to be.

As to the second point, Mr. Bacchus is mathematically correct that dividing the \$5 million by a larger number would yield a smaller percentage. We compared administrative costs to annual grant funding because this is the most straightforward comparison to provide context for the amount of administrative cost. Comparing overall administrative costs to overall expenditures is less straightforward because the system is fragmented and the grant funds pass through more than one agency. Oftentimes one grant dollar shows up as an expense on several balance sheets – the city's, HEDFC's and

a CDC's. Mr. Bacchus pointed out that we did not include Section 108 Loan Guarantee funds in the base in calculating administrative expenses as a percent of annual grant funding. We think this is a reasonable approach because administrative costs tend not to fluctuate from year to year, while loan funds are one-time and specific to a project. Also the considerable time lag between when the city appropriated these funds and when they were actually spent complicates annual comparisons.

The city is responsible for budgeting its use of grant funds. Comparing annual administrative expense to annual grant funds is a reasonable way to assess whether the administrative costs are reasonable. Again, our main point is not that HEDFC's administrative costs are high, it is that the city's system for administering housing funds is fragmented, which has resulted in poor performance, lack of accountability, and higher than necessary administrative costs overall.

Comprehensive housing plan. Mr. Bacchus expresses his opinion that the city's comprehensive plan is very clear and was approved by the City Council and HUD. We found that the city's 2003 Consolidated Plan did not specify measurable goals and objectives. This finding repeated what we found in our 2000 report, *Special Report: Kansas City Needs a Housing Policy*. We recommended then that the city develop a comprehensive housing strategy, including strategies and desired outcomes so the city could evaluate the effectiveness of housing activities and adjust them if necessary. While the city took some steps to develop a housing policy and gather additional information about housing stock, we found that the 2003 plan was not significantly different than the 1999 plan that we reviewed as part of the previous audit. Despite its efforts, the city still lacks measurable goals and objectives needed to assess the impact of its considerable investment in housing and community development.

The audit attacked HEDFC. Mr. Bacchus characterized the audit as attack against HEDFC. Our principle findings and all of our recommendations, however, were directed toward the city. We conducted this audit jointly with the HUD Office of Inspector General, which is organizationally separate and independent of HUD. Both of our offices follow Government Auditing Standards in conducting our work. We stand by our audit findings and conclusions and think the recommendations provide a means for the city to move forward. Finally we note that Mr. Bacchus has disagreed with several other recent studies and audits, including the BKD Operations Review (April 2002), KPMG's Performance Audit of the Department of Housing and Community Development (March 2004), and HEDFC's financial audit for the year ending May 31, 2003 (released July 2004).

These were the disagreements with our audit that Mr. Bacchus chose to discuss publicly. He did not dispute the facts we reported in the audit, but disagreed with our conclusions based on the facts. We describe the evidence that supports our conclusions in the report and believe the audit stands on its merit. We'd be happy to discuss any questions you may have.

Attachments

Cc: Mayor Kay Barnes
Members of the City Council
Wayne Cauthen, City Manager
Ken Bacchus, President/CEO of HEDFC

>> I'M GOING TO CALL FOR
PUBLIC TESTIMONY.
I DIDN'T MEAN TO HIT THE
GAVEL.
I GUESS I'M GETTING IN A
HURRY.
CALLING FOR PUBLIC
TESTIMONY.
PLEASE IDENTIFY YOURSELF.
>> MADAM CHAIR.
>> SURE.
>> THANK YOU VERY MUCH.
[CAPTIONING WILL CONTINUE
SHORTLY]
LIVING IN DANGEROUS, UNSAFE
BUILDS, POOR PEOPLE WITH NO
INCOME, POOR PEOPLE, NO
JOBS, AND POOR PEOPLE
BUYSICALLY WITH NO HOPE.
THE DEMONSTRATION CITIES AND
METROPOLITAN DEVELOPMENT ACT
OF 1996 INITIATED TO
DEMOLISH THE PROGRAM IN
1997.
IT WAS THE MODELS CITY
PROGRAM.
-- DISTRESSED NEIGHBORHOOD
IN MANY URBAN CITIES WERE ON
FIRES INCLUDING KANSAS CITY.
KANSAS CITY, MISSOURI,
THOUGH, NOT UNLIKE ITS
SISTER CITIES, LOOKED TO THE
FEDERAL GOVERNMENT AND ITS
RIOT LEGISLATION SUCH AS THE
MODEL CITIES AND HOUSING
COMMUNITY DEVELOPMENT ACT OF
1974, TO LIGHT A CANDLE OF
HOPE FOR LOW TO MODERATE
INCOME FAMILIES, RESIDING IN
SUBSTANDARD HOUSING AND
SEVERITY STRESSED
ENVIRONMENTS.
MODEL CITIES IN KANSAS CITY
IS IN CONFORMANCE WITH
FEDERAL LAW AND REGULATIONS
ESTABLISHED A HOUSING SYSTEM
COMPRISED OF THREE PRIMARY
COMPONENTS IN KANSAS CITY.
A HOUSING DIVISION NOW, WAS
A HOUSING DEPARTMENT, THE
CREATION OF A MODELS CITIES
HOUSE DEVELOPMENT
CORPORATION AND INFORMATION
CENTER, WHICH IS THE OWNER
IS CURRENTLY HE HAD F.
-- HEDFC.

AND NEIGHBORHOOD COMMUNITY DEVELOPMENTS TO ESTABLISH -- WE SAID THIS BECAUSE IT IS SIGNIFICANT, COUNCILMAN GLOVER, FOR YOU TO UNDERSTAND THAT I KNOW YOU DO KNOW THAT.

THERE WERE THREE KEY FIGURES WITHIN CITY GOVERNMENT DURING THE TIME WHO WERE TRUE VISIONARIES.

THIS INCLUDES FORMER MAYOR ALICE DAVIS, WHO MET IN MARCH WITH DEMONSTRATORS IN 1968 ON THE FRONT STEPS OF THEIR CITY HALL.

JOHN TAYLOR, THE CITY MANAGER AT THE TIME, AT THE TIME WHO WAS -- WHO WERE CHARGED BY THE MAYOR AND THE COUNCIL AT THE TIME TO FIND A SOLUTION TO THE THOUSANDS OF HUMAN BEINGS LIVING IN DANGEROUS, UNSAFE BUILDINGS, POOR PEOPLE WITH NO INCOME, POOR PEOPLE WITH NO JOBS, POOR PEOPLE BASICALLY WITH NO HOPE.

GENTLEMEN, LADIES AND GENTLEMEN, THOSE DECISIONS WERE MADE IN THIS CHAMBER MORE THAN 37 YEARS AGO. THE ONLY DIFFERENCE IS THERE WAS A FIRE HERE SOME TIME AGO AND A LOT OF WATER DAMAGE, SO THERE'S -- IT SORT OF CHANGED A LITTLE BIT, BUT IT'S ESSENTIALLY THE SAME CHAMBER.

JOHN TAYLOR IDENTIFIED A MAN NAMED JAMES ARATHLETE.

A MUCH YOUNGER ALVIN BROOKS WHO YOU SERVED ON THE COMING UP AT THE TIME WAS A FORMER POLICE OFFICER.

ALVIN WAS ASKED TO GO TO WASHINGTON, D.C., , AND CONVINCE MR. ATHLETE TO COME TO KANSAS CITY TO DEVELOP A MAN TO ADDRESS THE MYRIAD OF ISSUES FACING KANSAS CITY.

MY POINT OUT THAT JIM THR {ERKS} ET OVER HIS YEARS IN KANSAS CITY NOT ONLY TOOK ON THE BLIGHT IN KANSAS CITY BUT HE TOOK HUD ON.

HE TOOK HUD ON AND ACTUALLY

WON IN WASHINGTON, D.C.
HE HAD MANY DISAGREEMENTS
WITH THE LOCAL HUD OFFICE.
AND I WOULD SAY THAT HE
PROBABLY WON MOST OF THOSE
DEALS AND FOR THAT PURPOSE,
WE HAVE SOME OF THE BEST
HOUSING DELIVERY PROGRAMS IN
THIS COUNTRY, AND WE'VE BEEN
MODELED AFTER THAT.
ANOTHER PERSON WHO'S STILL
AROUND TODAY AND AT THE TIME
WAS ACTIVE IN JACKSON COUNTY
GOVERNMENT IS OUR MAYOR KAY
BARNES.
SHE WAS INVOLVED IN THE
PERIPHERY BE MANNERT BUT THE
DIVISIONS OF JOHN TAYLOR,
FORMER MAYOR ALICE DAVIS AND
THE FORMER ASSISTANT CITY
MANAGER, SPAWNED THE
CREATION OF SEVERAL
MULTICITY CORPORATIONS
INCLUDING THE FUNCTIONING
AREAS OF HEALTH CARE, CHILD
CARE SERVICES, COMMUNITY AND
ECONOMIC DEVELOPMENT.
THESE CORPORATIONS CREATED
WITH THE DIRECT ASSISTANCE
OF CITY HALL TO REGULAR
ASSIST IN ADDRESSING THE
ISSUES OF EMPLOYMENT,
BLIGHTED PROPERTIES, POOR
HOUSING, SUBSTANDARD HOUSE
CARE.
TODAY THE CITY PARTNER STILL
WITH THESE ORGANIZATIONS.
THEY'RE CALLED THE
MULTICITIES CORPORATION OR
HE HAD {FEK}.
SWOPE, HEALTH SERVICES, KCMC
CHILD DEVELOPMENT
CORPORATION.
THESE ORGANIZATIONS AND
CORPORATIONS WERE FORMED,
THE THAT THE FOR THEM WAS
FORMED HERE IN CITY HALL.
AND YOU CAN'T FORGET THAT.
WE WERE NOT SOME GROUP THAT
WAS FORMED BECAUSE PEOPLE
CAME TOGETHER OUTSIDE THE
CITY HALL.
IT WAS FORMED INSIDE CITY
HALL TO DEAL WITH THESE
MYRIAD OF ISSUES.
GIVEN THE HISTORICAL
INFORMATION, BECAUSE I THINK

IT'S IMPORTANT.
I WOULD LIKE TO POINT OUT
THREE AREAS WHERE THE
AUDITORS {IZ} ON LACK OF
UNDERSTANDING, MISLEADING
AND INACCURATE INFORMATION
HAVE LED TO UNFOUNDED
CONCLUSIONS.
WE'RE PASSING OUT A PACKET
TO YOU NOW AND I WOULD ASK
YOU TO FOLLOW WITH US.
AND THIS IS DIRECTLY RELATED
TO COUNCILWOMAN HERMANN AND
COUNCILMAN GLOVER TO -- YOU
CAN PULL OUT YOUR AUDIT, BUT
I HAVE IT ARRANGED FOR YOU.
IF YOU LOOK AT PHILLIP
ARRANGED FOUR.
IF YOU -- -- ARRANGED FOR
YOU.
THE AUDITOR'S REPORT THAT'S
FISCAL YEAR OF 2003 HEDFC
BUDGET TO ACTUAL
ADMINISTRATIVE EXPENSES WAS
\$2,429,183 WITH A SOURCE
BEING THE SOURCE IS SOURCE
SIDED IS A FINANCIAL -- THE
SOURCE CITED IS THE AUDITED
FINANCIAL STATEMENTS.
I HAVE PREPARED BEFORE I'M
GIVEN YOU PAGE 4 OUT OF OUR
AUDIT WHICH INDICATE THAT IS
THE EXHIBIT IS MISLEADING.
IN FACT, THE REPORT
INDICATES THAT THE AMOUNT IS
FOR GENERAL AND
ADMINISTRATIVE EXPENSES.
IF YOU WOULD FOLLOW WITH ME,
I'D APPRECIATE IT.
AUDITORS KNOW THIS NUMBER IS
DERIVED FROM THE GENERAL
LEDGER AND TRIAL BALANCE.
I HAVE PROVIDED YOU A COPY
OF PAGE 4 FROM OUR AUDIT --
THE TRIAL BALANCE IS
ATTACHED TO THAT.
IF YOU WOULD RETURN TO THE
TRIAL BALANCE SHEET, IT'S A
2-PAGE REPORT LIKE THIS.
I HAVE A NUMBER OF ITEMS
HIGHLIGHTED.
ATTACHED TO THIS IS A SERIES
OF ACCOUNTS.
SOME OF WHICH ARE
HIGHLIGHTED.
PLEASE NOTE ACCOUNT NUMBER
5605 THAT I HAVE NOTED TO

THE LEFT.
THAT IS FOR \$221,061,
EXPENSES FOR TECHNICAL
ADVISORS, FOR OUR WORK WHICH
C.D.C.s IN PRODUCING THEIR
WORK.

ACCOUNT 5627, LEAD-BASED
PAINT REMEDIATION.
THE AMOUNT AND THE AMOUNT IS
NOTED AS I THINK ABOUT 1 --
\$67,000.

ACCOUNT NUMBER 5695, WHICH
IS SITE DEVELOPMENT, THAT
AMOUNT IS 2 RATE \$5,000.
-- \$285,000.

ALL OF THESE ACCOUNTS ARE
PART OF THE GENERAL PART OF
GENERAL AND ADMINISTRATIVE
EXPENSES.

IDENTIFIED IN THE AUDIT.
YOU WILL NOTE THAT THEY
ACCOUNT FOR MORE THAN
\$800,000 IN THE SECOND PAGE.
IF YOU SUBTRACT THIS AMOUNT
FROM THE 2, \$425 FIGURE IN
THE ADMINISTRATIVE PORTION,
IT DROPS TO \$1.6 MILLION,
WHICH FAIRLY REPRESENTS OUR
ADMINISTRATIVE BUDGET FOR
THE PERIOD.

IF YOU GO THEN TO PAGE 31
AND LOOK AT THAT
\$2,4259,000, THE MISLEADING
POINT HERE IS THAT THE
AUDITORS INDICATE IT'S FOR
ADMINISTRATIVE EXPENSES.
THE SOURCE CITED IS OUR
AUDIT AND FINANCIAL
STATEMENTS.

OUR AUDITED FINANCIAL
STATEMENTS SIMPLY SAY IT'S
FOR GENERAL AND ADD VATIVE
EXPENSES.

-- ADMINISTRATIVE EXPENSES.
SO THE INFORMATION IS
MISLEADING AND INACCURATE
AND THAT IS ANOTHER REASON
WHY WE THINK THAT THE REPORT
IS FLAWED ALTOGETHER.
ITEM NUMBER 2, REFEREND TO
AUDIT PAGE 34 AND 35.
EXHIBIT NUMBER 22.

AVERAGE PERCENT OF LOAN
DELINQUENT 2002-2003.
THIS STATEMENT IS INCORRECT.
THE CONTRACT SPECIFICALLY,
OUR CONTRACT WITH YOU

SPECIFICALLY REQUIRES LOAN COLLECTIONS, INVESTMENT OF PRINCIPAL AND INTEREST REPAYMENTS, THE EXERCISE OF NECESSARY AND APPROPRIATE FORBEARANCE ARRANGEMENTS AND FORECLOSURES.

IT WOULD BE UNREALISTIC TO REQUIRE A MINIMAL DELINQUENCY RATES. SINCE IT WOULD BE OUTSIDE OF HEDFC'S CONTROL.

WE MANAGE A PORTFOLIO OF 7 TOON00 SINGLE-FAMILY -- 1700 SINGLE-FAMILY LOANS.

WE'VE PORT FORT FOLIO MANAGERS INDICATE THE WAY WE HAVE CALCULATED THE DELINQUENCY RATES ARE PER INDUSTRY STANDARDS.

IF YOU LOOK TO OUR COMMENTS, ON PAGE -- YOU'LL SEE THAT THE AMOUNT IS 4.54%.

AND THE INDUSTRY PEOPLE THAT WE'VE TALKED TO IN THE PRIVATE SECTOR TELL US THAT RATE IS VERY GOOD CONSIDERING THE TYPE OF LOANS THAT WE MAINTAIN AND ALSO THAT THE CLIENTS THAT WE SERVE.

PLEASE UNDERSTAND THAT IF YOU DESIRE HEDFC TO MAINTAIN A SPECIFIC DELINQUENCY RATE WHICH YOU DO NOT REQUIRE TODAY, WE CAN DO THAT.

BUT MANY OF YOUR CONSTIT -- CONSTIT WENTS INCLUDING THE LOCAL CLERGY WILL BE CALLING YOU FOR ASSISTANCE BECAUSE WE'LL BE FORECLOSING ON A LOT OF PROPERTIES.

INSTEAD, WE SEE THAT OUR GOAL HAS BEEN THE MAINTENANCE OF AFFORDABLE HOUSING AND SUITABLE LIVING ENVIRONMENTS.

WE MAKE LOANS AND WE DO EXPECT PERSONS TO REPAY THOSE LOANS.

WE AGGRESSIVELY MONITOR CONFORMANCE OF LOAN PAYMENTS.

WE TEND TO WORK WITH THE CLIENTS.

WE COUNSEL THEM AND WE USE FORBEARANCE PROCEDURES PRIOR

TO ANY FORECLOSURE.
WE GO OUT OF THE WAY TO MAKE
CERTAIN PEOPLE ARE
MAINTAINED IN THEIR HOUSING.
IF YOU WANT US TO PLAY THE
NUMBERS GAME, WE CAN BE
BETTER THAN THE PRIVATE
SECTOR.
BUT THE CONSEQUENCES I DON'T
THINK ANY OF US REALLY WANT.
IT GOES AGAINST THE OVERALL
GOAL OF WHAT WE'RE TRYING TO
DO.
AND FOR THIS REASON, ON
NUMBER TWO, WE THINK THE
INFORMATIONs LEADING AND
INACCURATE.

WE -- A THIRD EXAMPLE.
WE COULD DO THIS ALL DAY,
BUT WE'LL JUST GIVE YOU
THREE.

PAGE 44 AND 45.
THIS IS THE CITY MANAGER'S
RESPONSE TO THE AUDIT.
I PROVIDED A COPY OF THE
RESPONSE FROM THE AUDIT
MANAGER FOR -- CITY MANAGER,
FOLDERED IT TO ME BY HIS
OFFICE.

YOU WILL NOTE THAT THE CITY
MANAGER'S MEMORANDUM
INCLUDES ON TOP OF PAGE 2
THAT IT IS PAGE 2 OF THREE.
WHAT IS MISSING IN THE AUDIT
IS THE MANAGER'S EXACT
MEMORANDUM AS PROVIDED TO HE
HAD -- TO HEDFC.

AND MR. FRANKLIN CAN TELL
YOU IF THIS IS IN FACT A
MANAGER'S RESPONSE.
IN PARTICULAR, I DIRECT TO
YOU PAGE 3 AND HIS COMMENTS
REGARDING FINDING NUMBER
THREE.

YOU WILL NOTE THAT THE CITY
MANAGER'S RESPONSE, WHICH IS
NOT PART OF THE AUDIT
DOCUMENTS, THE MANAGER'S
THIRD 3% OF HIS RESPONSE --
33% OF HIS RESPONSE,
MR. FUNG LOSTER AND
MR. HUSKIN DID NOT PUBLISH.
THE QUESTION WAS, HEDFC'S
FINDING NUMBER THREE,
OPERATION DEFICIENCIES
CONTRIBUTED TO POOR SYSTEM

PERFORMANCE.
CITY MANAGER SAID, HE
SUBSTANTIALLY AGREED WITH
THE RESERVATIONS.
AS STATED IN FINDING NUMBER
2, THE CITY PLANS TO MORE
CLEARLY DEFINE HEDFC'S
EXPECTED OUTCOMES, INTERNAL
SYSTEMS CHANGES AT THE
AGENCY TO MEET THESE
EXPECTATIONS ARE A MATTER OF
HEDFC'S BOARD AND MANAGEMENT
TO DEVELOP.

THE CITY MANAGER'S OFFICE
HAS NO WAY AT THIS TIME TO
VERIFY OR SUPPORT THE
CONTENTIONS IN THE AUDIT
RELATED TO HEDFC
PERFORMANCE.

MEMBERS OF THE COMMITTEE,
THE INFORMATION IS
MISLEADING.

AND INACCURATE IN THE AUDIT.
AND WE NORMALLY TRY TO FIND
WAYS TO WORK WITH PEOPLE,
NOT AGAINST THEM.

I REFER YOU BACK TO PAGE 16,
COUNCILMAN GLOVER.

YOU MENTIONED THAT THE 40%
PIECE, 40% OF THE BUDGET
GOING TOWARD ADMINISTRATIVE
EXPENSES.

ANOTHER PIE.

-- AND I WASN'T GOING
MENTION THIS ONE BECAUSE IT
WAS NOT ONE I WANTED TO
MENG, BUT IT TALKED ABOUT
40% OF THE CDBG BUDGET WENT
TO ADMINISTRATIVE PURPOSES.
IF YOU REFER TO OUR PAGE
NUMBER 8, WHICH IS IN THE
BOOK PAGE 54, ADMINISTRATIVE
COSTS, WE SAY ARE REASONABLE
IN A LOT OF FEDERAL
REGULATIONS OF THE CITY
COUNCIL DETERMINATION THAT
PRODUCTION ACTIVITIES AND
ASSOCIATED COSTS WERE
NECESSARY.

FOR THE CONTRACTS ENDING MAY
31, 2003, THE CITY HEDFC AND
C.D.C.s TOTAL COMBINED
BUDGET PUBLIC PASSENGER WAS
IN EXCESS OF \$31 MILLION.
HEDFC SPENT CLOSE TO \$20
MILLION IN ECONOMIC
DEVELOPMENT FUNDS.

HE'S ONLY TALKING ABOUT THE AMOUNT OF HOME CDBG DOLLARS THAT YEAR, NOT THE AMOUNT OF OUR TOTAL BUDGETS.

WHEN YOU LOOK AT THIS IN RELATIONSHIP TO WHAT WE ACTUALLY DID, AND OUR TOTAL CONTRACTED YEAR, WE FIGURE CONSERVATIVELY THAT IT'S 15%.

IF YOU LOOK AT ALL THE C.D.C. BUDGETS, WE ALL PRODUCED SOMETHING.

WE ALL HAVE INCOMES BEYOND THE CONTRACTED AMOUNT.

I WOULD SAY IF YOU LOOK AT ALL THE C.D.C.s BUDGET, THE AMOUNT OF PUBLIC SUPPORT VIS-A-VIS THEIR PRIVATE OWN INCOME SUPPORT, THE ADMINISTRATIVE EXPENSES WOULD BE AROUND 5%.

YOU'VE GOT TO LOOK AT THE INFORMATION THAT IS PRESENTED TO YOU.

THIS INFORMATION IS MISLEADING AND INACCURATE. THIS IS ALL WE HAVE TO SAY PUBLICLY ABOUT THE AUDIT TODAY.

THE REMAINDER OF OUR COMMENTS IS PRESENT IN THE ABEEN -- APPENDIX OF THE AUDIT.

WHAT WE HAVE POINTED OUT TO YOU IS THAT THIS AUDIT TEAM HAS MISLED YOU.

HAS NOT PRESENTED INFORMATION IN A TRUTHFUL MANNER.

THE REAL QUESTION IS WHY. HEDFC WILL NOW STAND BY AS WE ARE TACKED IN SUCH A MANNER AS THIS.

-- ATTACKED IN SUCH A MANNER AS THIS.

MY FATHER WAS A SEABEE DURING WORLD WAR II.

AND HE WOULD SAY -- HE CALLED THEM SOMETHING ELSE. AND I THINK YOU KNOW WHAT HE CALLED THEM.

BUT I'M BEING NICE TODAY.

REFERENCE IN THE COMPREHENSIVE PLAN, YOU -- I'VE SAID IT FOR EIGHT YEARS.

YOU'VE SAT HEAR MORE MANY YEARS, JIM, YOU TICKLY AND WE -- MR. RODER, FROM THE CDP DIVISION OF HUD, NOT THE HOUSING PRODUCT SIDE, BUT COMMUNITY PLANNING AND DEVELOPMENT DIVISION, BASICALLY IS A MONITORING ARM OF HUD.

THEY DEAL WITH WHETHER YOU ACTUALLY -- ARE YOU CONFORMANCE WITH THE REGULATIONS T. CITY AND THE DEPARTMENT HAS HAD ITSION ISSUES OVER THE YEAR, BUT FOR MANY YEARS INCLUDING THIS PAST YEAR, MR. RODER HAS APPROVED YOUR COMPREHENSIVE PLAN.

IF YOU LOOK AT THE DOCUMENT, THE DOCUMENT IS VERY CLEAR ABOUT WHAT IT SHOULD AND SHOULDN'T DO.

THE FACT THAT WHEN WE MET WITH THE AUDITORS, WE ASKED THEM A SERIES OF QUESTIONS IN THE EXIT INTERVIEW. WE ASKED THEM PARTICULARLY ABOUT HOUSING POLICY AND HOW IT RELATES TO THE LOCAL HOUSING POLICIES. THEY COULDN'T ANSWER OUR QUESTIONS.

MR. FUNKHAUSER FINALLY SAID WE ARE SYSTEMS EXPERTS, NOT HOUSING EXPERTS, AND I WILL TELL YOU THAT BASED UPON MY YEARS OF EXPERIENCE IN THE HOUSING AND COMMUNITY DIFFERENT BUSINESS, UNLESS YOU KNOW THIS BUSINESS IT'S VERY DIFFICULT TO AUDIT IT, PARTICULARLY WHERE YOU HAVE CONCLUSION THAT IS YOU ARE SIMPLY GOING TO TRY TO FIND -- CONCLUSIONS THAT YOU ARE SIMPLY GOING TO TRY TO FIND A WAY TO BACK THEM UP.

THERE WAS A LOT OF EMPHASIS ON UKMKC HOUSING CONDITIONS SURVEY.

AS A PLANNER, YOU LOOK FOR ITEMS WHEN YOU DO A PLAN. THE COMPREHENSIVE PLAN THAT YOU HAVE APPROVED GO THROUGH A MYRIAD OF INFORMATION, INCLUDING ALL SORTS OF

DOCUMENTATION, INCLUDING THE
2000 CENSUS.

IT EVEN ACTUALLY INCLUDED --
IT LOOKED FOR CHANGE IN
PATTERNS.

THERE WAS A HOUSING
CONDITION SURVEY DONE IN THE
MID 90s.

THE UPDATED ONE WAS DONE BY
LOCK -- KANSAS CITY
NEIGHBORHOOD ALLIANCE AND
UMKC.

THEY WERE THE DEPOSITORY.
THEY CALLED IT UMKC SURVEY.
THAT SURVEY WAS DONE IN TOY
90s FROM A PLANNING
PERSPECTIVE.

YOU LOOK AT THE '90s SURVEY,
THE 2001 SURVEY, AND YOU
LOOK FOR PATTERNS OF CHANGE.
THAT SURVEY IN AND OF ITSELF
IS HARDLY ENOUGH TO BASE A
WHOLE PLAN ON.

IT IS A VERY SMALL TOOL IN
THE LARGE TOOLBOX TO
CONSIDER COMMUNITY PLANNING
AND DEVELOPMENT AND HOW IT
BOX.

I JUST WANT TO -- THERE'S
JUST ONE THING ABOUT YOU.
BOB, I'M A TRANSIT IN KANSAS
CITY AND HOUSING.

I'VE HAD AN OPPORTUNITY GO
BACK THROUGH OUR ANNUAL
REPORTS AND SEE SOME THINGS.
IN 1980 TO 1999, JIM, AND
YOU I SERVED EIGHT YEARS
DURING THAT PERIOD OF OF
TIME.

HOUSING IN KANSAS CITY, WE
LOOKED FOR TRENDS ABOUT WHAT
HAPPENS WHEN WE INVEST A
PUBLIC DOLLAR.

HOW DO WE GET THE PRIVATE
SECTOR INVOLVED?
FROM 1980 TO 1999, THERE WAS
CLOSE TO HALF BILLION
DOLLARS INVESTED IN THESE
COMMUNITY DEVELOPMENT AREAS.
TOTE TOTAL, WITH PUBLIC AND
PRIVATE DOLLARS.

FOR EVERY ONE DOLLAR WE
SPENT, DURING THAT PERIOD OF
TIME, WE RECEIVED \$2.87 IN
PRIVATE DOLLARS.

NOT A BAD NUMBER.

BACK DURING THE EARLY '80s

WHEN I WAS A STAFF HERE, WE
DONE THE U DAK PLAN FOR WHAT
CURRENTSLY THE DOWNTOWN
MARRIOTT.

USED TO BE THE VISTA.

WE WERE LOOKING FOR ONE TO
TWO AND A HALF TO THREE
RATIOS.

SO THIS KIND OF STAYED
THERE.

BUT WHAT WAS MORE IMPORTANT
IS WHAT HAS HAPPENED SINCE
2000.

WE'RE WITH THE WORK THAT THE
MAYOR HAS PUT TOGETHER SINCE
1999, THE FIRST COUNCIL FROM
'99 TO '03 AND THIS COUNCIL,
YOU HAVE NOTHING TO HOLD
YOUR HEAD DOWN ABOUT,
BECAUSE THIS IS INFORMATION,
THIS IS WHAT WE'RE REALLY
TRYING TO GET TO.

2000 TO CURRENT, EVERY
DOLLAR YOU SPEND, WE HAVE
RECEIVED \$5.27 IN PRIVATE
INVESTMENTS.

I SAY THAT THE TRENDS ARE
GOING IN IN RIGHT DIRECTION.
YOU SPENT 42, SRS00,000
TOWARD MULTIFAMILY AND
SINGLE-FAMILY AND ECONOMIC
DEVELOPMENT THROUGH HEDFC
DURING THAT -- THAT'S 2000.

WE HAVE RECEIVED 2 OVER
EASTERN \$224 MILLION IN
PRIVATE INVESTMENTS FOR 42
MILLION OF YOUR INVESTMENT
FOR A \$1 TO EVERY \$5.27.

I SAY WE'RE DOING THE RIGHT
THING.

HEDFC HAS BEEN WORKING VERY
CLOSELY WITH JOHN FRANKLIN,
AND CITY MAG, HIS OFFICE
STAFF.

WE BELIEVE AS WE'VE SAID
BEFORE THAT THOUSANDSING
TASK FORCE IS THE RIGHT
THING DO DID.

IT IS AN UPDATE FROM 2001.
IT'S ABBE OPPORTUNITY TO PUT
TOGETHER SOME OF THE BEST
PRACTICES ALL OVER THE
COUNTRY.

MANY OF THOSE BEST PRACTICES
WERE STARTED AND TRIED RIGHT
HERE IN KANSAS CITY.

AND WE LOOK FORWARD, THE

CHAIRMAN OF MY BOARD,
MR. ROGER SMITH 6 ON THAT
HOUSING TASK FORCE WITH YOU,
COUNCILWOMAN HERMANN.
WE BELIEVE THAT IS THE RIGHT
THING DO.
AND I THANK YOU FOR YOUR
TIME.
AND I THINK MY CHAIRMAN MAY
HAVE A FEW COMMENTS.
>> GOOD AFTERNOON.
I'LL BE REAL BRIEF.
REGINALD SMITH, CHAIRMAN OF
THE BOARD OF DIRECTORS FOR
HEDFC.
WE ARE IN FULL AGREEMENT
THAT THE HOUSING IN KANSAS
CITY HAS TO BE EXPANDED AND
HAS TO IMPROVED AND THAT'S
WHAT HEDFC DOES FROM A
FINANCIAL AND DEVELOPMENT
STANDPOINT.
HEDFC DOES NOT CRO YOU HO
HOUSES ARE NECESSARILY BUILT
AND WHERE THEY'RE BUILT AND
UNDER WHAT CONDITIONS.
SOME OF THE THINGS YOU
DESCRIBE WAS IN THE REPORT
TALKS AS IF HEDFC SHOULD BE
IN CONTROL OF UNITS OF
PRODUCTION.
IF WE ARE CHARGED WITH THAT,
THEN THAT WILL BE OUR CHARGE
AND WE WILL MOVE FORWARD.
BUT UNTIL NOW, IT HAS NOT
BEEN OR CHARGE.
OTHERS HAVE BEEN INVOLVED IN
PRODUCTION.
SO IF A HOUSE IS BUILT SOME
WHERE AND IT'S DECIDED AN
ORGANIZATION SHOULD DO THAT
AND THAT HOUSE DOESN'T SELL
{SHX} SHOULD NOT BE OUR
FAULT AT THIS POINT.
WE'LL BE GLAD TO TAKE ON
THAT ROLE.
EVERY MEMBER OF THE BOARD OF
DIRECTORS IS IN FULL SUPPORT
OF ENHANCING HOUSING FOR
LOW TO MODDATE INCOME
HOUSEHOLDS, NEIGHBORHOODS,
AND THE URBAN CORE, WE'RE
THERE.
EVERYTHING WE CAN DO TO HELP
US MOVE FORWARD, THAT'S
WHERE WE STAND.
THAT'S ALL.

>> THANK YOU.
I AM GOING TO -- I'M FAILING
AS A COMMITTEE CHAIR, IN
THAT THIS IS THE ONLY
COMMITTEE THAT TAKES TWO
HOURS TO COVER THREE ITEMS.
[LAUGHTER]
>> THIS IS A PRETTY
IMPORTANT EYE TEN.
>> IT'S A VERY IMPORTANT
ITEM.
AND I AM GOING TO CLOSE THE
TESTIMONY AT THIS TIME.
BE MORE THAN GLAD TO --
>> NO -- I THINK WE HAVE AN
ORGANIZATION CALLED CCO THAT
HAS BEEN WAITING DILIGENTLY.
AND HAS PREPARED A REPORT --
>> ONE AND A HALF
TRIPLE-SPACED PAGES.
I THINK SURELY YOU HAVE TIME
FOR THAT.
>> CHURCH COMMUNITY
ORGANIZATION.
>> I UNDERSTAND.
AND MY APPOINTMENT I GUESS
WILL -- I'M STILL GOING TO
MAKE MY STATEMENT.
WE WILL TAKE A VERY LIMITED
AMOUNT OF -- I MAY GO BACK
AND SEE IF I CAN FIND
SOMEONE TO SIT IN FOR ME FOR
A FEW MINUTES TO COMPLETE
THIS.
I WANT TO SAY WE'RE CLOSING
OFF A DISCUSSION.
ONE THING I HAVE LEARNED IN
THE LAST 16, 14 MONTHS,
WHATEVER IT'S BEEN THAT I'VE
BEEN HERE, IS THAT THE
MANAGER, THE COUNCIL,
MR. BACCHUS, HEDFC,
MR. FUNKHAUSER, THE PEOPLE
FROM HUD, TERRY GRATS WHO'S
BEEN VERY HELPFUL, WE ALL
WANT TO BE AT THE SAME
PLACE.
AND WHAT HAS KEPT US FROM
MOVING FORWARD ARE PERSONAL
CONFLICTS FROM THE PAST,
PEOPLE WISHING TO BLAME
OTHERS FOR THE INEQUITIES IN
THE SYSTEM, WHICH CERTAINLY
EXISTS.
UNTIL WE CAN GET PAST THAT,
AND TODAY I'M TOMING A
TRUCE.

WE ARE PAST THAT TODAY.
-- I'M CALLING A TRUCE.
WE ARE PAST THAT TODAY.
IT'S PAST FORWARD.
MOVING PAST FORWARD
POSITIVELY TO IMPACT CHANGES
AS WE GO FORWARD.
I DID NOT MEAN TO BE RUDE,
BUT THERE'S A LIMIT TO
EVERYONE'S TIME.
I'M GOING TO TAKE YOUR
TESTIMONY.
BUT GENERALLY, WE'RE NOT --
>> IT'S SHORT AND SWEPT.
>> WE'RE NOT REQUIRED TO
TAKE TESTIMONY ON DISCUSSION
ITEMS.
BUT THANK YOU.
>> I AM SHIRLEY DONINS, A
RESIDENT OF RUSKIN HEIGHTS
AND A MEMBER OF SAINT
MATTHEWS CHURCH COMMUNITY
ORGANIZATION OR CCO.
THE KANSAS CITY CHURCH
COMMUNITY ORGANIZATION HAS
REVIEWED THE LATEST ODD, THE
8 LEFT-{YUTD} OF HEDFC --
THE LATEST AUDIT OF HEDFC
AND THE CITY'S HOUSING
DEPARTMENT.
SEVEN OF THE EIGHT
RECOMMENDATIONS OF THIS
AUDIT CLOSELY MIRROR THE
ACTION STEP THAT IS CCO
CALLED FOR AT OUR PUBLIC
MEETING IN JUNE, WHICH WAS
ATTENDED BY 500 PEOPLE.
THIS AUDIT RECOMMENDS THAT
THE CITY TAKE RESPONSIBILITY
FOR IDENTIFYING AND
ADDRESSING HOUSING NEEDS IN
OUR COMMUNITIES, AND
ESTABLISH PROCEDURES TO
ENSURE ACCOUNTABILITY AND
GOOD STEWARDSHIP OF THE FAX
PAIRS' MONEY.
-- THE TAXPAYERS' MONEY.
FOR TOO LONG CCO HAS BROUGHT
CONCERNS TO SENIOR CITY
STAFF ONLY TO HEAR THAT,
THIS IS THE VERY FIRST TIME
WE'VE HEARD ABOUT THESE
PROBLEMS.
CCO INVITES EVERY MEMBER OF
THIS COMMITTEE AND THE
ENTIRE COUNCIL TO SIT DOWN
WITH US AND HEAR OUR

STORIES.
WE NEED A SYSTEM THAT PUTS
NEIGHBORHOODS FIRST.
, NOT SPECIAL INTERESTS.
WE HOPE THAT YOU WILL SEE
THIS AUDIT AS WE DO, AS A
STEP TOWARD BRINGING
REASONABLE CHANGE TO A
SYSTEM THAT CERTAINLY NEEDS
IT.
WE AT CCO WILL CONTINUE TO
MONITOR THE PROGRESS OF THE
CITY'S HOUSING REFORM
EFFORT.
WE ALSO PROMISE TO MAKE
EVERY EFFORT OURSELVES TO BE
PRESENT WHERE AND WHEN OUR
PRESENCE MATTERS.
THANK YOU VERY MUCH.
>> THANK YOU.
>> THANK YOU FOR YOUR
TESTIMONY AND YOUR WORK.
[APPLAUSE]
>> BRIEFLY, PLEASE.
>> MY NAME IS LEWIS WRIGHT.
AND I'M VICE PRESIDENT OF
BEACON HILL'S McPETERS
NEIGHBORHOOD.
I'M ALSO A RESIDENT.
BEEN THERE FOR A LONG TIME.
I JUST WANT TO SAY, IF YOU
ALL HAVE ENOUGH TIME TO
REALLY DISCUSS THIS, WE DO
AGREE THAT THERE ARE A LOT
OF PROBLEMS, AND MY THING ON
THIS, COME SEE WHERE WE ARE
AND HOW WE FEEL.
RIGHT NOW WITH ALL DUE
RESPECT TO THE GENTLEMEN
HERE AND THEY'RE
REPRESENTATIVES, HEDFC IS A
BAD WORD IN THE
NEIGHBORHOOD.
I'VE TALKED TO A NUMBER OF
RESIDENTS.
THEY FEEL THAT THERE'S NO
WAY THAT HE CAN TRUST BASED
ON WHAT {TLEF} SEEN AT THIS
PARTICULAR POINT.
CITY COUNCIL
REPRESENTATIVES, WE HAVE HAD
ALMOST NO RESPONSE FROM THEM
IN REGARDS TO WHAT WE'RE
GOING THROUGH AT THIS POINT
IN TIME.
I'VE GOT SOME PICTURES THAT
I HAVE TAKEN THAT YOU'RE

MORE THAN WELCOME TO LOOK AT
JUST TO {KOOFBD} GET AN IDEA
OF WHAT IT IS THAT WE ARE
GOING THROUGH.

I UNDERSTAND THAT THIS IS
GOING TO TAKE A LOT OF
EFFORT FROM ALL PARTIES
INVOLVED TO GET THIS TURNED
AROUND, BUT RIGHT NOW FOR
US, OUR RESIDENTS, WORDS
AREN'T GOING TO CUT IT.

>> MR. WRIGHT, I JUST WANT
TO -- I BELIEVE THAT I WAS
INTRODUCED TO YOU THE FIRST
TIME.

>> YES.

>> A WEEK AGO TODAY?
AND I BELIEVE I'M COMING TO
YOUR NEIGHBORHOOD ON
SATURDAY MORNING.

>> AND WE WILL HAVE --.

>> GIVING CREDIT WHERE
CREDIT IS DUE, I THINK
THAT'S PRETTY RESPONSIVE.

>> OKAY.

SO I JUST WANT TO SAY THAT
WE LOOK FORWARD TO SEEING
YOU AGAIN SATURDAY.
THANK YOU.

>> THANK YOU.

>> I WOULD LIKE TO MAKE A
REQUEST.

IN RESPECT TO YOUR COMMENTS,
KEN, I WOULD LIKE THE CITY
AUTO TEAM TO GET A
TRANSCRIPT OF THAT AND GIVE
US A REPLY.

BECAUSE IT DOES MAKE SERIOUS
CHALLENGES, AND I WOULD
EXPECT THAT -- I'M TRYING TO
-- MARK, YOU WOULD BE ABLE
TO REPLY THAT THOSE AND I
THINK THOSE SHOULD BE IN THE
RECORD, THAT REPLY?
COULD YOU DO THAT?
FOR US?

>> AS WE INDICATED, IN OUR
RESPONSE TO THEIR COMMENT,
IN THE AUDIT REPORT, WE DID
NOT DEAL WITH THEIR RESPONSE
TO THE FIRST TWO FINDINGS
BECAUSE WE DID NOT SPEAKING
THEY WERE SPEAK OGBEHALF OF
THE CITY.

THAT'S WHAT THE CITY MANAGER
DOES.

WE DO HAVE RESPONSES WHERE

THERE WERE FACTUAL ITEMS
THAT WE COULD RESPOND TO IN
THE THIRD FINDING ABOUT THE
PERFORMANCE.
HAVING SAID THAT, YES, WE
COULD, IF YOU WISH US TO,
REVIEW THE TRANSCRIPT.
IT WILL TAKE US SOME TIME.
BUT WE CAN DO THAT.
AND WE CAN PREPARE AN
ADDITIONAL REPORT THAT
RESPONDS TO THE CHARGES THAT
WERE MADE TODAY.
>> OUT OF RESPECT TO THE --
TO THE COMMENTS AND MY
COLLEAGUE, I THINK BENEDED TO
DO THAT.
DO I BE WANT TO RESPOND TO
THE CHAIRMAN COMMENTS ABOUT
-- I LIKED WHAT YOU SAID
ABOUT WANTING TO WORK AND
MAKING THE HOUSING PROCESS
MORE EFFECTIVE.
AND I APPRECIATE THAT
ATTITUDE.
AND THAT SPIRIT.
YOU KNOW, THIS AUDIT ISN'T
ABOUT HEDFC.
IT'S ABOUT HOUSING DELIVERY
SERVICES.
AND THE 40% ISSUE IS AN
ISSUE THAT IS NOT JUST
FOCUSED ON ONE AGENCY.
SOME RECIPIENT.
IT'S FOCUSED ON THE WHOLE
PROCESS.
AND YOU CAN'T GET AROUND
THAT.
IF IT IS 40%, I'D LIKE YOU
TO -- YOU'VE MADE THAT
ASSERTION IN THE AUDIT.
AND MY EXPERIENCE TELLS ME
THAT YOU USUALLY BACK UP
WHAT YOU PUT DOWN THERE.
BUT I -- 40% MEANS WE'RE
SPENDING A LOT OF MONEY ON
OVERHEAD THAT OUGHT TO GO
DIRECTLY INTO HOUSING
REHABILITATION AND HOUSING
PRODUCTION TO MEET OUR
AFFORDABLE GOALS, AND TO
HELP OUR NEIGHBORHOODS.
THAT'S THE ISSUE THAT WE
HAVE TO ADDRESS AND
MR. CHAIRMAN, IN LIGHT OF
YOUR COMMENTS, IT SEEMS LIKE
THAT'S WHAT YOU WISH TO DO.

AND IN THAT SPIRIT, AND
COMBINING THOSE COMMENTS
WITH THE COMMENTS I'VE HEARD
FROM THE CITY MANAGER AND
THE CHAIR OF THIS COMMITTEE,
WHICH IS LONG HELD -- WHICH
HAS LONG HELD THAT VIEW,
EVEN BEFORE I THINK YOU WERE
ON THE COIN, THINK WE'RE ALL
ON THE PAGE AND WE CAN GO
FORWARD.

BUT I WOULD LIKE THOSE
RESPONSES, BECAUSE -- I
THINK MY COLLEAGUE DESERVES
THAT RESPECT.

I DON'T WANT HIS COMMENTS TO
JUST GO AWAY.

I THINK THEY NEED --

>> WE'LL TRY TO DO THAT.

I WOULD LIKE TO MAKE THE
POINT THAT YOU JUST MADE,
WHICH IS THAT THIS IS NOT AN
AUDIT OF HEDFC.

IT IS AN AUDIT OF THE CITY'S
SYSTEM FOR IMPLEMENTING ITS
HOUSING POLICY, OF WHICH
HEDFC IS A MAJOR COMPONENT.
BUT IT IS ABOUT THE CITY.

>> MADAM CHAIR, JUST ONE
LAST COMMENT.

IF THIS -- THIS IS VERY MUCH
ABOUT HE HAD {FEK}.

AND IT'S -- ABOUT HEDFC AND
IT'S VERY MUCH ABOUT THE
HOUSING REBUILDING PROGRAM.
THE HEDFC AND HEDFC ARE.

WILL ONE IN THE SAME EXCEPT
WE'RE A LIMITED
ORGANIZATION.

WE'RE PROFIT AND NONPROFIT
CORPORATION.

BUT IT'S VERY DIFFICULT TO
LOOK AT ONE AND NOT LOOK AT
THE OTHER.

AND I THINK THE AUDITORS
HAVE SAID TO US IS THAT BE
VERY CLEAR ABOUT THIS.

WE CONTINUE TO WANT TO
PARTNER WITH THE CITY,
PARTNER WITH THE SOMETIMES
WE BELIEVE THAT GOING
FORWARD IS THE ONLY RIGHT
WAY TO DO.

WE'RE WORKING WITH THE CITY
MANAGER.

WE WORK WITH YOU.

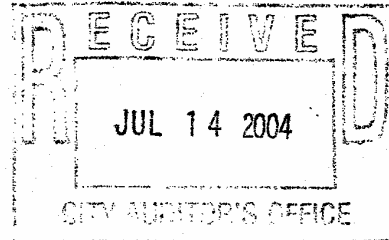
BUT WHEN SOMEONE TELLS ME

THAT THEY WON'T HAVE -- THAT
WE DON'T HAVE THE AUTHORITY
TO COMMENT ON SOMETHING,
WE'RE CITIZENS OF THIS CITY.
I'LL A TAXPAYER.
IF YOU ATTACK HEDFC IN ANY
COMMENT, I DON'T CARE IF
YOU'RE SATISFIED FINDING ONE,
THREE, OR 20, WE WILL HAVE A
COMMENT.
WHETHER YOU RESPOND TO THAT
IS YOUR BUSINESS.
BUT WE WILL HAVE A COMMENT
ABOUT IT.
WE WOULD PREFER TO JUST
SIMPLY GO FORWARD, WORK WITH
THE HOUSING TASK FORCE, TAKE
ALL OF THIS INFORMATION AND
IN CONTEXT, ONCE THE HOUSING
TASK FORCE HAS MADE ITS
RECOMMENDATION, AND CONTINUE
TO WORK TO GET TO DEAL WITH
THE VERY PEOPLE AS MISS
SHIRLEY HAS TALKED ABOUT,
IMPACT THE PEOPLE OF KANSAS
CITY.
>> THANK YOU.
MEETING ADJOURNED.
{GAEFLS}
[CHAIRPERSON BANGING GAVEL



Office of the City Manager

Date: July 14, 2004
To: Mark Funkhouser
From: Wayne A. Cauthen, City Manager
Subject: Consolidated Housing Plan Audit



The City Manager recognizes the City Auditor believes improvements can be made in the Consolidated Housing Plan by establishing appropriate housing policies and developing an adequate housing plan. The City Manager's Office is in substantial agreement with most of the audit recommendations with the exception of one area that will be explained in the body of the response. It is important to note the Consolidated Housing Plan is a dynamic document, which was approved by the City Council and HUD, and must be approved by both in the future. The City Manager's Office is making significant changes in the approach the City will take in the future regarding housing policy in Kansas City. Much of this work is either already completed or is in the planning stages, although a few of the items will take some time to complete because of a lack of specialized skills within the City's structure. Our responses to the specific recommendations are as follows:

- **Identify and address housing needs using the housing conditions study performed by the University of Missouri – Kansas City, or a similar effort.**

Agree:

The City Manager's Office has formed a Citizen's Task Force to develop a specific housing plan for Kansas City, Missouri. The draft plan will be submitted to the City Manager in September of this year.

- **Establish measurable goals and objectives.**

Agree:

This will be done in context of the specific plan submitted and approved by the Manager and City Council for next year.

- **Base funding decisions on specific, pre-identified needs.**

Agree:

As part of the previously mention Task Force, this is a planned outcome.

- **Incorporate specific scopes of work, goals and measurements in all contracts.**

Agree:

Future contracts with sub-recipients will include measurable outcomes. This is being done in conjunction with efforts of Councilwoman Deb Hermann and the Neighborhood Development and Housing Committee.

- **Develop monitoring procedures that ensure all entities receiving funding are held accountable for meeting specific objectives.**

Agree:

These are being developed by OMB at this time.

- **Identify and “in-source” all functions that City staff can efficiently perform.**

Agree:

It is our desire to move as much of the entire process as possible into City Hall. Some tasks that require specialized skill sets (such as single family underwriting) will take time to acquire.

- **Competitively award all services not performed in-house.**

Substantially agree:

OMB is currently reviewing these possibilities also.

- **The City Manager should require HEDFC to repay the \$900,000 in Beacon Hill program income it used without authorization and to repay the \$600,000 balance of the Westside Business Park Section 108 loan.**

Substantially agree with the following reservation:

OMB has already requested the balance of the 108-loan repayment. City staff, including the legal department is reviewing the Beacon Hill issue and a decision will be forthcoming after further review.

Finding 1: The City's System for administering Housing Funds is Fragmented and Too Complex.

Agree:

In a letter to the Mayor and City Council dated June 30, 2004, and in a public hearing of the same date, the City Manager's Office outlined specific steps to reconstruct the housing systems for Kansas City, Missouri. These included hiring a new Housing Services Manager, eliminating the current department structure, reducing overhead, and overlap of service delivery. Additionally, we are reviewing bringing many of the currently dispersed services "in-house" so that City employees can manage them.

Finding 2: The City Has Not Clearly Defined HEDFC's Role in Implementing Housing Policy.

Agree:

The City is currently preparing a contract with HEDFC for a conditional period of 6 months. The terms and conditions of the conditional contract will include exact task orders and expected outcomes. It is the intention of the city to limit HEDFC's role to that of a finance agency. Development opportunities and final decisions regarding those opportunities will be directed by the City Manager. In order to continue processing loans for the city, HEDFC will need to meet industry standards as outlined in the audit. It is also the intent of the city to request RFP's for the servicing of loans. If HEDFC is unable to meet standards of performance established by the city, the city will pursue other options.

Finding 3: HEDFC's Operational Deficiencies Contribute to Poor System Performance.

Substantially agree with reservation:

As stated in Finding 2, the City plans to more clearly define HEDFC's expected outcomes. Internal system changes at the agency to meet these expectations are a matter for HEDFC's Board and Management to develop. The City Manager's Office has no way, at this time, to verify or support the contentions in the audit related to HEDFC's performance.