



## **Organizational Assessment and Strategic Recommendations for the San Antonio Housing Trust and Affiliated Entities**

### **Executive Summary**

In January 2019, the City of San Antonio engaged NALCAB – National Association for Latino Community Asset Builders – to undertake an assessment of the San Antonio Housing Trust (SAHT) and its affiliated entities, and to provide strategic recommendations for strengthening the entities. Undertaking this assessment was a key recommendation of the Housing Policy Framework Report of the Mayor’s Housing Policy Task Force (MHPTF). Appointed in the summer of 2017, the Mayor’s Housing Policy Task Force undertook a broad public engagement process and in-depth technical examination of housing affordability in San Antonio. The Task Force’s report was accepted by the City Council in August 2018 and the City’s Neighborhood and Housing Services Department (NHSD) immediately began implementing its recommendations.

The SAHT is critical to the City of San Antonio’s strategy for the production, preservation, and rehabilitation of housing affordable to low- and moderate-income families. It is made up of four primary legal entities (collectively referred to herein as “the housing trust entities”): the San Antonio Housing Trust itself; the San Antonio Housing Trust Foundation (SAHTF); the San Antonio Housing Trust Finance Corporation (SAHT-FC); and the San Antonio Housing Trust Public Facility Corporation (SAHT-PFC).

The SAHT was established in 1988 with a \$10 million contribution from the City of San Antonio. The SAHTF was established soon thereafter as a separate legal entity to hire staff and administer the resources of the SAHT. Since its founding, the SAHTF’s primary activities have been making low-interest loans to support non-profit housing organizations and providing administrative support to the housing trust entities and other city housing programs. The Boards of Directors of these two organizations are made up of the same eleven individuals appointed by the Mayor and Council. SAHTF holds approximately \$2.3 million in outstanding loans to non-profit housing providers.

SAHT-FC was established in 1997 under the Texas Housing Finance Corporation Act and, a dozen years later, the SAHT-PFC was established under the Texas Public Facility Corporation Act. The primary activity of the SAHT-FC is to issue multifamily housing revenue bonds and the primary activity of the SAHT-PFC is to serve as the general partner in housing development projects, thereby conferring tax-exempt status on the projects. The Boards of Directors of the SAHT-FC and SAHT-PFC are made up of the same five members of City Council. Both entities rely on the administrative support of the SAHTF but have a separate legal counsel. Since 2010, the SAHT-FC has issued over \$150 million in bonds and the SAHT-PFC has served as the general partner on at least 14 projects that are completed or in construction, with total development costs exceeding \$500 million. Both entities realize significant revenues from housing transactions and have made grants to the City of San Antonio to support housing programs.

This assessment of the SAHT is divided into three sections, including *a benchmarking review* of other housing agencies around the country, *an assessment* of the SAHT based on a review of extensive documentation and interviews with staff, board and external stakeholders, and *strategic recommendations* for strengthening the agency, based on the observations from the assessment and contextualized by the findings of the benchmarking report. The following is a summary of the key observations and recommendations of this report.

### ***Realign the SAHT Governance Structure to Ensure Greater Coordination and Efficiency***

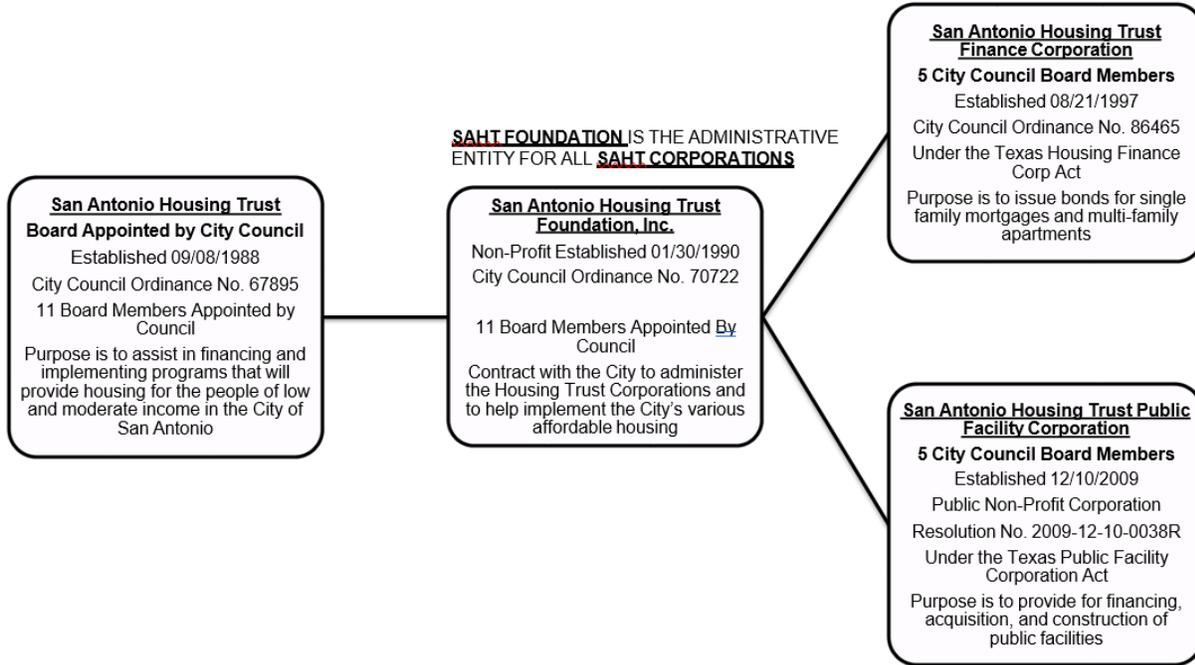
**Observation:** There is little coordination between the eleven members of the SAHT and SAHTF Boards of Directors and the five City Council Members that make up the Boards of Directors of the SAHT-FC and the SAHT-PFC. Each governing group operates competently, but with limited understanding of the other's roles and activities. There is no policy that guides collective action, they rely on different third-party legal counsel and, in practice, the staff of the SAHTF has limited engagement with the SAHT-FC and SAHT-PFC. Given that one group is made up of elected officials and the other is not, there is a real and perceived imbalance of authority between the two groups.

**Recommendation:** Achieving greater coordination and efficiency among the housing trust entities must begin with alignment at the governance level. The composition of the SAHTF Board of Directors should be changed to better integrate the governance of the four entities as well as to better balance the collective skills, interests and authorities of the Board members. The composition of the SAHTF Board of Directors should include the five (5) City Council Members that make up the SAHT-FC/ SAHT-PFC, two (2) members with expertise in banking/finance and/or housing development/management, and two (2) community representatives. Initially, at least some of the current members of the SAHTF should remain on the board to provide continuity. A delegate of the City Manager should fill a non-voting advisory seat to ensure coordination with other City agencies. The five council members should be appointed by the full Council consistent with the electoral cycle, as is currently the case, and the four non-Council members should be nominated by the Mayor to staggered four-year terms and approved by the full Council. Further, the composition of the Board of Directors of the SAHT should be altered to mirror the Boards of the SAHT-FC and SAHT-PFC.

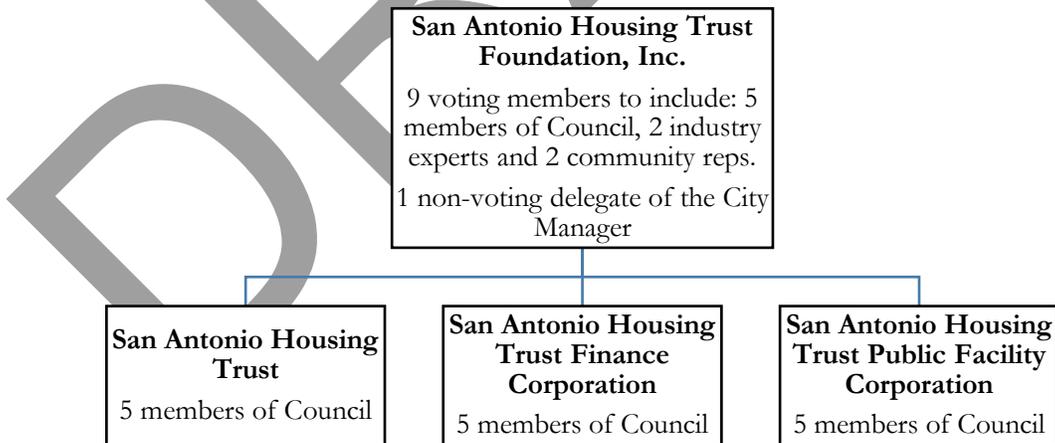
**Observation:** The City Council has traditionally appointed only Council Members that represent Districts 1, 2, 3, 4, and 5 to serve on the Boards of Directors of the SAHT-FC and SAHT-PFC. This is not required by the bylaws of these entities.

**Recommendation:** The City Council should not limit participation on the Boards of the housing trust entities to Councilmembers representing Districts 1, 2, 3, 4, and 5. In the past, concern for housing affordability was more commonly raised by the representatives of these Districts, however today there is no compelling reason for the trust entities to only include representatives of certain districts without regard to the expertise or interests of Council Members.

**Exhibit 1  
Current Governance Structure**



**Exhibit 2  
Recommended Governance Structure**



*Observation:* The five members of Council that make up the Boards of the SAHT-FC and SAHT-PFC are currently asked to make significant financial decisions about complex housing projects without sufficient advice and support.

Recommendation: Under a re-aligned governance structure, projects that require governance-level approval of the SAHT, the SAHT-FC, or the SAHT-PFC should first be reviewed and recommended for action by the SAHT Foundation Board where Council members will be surrounded, on the Board itself and at the staff level, by individuals with the technical knowledge and community perspectives necessary for a robust decision-making process. The Foundation Board should ensure alignment and coordination of proposed PFC and FC projects with resources available through the Housing Trust itself as well as COSA's overarching affordable housing policy goals and resources. After review and recommendation from the SAHTF Board, Council members can act as members with greater confidence about the projects they chose to approve.

### ***Clarify Public Policy Goals and Actively Coordinate with Other City Agencies to Achieve a Coordinated Housing System***

*Observation:* There is a lack of clarity about what public policy objectives the housing trust entities currently prioritize as well as how they are strategically aligned with one another and with other housing resources in the City of San Antonio. The SAHTF's most recent written policy and procedures appear to have been adopted in 2004. The SAHT-FC and SAHT-PFC have not adopted policy to guide their operations beyond the basic statements of purpose in their bylaws. They are currently focused primarily on closing financing gaps in housing deals brought by developers, which are not evaluated in the context of an overarching policy that could ensure consistency with the rest of the City's affordable housing resources. There is limited and largely informal consultation between COSA staff, the San Antonio Housing Authority (SAHA) and the housing trust entities. The City of San Antonio does not have an overarching housing policy from which to begin this coordination. While the City Council *accepted* the MHPTE's report, it has not *adopted* a statement of housing policy.

Recommendation: In order to advance a coordinated housing system, the City of San Antonio should adopt a substantive statement of housing policy to guide all City departments and delegate agencies, including the housing trust entities, in shaping their own specific policies and procedures. The policy guidance can be distilled from the policy recommendations in the Housing Policy Framework. Thereafter, the newly re-aligned SAHTF should develop aligned policies that apply to all of the housing trust entities, including with regard to prioritizing the use of their legal authorities and the investment of affordable housing resources (e.g. land, funding, debt, bond authority, tax-exempt status, etc.).

Policy guidance at all levels should be communicated to the private and non-profit development and finance community so that there is an industry-wide understanding of COSA's policy goals. Policy guidance can be implemented through the selection criteria that are incorporated in competitive notices of funding availability and developer/ project selection processes. Further, the City's NHS Department, SAHTF and SAHA should develop a memorandum of understanding, or other coordinating document, that defines the appropriate roles of the agencies in the housing market, guidelines for joint participation in housing deals and a process of coordination and consultation with regard to the use of their respective authorities and resources.

### ***Enhance Public Engagement and Communication to Build Public Trust***

*Observation:* There is limited public understanding of the housing trust entities and a widespread perception that they operate without sufficient transparency for public institutions. The SAHTF has not regularly published an annual report and little information is presented on the agencies' website. This perception limits the ability of COSA to invest public dollars in the Trust and fully utilize the potential of the agency.

Recommendation: The SAHTF should establish a regular process for public engagement and communication, on behalf of all of the housing trust entities, in order to strengthen public trust in the institution's capacity and priorities. In a re-aligned governance structure, there should be community representatives on the Board of the SAHTF.

### ***Clarify Underwriting Criteria and Build Internal Underwriting Capacity***

*Observation:* The SAHT-FC and SAHT-PFC rely on the financial underwriting of other entities, including the State of Texas and investors, and do not have their own clearly defined financial and policy underwriting criteria. As a result, it is difficult to assess whether individuals deals or deal structures consistently meet an appropriate public purpose. The SAHTF does not have any staff members with significant experience conducting financial and policy underwriting of affordable housing development projects.

Recommendation: The SAHTF should establish written financial and policy underwriting criteria for all of the housing trust entities so that potential developer-partners understand, in advance, the terms on which these public resources can be accessed and the public benefit that they are expected to create. Transparent underwriting criteria will also be critical for building public trust. The SAHTF should ensure that a staff member has the capacity to financially underwrite an affordable housing development project.

### ***Leverage Broader Engagement with the Housing Development Community Through Greater Transparency***

*Observation:* Over the past ten years, the housing trust entities have engaged housing developers through an informal process that lacks transparency. The result has been a significant concentration of deals with a few developers.

Recommendation: In order to maximize engagement with for-profit and non-profit housing developers, the SAHTF should increase its utilization of published RFQs, RFPs or other public process to communicate policy goals, underwriting criteria, acceptable deal structures and the SAHTF's methods for prioritizing resources when there is greater demand than available resources. To the extent that an RFP or RFQ process are not appropriate for a given project, the SAHTF should identify opportunities to ensure reasonable transparency.

### ***Monitor Covenants***

*Observation:* The SAHTF does not maintain comprehensive records to substantiate that housing projects in which the housing trust entities have invested adequately protect the public interest and are managed in compliance the applicable affordability covenants. The large majority of housing projects in which the housing trust entities have invested are subject to third party audits which perform some level of validation that covenants are being complied with, and/or they have covenant compliance reports that are required for TDHCA as a result of having 4% tax credits.

Recommendation: SAHTF should establish an internal monitoring function to ensure that the covenants are being complied with in a manner that most effectively meets the agency's mission and policy priorities.

### ***Hire a New Chief Executive Officer to Lead Organizational Change, Enhance Transparency and Increase Social Impact***

*Observation:* The long-time Executive Director of the SAHTF recently retired. Filling this position presents an opportunity to attract a high-level expert in housing development and finance.

Recommendation: Revise the Executive Director job description to reflect a Chief Executive Officer (CEO) who is a high-level expert in housing development and finance. Develop a competitive compensation package. Conduct a national search to fill the new position. The new CEO should lead a strategic planning process with the re-aligned Board of Directors and a process of implementing changes to the organizational chart and staffing to meet the needs of the organization.

### ***Establish Organizational Policies and Procedures***

*Observation:* The SAHTF operates with few written policies and procedures in critical areas of internal activity including finance, human resources and procurement.

Recommendation: The SAHTF should immediately establish written policies for personnel, financial operations and procurement. All third-party contractors should be procured through a competitive process, including bond counsel, general counsel and independent auditors.

### ***Increase the Capitalization of the SAHT***

*Observation:* The corpus of the SAHT has not grown significantly over the thirty years since it was established, nor has it been utilized to leverage private capital.

Recommendation: After strengthening the capacity of the SAHTF with appropriate changes to governance, organization and staffing, policy and procedural development, the City of San Antonio should consider the appropriateness of contributing to the SAHT financial corpus. Further, the SAHTF should explore utilizing the resources in the SAHT to leverage private capital in a structured housing investment fund.