

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
OFFICE OF THE DIRECTOR**

1800 Third Street, Room 450
Sacramento, CA 95811
www.hcd.ca.gov
(916) 445-4775
Fax (916) 324-5107



April 17, 2012

**Testimony of Director Linn Warren for Little Hoover Commission's Public Hearing
on the Governor's Reorganization Plan, April 24, 2012**

Good morning Chairman Hancock and members of the Commission, the Department of Housing and Community Development (HCD) is pleased to have this opportunity to assist the Commission in its review and evaluation of Governor Brown's March 30, 2012 Reorganization Plan. In consideration of the breadth of the reorganization plan and the Commission's time constraints, I will restrict my comments and responses to the issues requested by the Commission.

Does your organization support the portion of the reorganization plan that pertains to it?

HCD fully supports the Governor's plan to consolidate the operations of the Department and the California Housing Finance Agency (CalHFA).

What advantages and risks would need to be considered?

HCD's mission is to provide leadership, policies and programs to preserve, expand affordable housing opportunities and promote strong communities for all Californians. Our experience over the years has been that some of the most positive housing outcomes are achieved when HCD has worked in close collaboration with CalHFA serving our industry partners and customers. Some recent examples of joint efforts include the Homeless Initiative, standardized loan applications, coordination of the monitoring and asset management of the affordable housing portfolio. In particular, those rental housing developments that have received financing through both HCD and CalHFA have benefited from this collaboration through reduced reporting and standardized monitoring procedures. Historically these joint efforts have been carried out through memoranda of understanding. Combining HCD and CalHFA operations in key areas for the long-term should allow more consistent and sustained progress in these and many other aspects of affordable housing management.

To maximize the benefits and opportunities presented by the reorganization, manage organizational change, identify and address any risks during the transition period, HCD and CalHFA have established a joint consolidation governance model. The effort will be guided by the Executive Sponsors and Executive Team who will: (1) determine the optimal organizational structure for the consolidated entity, (2) identify and address issues of governance – it is very important to assure the independence and authority of the CalHFA Board of Directors and safeguard the rating of CalHFA bonds, as well as ensuring compliance with statutes and voter-approved bond measures governing HCD programs, (3) Establish Consolidation Workgroups and Teams for specific areas and dedicate a consolidation project manager, if needed, to ensure work is completed as scheduled. These teams in conjunction with direction from the Administration will develop the most effective and sustainable organizational structures. In addition to

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teams focusing on communication and change management during the transition period, we will establish teams in three programmatic areas which we believe provide early and meaningful opportunities for improvement. These are:

The Financial Assistance Programs Workgroup would leverage the collective expertise and knowledge of each department's financial assistance program staff to identify and implement ways to improve program operations and policy outcomes. The workgroup would be charged with developing common program guidelines and evaluation criteria where feasible, including recommendations for improvements to program management structures.

The Asset Management Working Group would leverage the collective expertise and knowledge of each department's asset management and compliance staff with their work systems to determine opportunities for coordination or standardization. The group would evaluate areas where coordinated monitoring is already being performed and where these efforts could be expanded. The group would be charged with seeking ways to improve both effectiveness and efficiency while ensuring the preservation of the affordable rental homes in the HCD and CalHFA portfolio over the long-term. HCD's Asset Management function assures that the public benefits of the State's investment in affordable housing continues to be achieved as intended in the more than 1,600 privately-owned rental properties across the State that have received HCD financial assistance since the late 1970s.

The Housing Policy Workgroup will identify a vision for and identify the resources required to develop and implement a comprehensive an effective State Housing Policy Agenda and align State housing programs with that agenda.

Does this reorganization plan position the State to operate more effectively and efficiently? If not, what additional action is needed?

The Department believes the reorganization plan provides a unique opportunity to improve the delivery of policy and outcome-driven housing programs in California. I have outlined the approach we are already taking to make sure we discover and implement opportunities for improvement. It is important that we continue these performance improvement efforts and apply them to other areas as we move into the future. We would respectfully request your support for our initiatives, the support of the Legislature, our partners in housing, our fellow departments and the public as we strive to better serve our State.

Thank you for your consideration of these important matters, I would be happy to answer any questions you may have.



Linn Warren, Director
Department of Housing & Community Development