

FLAWED INFORMATION, FLAWED DECISIONS:

The Importance of Leadership, Governance,
and Oversight at the Santa Clara County
Housing Authority



2023-24 Santa Clara County
Civil Grand Jury

June 10, 2024

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GLOSSARY AND ABBREVIATIONS

Carrying Costs	Ongoing costs associated with owning a property such as maintenance, insurance, and repairs.
Deferred Maintenance	Planned or unplanned maintenance or repairs that have been postponed.
Governmental Accounting Standards Board (GASB)	An accounting standards board that establishes the standards, rules, and procedures that encompass the details, complexities, and legalities of governmental accounting. GASB-based rules are used as the foundation for a comprehensive set of approved accounting methods, practices, and financial audits.
HARA Funds	Santa Clara County Housing Authority Reserve Account unrestricted account funds held primarily in the form of interest-earning financial assets for future operational and housing development needs.
Housing Choice Voucher (HCV)	Allows very low-income families to choose and lease or purchase safe, decent, and affordable privately-owned rental housing.
Housing Choice Voucher Program (Section 8)	The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.
Land Bank	Usually a public entity, but occasionally an independent nonprofit, created by local jurisdictions, to hold and maintain vacant, abandoned, and tax-delinquent properties for future development.
Public Housing Agency (PHA) or Authority	Provides housing and support services to eligible renters and landlords within the Federal Housing and Urban Development program guidelines.
Senate Bill 6 (SB 6)	With Assembly Bill 2011, permits residential development on sites currently zoned and designated for commercial or retail uses.

Surplus Land Act

California Government Code section 54220-54232, intended to increase the availability of property for affordable housing development by requiring the prioritization of affordable housing when selling or leasing public lands that are no longer necessary for agency use.

SUMMARY

The 2023-24 Santa Clara County Civil Grand Jury (Civil Grand Jury) investigated a complaint related to the September 2022 sale of an office building located at 3553 North First Street, San José (Property) by the Santa Clara County Housing Authority (SCCHA) that resulted in a total loss of \$16.2 million of public funds. The loss of \$13.5 million was a direct outcome of the sale. The balance of the loss (an additional \$2.7 million) was incurred due to carrying costs and deferred maintenance-related repair investments made during the elapsed time between the purchase and sale of the Property. Investigation of this sale identified several factors that precipitated the loss. Executive management of the SCCHA presented their Board of Commissioners (Board) with financially flawed, incomplete, and misleading analyses to support their decision to sell the Property acquired just 14 months prior. Further, executive management failed to develop and present analyses of other viable options for the use or repurposing of the Property to their Board. The Board approved management's recommendation to undertake an immediate sale of the Property, failing to exercise their fiduciary responsibility to protect the assets and financial stability of the SCCHA, resulting in a cash loss of approximately one-quarter of their unrestricted Housing Authority Reserve Account (HARA) funds.

The loss could have been avoided had viable options such as occupying the Property as the new SCCHA headquarters or converting the Property to low- to moderate-income subsidized housing been considered by the Board. The Board did not request executive management to analyze and present other viable options, nor did they recognize the errors and omissions in the analytical materials provided to them.

While investigating the loss on the sale of the Property, the Civil Grand Jury uncovered management and Board issues that directly and/or indirectly created the environment and conditions within which such a costly and avoidable outcome could occur. Several contributing factors were identified. Executive management does not have a long-term plan with measurable objectives that would enable the Board to assess the impact of their decisions on SCCHA's operational, staffing, and space requirement needs. The Board could not articulate its role and responsibilities as SCCHA Commissioners. The County of Santa Clara Board of Supervisors (BOS) has no written skills, knowledge, or experience requirements that support their recruitment, nomination, and appointment of SCCHA Commissioners. The BOS has also been remiss in filling Board vacancies.

BACKGROUND

SCCHA is the only source of U.S. Department of Housing and Urban Development (HUD) Section 8 subsidized rent vouchers within Santa Clara County. As such, it plays an important role in addressing the County's unfulfilled housing needs, especially given the current housing crisis. HUD, SCCHA, and the BOS perform interrelated roles in enabling the continuing development of additional subsidized rental housing units for low- to moderate-income families.

County Housing Crisis

California and Santa Clara County have a shortage of affordable housing and a resulting homeless crisis. Some striking statistics include the following:

- The County's latest (January 2023) point-in-time homeless census showed that 9,903 people in Santa Clara County are experiencing homelessness (County of Santa Clara Office of Supportive Housing, 2023).
- One in four renters in Santa Clara County spends more than 50% of their income on rent, and one in four renters lives in overcrowded housing (Let's Talk Housing, n.d.).
- The National Low Income Housing Coalition has calculated that Santa Clara County needs 54,148 new affordable rental homes, including 40,550 at or below extremely low income, to meet existing needs (SV@Home, n.d.(a),(California Department of Housing and Community Development, 2024)).
- SCCHA's Housing Choice Vouchers (HCV) program is important for keeping rent affordable and reducing homelessness in Santa Clara County.

U.S. Department of Housing and Urban Development Oversight

The federal government established HUD in 1965. HUD assists low-income families and individuals to obtain housing. HUD has many programs to assist in purchasing homes and subsidizing rent to keep housing affordable. The main HUD program providing rental subsidies in the private sector is the HCV program, formerly known as Section 8 of the Housing Act of 1937 (42 U.S.C. section 1437f).

At the state, county, or city level, Public Housing Agencies (PHAs) administer HUD programs. PHA operations, including the HCV program, fall under HUD regulations and guidelines. The common goals and objectives of both agencies are listed in "Monitoring of Public Housing Agencies (PHAs) Guidebook (7460.7)," Chapter 2:

Both the PHA and HUD have a common goal and responsibility in ensuring that federal funds are properly spent in an efficient and effective manner. PHAs institute financial systems and safeguards to prevent loss of funds and ensure that funds are expended for eligible housing purposes. HUD monitors compliance with requirements through remote

monitoring and/or onsite reviews. (U.S. Department of Housing and Urban Development, n.d.)

Santa Clara County Housing Authority

In California, a housing authority is an independent public agency formed under state statutes. (Cal. Health & Saf. Code section 34200 et. seq.) The powers of a housing authority typically include the power to acquire, construct, and operate property and expend and repay funds. A housing authority can also lease, rehabilitate, and sell property. (Cal. Health & Saf. Code section 34310-34334.) In California, the statute provides that housing authorities shall be distinct entities, not agents of city or county government (Cal. Health & Saf. Code section 34310).

SCCHA is the housing authority for Santa Clara County. The BOS established SCCHA in 1967 as an independent public agency charged with administering HUD's rental assistance programs for the unincorporated County and all cities in the County except for San José. In 1976, San José contracted with SCCHA to administer HUD-subsidized housing programs.

The stated mission of SCCHA is to “provide and inspire housing solutions to enable low-income people and families in Santa Clara County to achieve financial stability and self-reliance” (Santa Clara County Housing Authority, Santa Clara County Housing Authority Financial Report, 2024). SCCHA processes over \$442 million of HCVs annually. SCCHA checks HCV program applicants for eligibility, enlists landlords to participate in the program, and checks on the suitability of properties participating in the program.

Currently, SCCHA administers approximately 19,000 HCVs and 740 units of local, non-traditional housing, and it owns or controls approximately 2,500 affordable housing apartments throughout Santa Clara County. Through SCCHA programs, more than 20,000 individuals and families are assured of affordable housing and reduced risks of homelessness (U.S. Department of Housing and Urban Development, 2022; Santa Clara County Housing Authority, SCCHA Leadership and Mission, 2024).

SCCHA occasionally purchases rental properties to maintain them as affordable housing. Recently, it has also begun to consider developing new affordable housing projects. SCCHA has an annual operating budget of \$38 million and 170 employees.

Board of Commissioners and the Appointment Process

By law, PHAs are required to be governed by a board of commissioners. The Board is the governing body of SCCHA. Commissioners volunteer their service as housing advocates and provide legally mandated leadership for SCCHA (see [Appendix 1](#)).

The SCCHA Board consists of seven members. The BOS is responsible for and obligated to recruit, select, and appoint all Commissioners. Under California law (Cal. Health & Saf. Code section 34271), two of the seven commissioners must be current participants in the HCV program. These two commissioners are known as “tenant commissioners” and are appointed to two-year terms (section 34271). The other commissioners are appointed to four-year terms.

Figure 1 shows a high-level view of the key relationships and information flows between the BOS, the Board, HUD, and the SCCHA Executive Director.

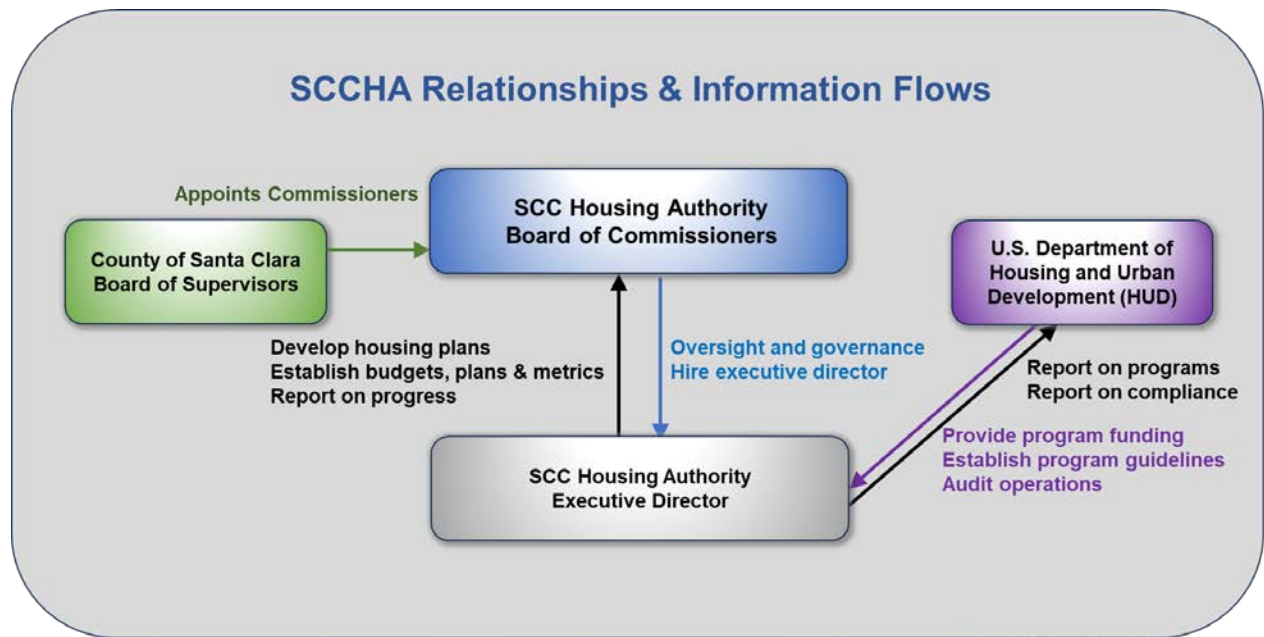


Figure 1: SCCHA Leadership Information Flows and Relationships

Figure 2 shows a HUD view of the role of a PHA board (HUD Exchange, 2021). The PHA board should provide strong governance and sound financial oversight, ensure long-term sustainable performance, and be accountable to the residents.

Governance and Role of the Board



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Figure 2: HUD View of The Role of The Board in Leading a PHA (U.S. Department of Housing and Urban Development, 2021)

METHODOLOGY

The Civil Grand Jury investigated the facts and circumstances before, during, and after the sale of the Property. The Civil Grand Jury conducted 29 interviews, which included:

- Persons knowledgeable about SCCHA organization and operation.
- Board members.
- Current and former members of the BOS.
- Third-party experts knowledgeable in regional real estate markets.
- Third-party experts knowledgeable in financial analysis.

The Civil Grand Jury reviewed several thousand emails and documents and listened to numerous audio recordings of Board meetings. Additional sources of information include:

- Visiting the Property.
- Studying vicinity and transit maps.
- Studying demographic maps.
- Reviewing governmental agency policies and reports.

INVESTIGATION

2020: Purchase of the Property

In 2019, the Civil Grand Jury learned that SCCHA began looking for a replacement for its currently owned headquarters building at 505 West Julian Street (West Julian) in downtown San José near the SAP Arena. Investigation revealed SCCHA had determined that the West Julian building was old, had inadequate parking for staff and clients, did not have enough space for employees to meet with clients, and required significant ongoing infrastructure maintenance. SCCHA executive management evaluated the idea of building a new headquarters on property SCCHA owned on East Santa Clara Street in San José. A construction cost analysis determined the development cost to be \$90 to \$100 million, which executive management considered too expensive. In 2020, executive management and the Board decided that purchasing an existing property at a lower cost would be a better strategy.

To support the purchase process, executive management developed a needs assessment document identifying requirements for the new facility (see [Appendix 2](#)). The needs assessment identified requirements for square footage, proximity to transportation for clients and staff, adequate parking, expanded meeting space for clients, and room for expansion, among other details.

SCCHA worked with a commercial property broker and settled on the Property in North San José. The Board unanimously authorized the purchase, which closed escrow in December 2020.

The Property was purchased for \$38 million in cash from SCCHA's unrestricted HARA funds. The plan approved by the Board included authorization for issuing bonds to cover the purchase price plus the costs for planned building upgrades. A bond issue would have enabled SCCHA to quickly recover the \$38 million of HARA funds used to purchase the Property. Because SCCHA purchased the Property with cash, it was never under financial pressure to make loan payments during the time the Property was owned. In January 2021, SCCHA's executive director retired.

Change of Plans

The SCCHA purchased the Property because it met the detailed and specific headquarters requirement set forth in their pre-purchase needs assessment. Figures 3 and 4 present the SCCHA's reasons for seeking a new headquarters office building and why the Property meets the office space and amenities identified in their needs assessment.

BACKGROUND – Why do we need to move?

- Current office is 35,000 s.f.; needs assessment pre-COVID indicated we need 65,000 s.f. (allows modest room for growth plus additional amenities).
- Parking area lease expires October 2023 – our current building has grossly insufficient parking.
- Estimated cost to construct a new building at 14th and East Santa Clara Street is in \$100M range.
- Post-COVID: opportunity to incorporate architectural recommendations for improvements for pandemic flu.

Figure 3: 2020 SCCHA Board Presentation Explaining The Need for a New Headquarters

WHAT WE LOVE

- ✓ Space to accommodate existing, growth and post-pandemic business operations, ample room for additional conference space for client meetings.
- ✓ **Space to promote areas for employee wellness, privacy and breaks.**
- ✓ Space to build proper Board room with supporting needs.
- ✓ **Proximity to Guadalupe Trail/outdoor amenity area.**
- ✓ **Bathrooms with showers.**
- ✓ Adjacent to retail, apartment homes.
- ✓ Opportunity to address architectural recommendations for building improvements that would mitigate current and future pandemic flu risks
- ✓ Parking, parking, and more parking. Did we mention parking?

Figure 4: 2020 SCCHA Board Presentation Regarding the Merits of the Property

In 2021, the Board appointed a new Executive Director. The Executive Director immediately stopped all preparations to move to SCCHA's new headquarters and declared the building unsuitable for the SCCHA. Incoming executive management gave the Board two primary reasons for reconsidering the planned move of SCCHA's headquarters to the newly purchased Property. First, the Property's location was inconsistent with SCCHA's mission. Secondly, office work dynamics had changed because of the COVID-19 pandemic. According to the SCCHA website, SCCHA's mission is to "provide and inspire housing solutions to enable low-income people and

families in Santa Clara County to achieve financial stability and self-reliance.” Nothing in the mission statement indicates why a North San José location is ill-suited for an organization serving clients across the County.

To give meaning to a mission statement, an organization needs to have, as specified by HUD regulations, at minimum, a five-year plan containing measurable objectives and a methodology for evaluating progress toward accomplishing its goals and objectives. Executive management’s objection to occupying the Property would have made some sense if it could have shown that such an action would deflect SCCHA from its strategic plan and would adversely affect its ability to achieve its objectives. Executive management indicated that the Property was not a good fit for the agency, its staff, and SCCHA residents, but executive management could not provide any facts or evidence supporting the claim. The needs assessment developed in 2020, when SCCHA was preparing to search for a new headquarters, included facts that supported specific requirements for the size, facilities, and accessibility for staff and clients. In contrast, the contention made by new management that the Property purchased did not fit the needs of SCCHA was not supported by any factual evidence. Executive management did not take issues with any SCCHA office requirements identified in the pre-purchase needs assessment.

Following the decision to stop work on move plans, an Ad Hoc Committee (Committee) composed of three Board members was created in late 2021 to review options for the Property. In February 2022, the Committee and executive management gave recommendations to the Board. Through its investigation, the Civil Grand Jury learned that the Board approved the following Committee and executive management recommendations:

- Declaring the Property as “surplus land.”
- Hiring a listing agent to begin the process to sell the Property.
- Hiring a leasing agent to find an additional 15,000-square-foot temporary office space to relieve the shortage at the West Julian office.
- Launching a study to reconsider options for building a new headquarters at the East Santa Clara Street property, which was previously evaluated in 2019 and rejected.
- Evaluating possible expansion of the existing headquarters building.

In less than 14 months, the Board, at executive management’s urging, completely changed course and approved putting the Property up for sale. Then, on September 20, 2022, the Committee recommended to the full Board the sale of the Property at a loss of \$16.2 million. Figure 5 explains the loss calculation. SCCHA experienced a net loss of \$13.5 million from the sale of the property. Additional carrying costs and deferred maintenance bring the total loss to \$16.2 million.

Figure 5 below uses information obtained from financial records of the SCCHA to calculate the full loss created by the sale of the Property including. This calculation takes includes the loss caused by the Property’s decreased market value and the costs of carrying the property for the time period between its purchase and its sale.

Loss Calculation for the Sale of the Property	
The loss on the sale of the Property is based on public escrow closing documents and information learned by the Civil Grand Jury during its investigation.	
• Purchase price of the Property (December 2020)	\$37.5 million
• Sale price of the Property (September 2022)	<u>\$24.0 million</u>
• Net loss on sale of the Property	\$13.5 million
• Other costs	
○ Deferred maintenance expenditures	\$ 1.5 million
○ Property carrying costs (insurance, maintenance, etc.)	<u>\$ 1.2 million</u>
• Total loss over 21 months of SCCHA ownership	\$16.2 million

Figure 5: Loss Calculation for the Sale of the Property

Figure 6 shows a timeline of the key events between the purchase and the sale of the Property. SCCHA developed a needs assessment in early 2020 and purchased the Property in December 2020. In May 2021, SCCHA stopped work on moving to the Property. In February 2022 the Board approved starting the process to sell the Property, and finally, in September 2022, SCCHA sold the Property.

Date	Event
Early 2020	SCCHA develops criteria for a new headquarters building.
December 2020	Board approves the purchase of the Property.
May 2021	Planning work for occupying the Property put on hold.
Mid-2021	Board Ad-Hoc Committee forms to review options for the Property.
July 2021	Appraisal for selling the Property.
December 2021	Broker contract to sell the Property.
February 2022	Board approves declaration of the Property under Surplus Land Act.
September 2022	Board approves the sale of the Property. Sale closes escrow.

Figure 6: Timeline of SCCHA’s Purchase and Sale of the Property

How the Decisions Were Made

The Board and the Committee had a fiduciary obligation to examine all viable options for using or repurposing the Property to maximize long-term value to the organization and to further SCCHA's mission. Instead, SCCHA executive management presented the Committee, and later the full Board, with financially flawed analyses, and evaluated only options to sell the Property without seriously or rigorously considering alternatives, which were known or should have been known such as:

- Occupying the Property until market prices rebounded, receiving HUD rent/bond reimbursements during occupancy. SCCHA is not a short-term real estate developer; rather, it can stay in the community and ride out an economic downturn.
- Occupying the Property until market prices rebounded and sub-leasing extra space, receiving HUD rent/bond reimbursements during occupancy plus sub-lease revenue.
- Leasing the Property for a period until market prices rebounded, which could have been an attractive option as SCCHA paid cash for the Property and had no debt payments.
- Rezoning the Property and building affordable housing in support of the SCCHA mission.
- Rezoning the Property for a hybrid development, retaining the existing office building, and building new affordable housing on part of the six-acre site.

Members of the Committee and the Board questioned management about the viability of other options for using or repurposing the Property. Executive management selectively filtered information to present only what they thought should be reviewed by the Board. The Civil Grand Jury learned that executive management informed members of the Committee and the Board that the only viable option was to sell the Property quickly. Based on management's conviction that the only viable option was to sell the Property, the Committee and the Board supported and approved the sale of the Property, respectively, based on its review of the three financially and analytically incorrect sale options presented by management.

Flawed and Incomplete Financial Analysis

The Civil Grand Jury reviewed many detailed financial charts prepared by executive management to support recommendations to the Committee and the Board to sell the Property. Figures 7 and 8 were prepared by executive management and presented to the Board, recommending the immediate sale of the Property. These two analyses failed to comply with financial reporting and analysis under State and County-mandated Generally Accepted Accounting Principles for Governmental Organizations (GASB-based accounting). Executive management also failed to include within their analysis viable options that existed for repurposing the Property.

	Sell	Market Ready	
		Lease	Hold
Lease Revenue	\$ -	\$ 12,374,084	\$ 175,952
Investment Income / Loan Interest	-	-	-
Total Revenue	-	12,374,084	175,952
Total Expenses			
Operating expenses	(290,000)	(2,713,590)	(2,549,300)
Capital expenses	-	(13,079,045)	-
Total Expenses	(290,000)	(15,792,635)	(2,549,300)
Net Operating Income / (Loss)	(290,000)	(3,418,551)	(2,373,348)
Holding Cost	(1,159,348)	(1,159,348)	(1,159,348)
Selling Price	24,500,000	24,000,000	20,000,000
Net Sales Proceeds	23,050,652	19,422,101	16,467,304
Original Purchase Price	(37,500,000)	(37,500,000)	(37,500,000)
Net Loss / Cost	\$ (14,449,348)	\$ (18,077,899)	\$ (21,032,696)

Figure 7: SCCHA Financial Slide Presented September 20, 2022, to Ad Hoc Committee

FLAWED INFORMATION, FLAWED DECISIONS

SCCHA Presentation to Ad Hoc Committee - November 16, 2021									
Options			1 Keep 505			2 Keep 505			3 Keep 3553
Description			Sell 3553 - Relocate to leased space 5 years & Rebuild 505			Keep and relocate to 3553 temp 5 years / Rebuild 505 / Then sell 3553			Renovate 3553 / then sell 505 / Relocate to 3553 permanently
Cost of Acquisition									38,000,000
Construction/Renovation - excluding Solar			50,000,000			50,000,000			27,000,000
Construction - Solar			3,500,000			3,500,000			7,000,000.0
Soft Costs, including contingences			8,500,000			8,500,000			5,780,000.0
% of hard costs	17%								
Gross Total Cost of the Building and Land			62,000,000			62,000,000			77,780,000
Loss on sale of 3553 - estimated			2,000,000			1,000,000			
Net Total Cost of the Building and Land			64,000,000	77%		63,000,000	78%		77,780,000 84%
Relocation Costs: \$1,000,000 each time			2,000,000			2,000,000			1,000,000
Soft Costs - Designers/Brokers/CM feest, etc. Consultants			1,500,000			1,500,000			3,000,000
Temporary Renovation Costs			1,000,000			3,683,534			-
Annual Maintenance Costs for 5 years	912,412					4,562,060			
Temporary Leasing Costs - \$@.5M per year/5 years	912,412								4,062,060.0
Other Costs consideration			14,025,000			11,745,594			8,062,060
Sub-Total			82,525,000			74,745,594			85,842,060
Benefit of capital on sale of 3553	2.00%	36,000,000				(3,600,000)			
Opportunity Cost of capital - 5 years									
3 years	37,000,000	2.00%				740,000			2,220,000
3 years	16,000,000	2.00%				320,000			960,000
5 years - Annual Debt Interest - \$62M Gross Total - 2.75%			4,262,500			4,262,500			
5 years - Annual Debt Interest - \$77.78M Gross Total - 2.75%									5,347,375
Financial Costs consideration			662,500			6,482,500			6,307,375
Total cost (cash equivalent) of the options			83,187,500			81,228,094			92,149,435
Add: Original cost of 505 West Julian Street			6,100,000			6,100,000			
Less: PV of the Retail Rental Space - 5,000 sq. ft.			???			???			NA
Total Cost (all in) of the 3 Options:			89,287,500			87,328,094			92,149,435

Figure 8: SCCHA Financial Slide Presented November 16, 2021, to Ad Hoc Committee

Note: The column headings in Figure 8, “Keep 505”, refer to the current main location of SCCHA offices at 505 West Julian Street in San José.

The Civil Grand Jury carefully reviewed the structure and content of the financial analysis presented in Figures 7 and 8 and identified specific issues that make these analyses an incorrect representation of the projected financial outcomes within the identified options.

- Investment costs and operating expenses are mixed. GASB requires investment costs to be allocated over the life of the investment while operating expenses are recognized when incurred. See the difference between operating expenses and capital costs below.
- In financial terms, money over time has value and can be measured. The technical term for the financial exercise to measure the value of money over time is called Net Present

Value (NPV). The analysis prepared by the executive staff for the Board included the benefit of time-value of money to make the case for the immediate sale of the Property. However, in their comparative analysis that calculated the costs and benefits of keeping the building long-term, the executive staff notably omitted the NPV calculation that would apply when bond funding was secured providing long-term funding for the Property. The executive staff's omission significantly skewed the comparative analysis, making it appear that selling the building immediately in a down market was the best option.

- Key cash flows are omitted, notably HUD reimbursements for facility costs if the Property was occupied between its purchase and ultimate sale. See the explanation of HUD reimbursements below.
- Projected long-term (beyond five years) appreciation of the Property is omitted.
- Additional expenses because of selling the building are omitted, as SCCHA currently needs to lease additional office space.

Operating Expenses Versus Capital Costs. The difference between an expense and a capital cost lies in their nature, timing, and treatment in financial statements and analytical reports. Expenses are incurred for day-to-day operations and are recognized immediately. Capital costs are investments that provide long-term benefits and are recorded as assets on the balance sheet, with their costs allocated over their useful lives through depreciation or amortization. GASB accounting principles require that the two types of cash uses should never be mixed. Combining capital costs with operating expenses distorts the analysis, rendering it meaningless.

HUD Occupancy Cost Reimbursement. HUD reimbursement policies should have played a role in SCCHA's options when considering what to do with the Property. HUD's PHA guidelines clearly identify that office space costs incurred supporting HUD HCV programs are reimbursable up to the fair market value of the rental costs for the space occupied (U.S. Department of Housing and Urban Development, 2024). The omission of HUD reimbursements from SCCHA financial analyses led to a significant error in analyzing the options they considered. The result of the error materially distorted the financial choices presented to the Committee and the Board. SCCHA administrative expenses, including building/occupancy expenses, are largely reimbursed by HUD rules (U.S. Department of Housing and Urban Development, "Monitoring Of Public Housing Agencies (PHAs) Guidebook (7460.7)," n.d.). SCCHA, and all PHAs, are generally reimbursed at up to 100% based on specific circumstances established by HUD. If SCCHA had occupied its new headquarters and issued bonds to cover all the costs of the Property, HUD, over time, would have paid most of SCCHA's occupancy costs for the new building. SCCHA could have replaced \$38 million of unrestricted HARA account funds used to purchase the Property and then re-used the HARA funds to invest in new housing projects. Over time, HUD reimbursements would have slowly paid off the cost of the Property, giving SCCHA a valuable, fully owned asset.

The result of all the omissions in the analysis of selling options severely compromised the integrity and value of the information presented to the Board for consideration and denied the Board the opportunity to reach a reasoned and responsible decision on management's recommendation to sell the Property.

Corrected and Restated Financial Analysis

The Civil Grand Jury's investigation revealed that executive management selectively developed and presented assumptions and data that skewed the analysis presented to the Board in favor of the decision to sell the building immediately. The Civil Grand Jury attempted to account for all the costs and benefits of keeping and occupying the Property. However, the Civil Grand Jury's reconstructed analysis is based on GASB rules and the consideration of HUD reimbursement for occupancy costs, including bond financing interest and principal repayment costs. The Civil Grand Jury also assumed that SCCHA could utilize bond financing. This assumption is based on the fact that SCCHA has used bond financing for investment capital needs in the past and currently shows bond-based debt on its financial statements. Further, following the original purchase, the SCCHA was in the process of preparing a bond issuance with the guidance of an investment banker intending to replace the HARA funds used to purchase the property with bond-sourced long-term financing. This process was abruptly halted when the new executive director halted all preparation for occupying the Property.

The Civil Grand Jury's analysis is shown in Figure 9 below. Figure 9 shows that if executive management had correctly projected the actual loss at the time of sale and had used a correct apples-to-apples comparison of costs and benefits as well as used GASB, the best option would have been to keep the property.

Civil Grand Jury Analysis of SCCHA Option to Occupy the Property

Assumptions:

- Generally Accepted Accounting Principles for Governmental Organizations (GASB).
- Purchase price: \$38 million (from SCCHA).
- Tenant improvements: \$15 million (from SCCHA).
- Total initial investment: \$53 million (from SCCHA).
- Building appreciation estimated at 3% per year (PennMutual, 2020).
- Bonds are issued to finance the purchase and tenant improvements and to recover initial HARA funds used for the purchase.
- SCCHA occupies 3553 North First Street as a new headquarters site.

Outcomes:

- Bond financing costs, including principal and interest payments, are fully reimbursable by HUD.
- Bond financing recovers the initial investment of HARA funds, which become available for housing development use.
- Annual maintenance costs are fully reimbursed by HUD.
- Occupancy costs not directly reimbursed by HUD are recovered as part of the HUD contractual administrative burden/overhead allowance and program management fees.
- Based on historical real estate appreciation rates, the building's estimated asset value would likely be well over \$100 million in 30 years.
- Effectively reduces the SCCHA occupancy cost to near \$0 after HUD occupancy costs and overhead reimbursement.
- Enables SCCHA to avoid a \$16.2 million loss on the sale of 3553 N. First Street, eliminating the need to lease additional office space and establishing a headquarters site capable of consolidating all SCCHA operations in one location.

Figure 9: Civil Grand Jury Analysis of SCCHA Option to Occupy the Property

Exploring Other Options

The SCCHA intended to pursue an immediate sale and did not consider other available alternatives. These included building low-cost housing under the provisions of California Senate Bill 6 or establishing a Land Bank to hold the Property for future development. Instead, SCCHA moved forward with the process of selling the property by first listing it to comply with the provisions of the California Surplus Land Act.

Surplus Land

When the Board approved moving forward with preparations to sell the Property on February 3, 2022, the first formal act was Board approval declaring the Property as “surplus land.” The California Surplus Land Act requires that a government agency notify other government and non-profit public service organizations that a property is available for purchase (California Government Code section 54220 *et seq.*). Ninety days after the required notification, if no notice of interest is filed, the government agency can list a property for sale through commercial brokers.

A 2021 League of California Cities publication states:

The aim of the Surplus Land Act (the “Act”) is to increase the availability of real property in California for affordable housing development by requiring the prioritization of affordable housing when selling or leasing public lands no longer necessary for agency use. Government Code § 54220 *et seq.* (Lapeyrolierie and Tiedemann, 2021)

SCCHA failed to see the irony of listing the Property under the Surplus Land Act, which is designed to promote affordable housing, while seemingly ignoring SCCHA’s own core mission. No other local government agencies showed interest in purchasing the Property, so SCCHA continued to move forward with its plans to sell the Property at a substantial loss rather than consider developing it as affordable housing and furthering its mission. An urban village (mixed-use housing and retail development) across First Street from the Property, along with several proposed affordable housing projects along the First Street corridor (a designated housing development growth area), make the Property an attractive option for an affordable housing project. Indeed, according to a recent San José Mercury News article, a large 700-plus affordable housing project is being considered nearby, with the developer working in collaboration with the City of San José, saying, “we aim to build these much-needed homes and spur future developments in this area” (Avalos, 2024).

Developing Affordable Housing—SB 6 and Land Banking

The Civil Grand Jury learned that the SCCHA did not consider converting the Property to subsidized housing units because City of San José officials indicated they were opposed to and most likely would block attempts by SCCHA to develop housing at the Property site. Further investigation by the Civil Grand Jury, however, revealed that the City of San José had designated its north corridor—including the Property—as a priority zone for housing development. Currently, there are several large multi-family housing and mixed-use developments located directly across from the Property on North First Street, with both light rail and bus transit routes located nearby.

While SCCHA was debating the future of the Property, the Middle-Class Housing Act of 2022 (Senate Bill 6), allowing residential development on commercial or retail-zoned sites without the need for rezoning, was working its way through the legislative process. Senate Bill 6 (SB 6) further expedites the ability of local housing authorities and jurisdictions to build affordable housing and should have been a critical piece of the Board's deliberations. The passage of SB 6 and the subsequent signature of the governor were clearly anticipated by housing advocates throughout the state. An additional alternative was that SCCHA could have established a Land Bank and reserved the Property for future housing development (Local Housing Solutions, Land Banks, n.d.).

Inexplicably, SCCHA executive management did not consider the options of converting the Property to affordable housing under either the San José Housing Element or the upcoming SB 6 legislation. The Board was told by executive management there was no guarantee that the Property would be approved for housing development. SCCHA claimed they were told that City of San José officials would never approve of developing housing on that site. The Civil Grand Jury learned that SCCHA had never formally approached them about the option to develop housing on the Property. The Civil Grand Jury also learned that the City of San José had, in fact, already designated their north corridor as a priority area for housing development.

Consequences of the Sale

With an absence of options presented and in the middle of a downturn in commercial real estate, the Board unanimously voted to accept a sale price of \$24 million in September 2022. This was the same SCCHA Board that had unanimously approved the purchase of the Property for \$37.5 million in December 2020. According to records reviewed by the Civil Grand Jury, the sale of the Property impacted the financial and operational condition of SCCHA as follows:

- SCCHA incurred a \$16.2 million cash loss of unrestricted HARA funds.
- SCCHA stayed at its West Julian Street headquarters in a crowded, aging building that requires ongoing infrastructure investments to keep it operational.
- SCCHA is forced to lease additional office space offsite to accommodate two operations departments because the existing headquarters building has inadequate parking access and meeting spaces and no expansion capability.
- SCCHA has no definitive plans to acquire an alternative new headquarters office building.
- SCCHA is still considering building a headquarters building. The contractor estimated the cost of an approximately 65,000 square foot office building is \$70 million. This estimated cost is more than \$20 million higher than the purchase price and pre-occupancy improvement cost of the Property (SCCHA estimated pre-occupancy improvements at \$10-15 million).

In a county as large as Santa Clara County, a six-mile difference in headquarters location between downtown San José and the Property was inconsequential. In fact, the Property addressed SCCHA-identified office space needs to a much greater extent than the West Julian Street office location. Additionally, Civil Grand Jury research has shown that SCCHA is implementing a new enterprise information system that will strengthen its web portal and increase the already significant use of online tenant applications and landlord requests for certification of their properties. Statistical analysis and information gathered by Civil Grand Jury interviews show that the volume of in-person visits to SCCHA offices by applicants, tenants, and landlords continues to decline.

The Civil Grand Jury also learned that executive management was concerned at the time of the sale about the negative press exposure SCCHA would receive regarding the sale of the Property and the significant loss of SCCHA funds. A public relations firm was contracted to create a palatable message for the public, and to give the BOS and the Board talking points and instructions should they be contacted with questions regarding the loss. The professionally crafted message diverted attention away from the loss by focusing on SCCHA's intent to quickly redeploy those funds for housing development purposes.

Executive management was quoted in the San José Mercury News as saying, "We will be quickly redeploying these funds back into the community to support affordable housing developments and resident-focused projects in our expansive pipeline" (Avalos, 2022). The sale proceeds were deposited back into the HARA account. However, the SCCHA 2023 and 2024 approved budgets show no evidence of HARA account funds being withdrawn, committed, or invested in new housing development in the County (Santa Clara County Housing Authority, "Financial Reports", 2024).

Leadership Issues: Executive Management, Board, and BOS

The Civil Grand Jury's investigation determined that management and leadership issues were contributing factors leading to the \$16.2 million loss on the sale of the Property. This section of the report identifies several specific leadership issues which were contributing factors to the loss, and which need to be addressed to reduce the risk of future adverse outcomes.

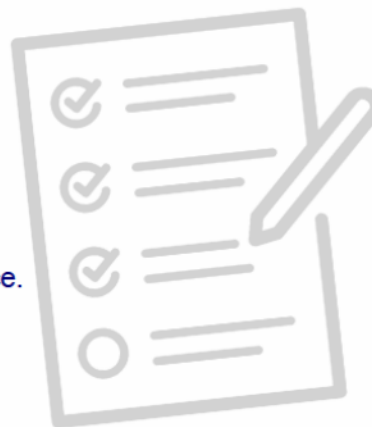
Management Planning and Measurable Objectives

SCCHA's five-year Strategic Plan Goals for 2020-2025 (see [Appendix 5](#)) do not specify any measurable objectives that could have guided the Board's decision-making process in determining the outcome of the Property. The search for a new headquarters in 2020 and the decision to sell the Property a mere 14 months later clearly illustrate the need to establish measurable objectives to help avoid the type of flip-flop decision-making and, ultimately, the financial loss incurred.

HUD requires measurable strategic long-term goals (see Figure 10). Had SCCHA implemented a long-term plan that included a space needs component, with projected size requirements for the headquarters, location quadrants, and a rationale for bringing all operations together at one site, the regrettable chain of events described in this report could have been prevented. Today, three and a half years after it purchased a headquarters building and quickly turned around and sold the Property, SCCHA continues to operate without a specific plan to address the agency's long-term space needs. There is no mechanism in place to prevent a similar decision error from happening in the future.

PHA's Mission, Goals, and Plan

- Annual Plan and 5-Year Plan – PHA Plan.
- Documents:
 - Housing needs (waiting lists, including site-based).
 - Various PHA policies.
 - Homeownership programs.
 - Designated housing.
 - Project-based assistance.
 - Conversion of public housing to tenant-based assistance.
 - Capital improvement funding, including demolition and disposition, repositioning, and/or development.
- Must consult with Resident Advisory Board, public, and other stakeholders.
- Obtain Board approval.



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Figure 10: PHA's Mission, Goals, and Plan. Source: U.S. Department of Housing and Urban Development, 2021

Board of Commissioners – Lack of Accountability

The structure of the Board is unique. SCCHA is an independent agency and there are no direct reporting or oversight requirements between the BOS and Board. None of the SCCHA Board decisions require approval by the BOS or any other governing body. Commissioners are appointed by the BOS and volunteer to serve on the Board, and it is their responsibility to provide governance and oversight of SCCHA operations and investments. This includes a fiduciary responsibility for hundreds of millions of dollars of operating cash flows, and decision-making over the purchase and sale of valuable property for housing investments. Normally, an elected member of a governing body in any jurisdiction is accountable to the voters. However, since Commissioners serving on the Board are not elected, and the BOS cannot support or veto any of their decisions,

costly decision errors, such as the one described in this report, can occur with little scrutiny or accountability.

HUD's online guidelines and training materials for PHAs identify key roles and responsibilities vested in the Board that are directly relevant to their ability to exercise effective governance and oversight and are well delineated in many PHA commissioner handbooks (see Figure 11 and [Appendix 4](#)). However, the Civil Grand Jury learned that most SCCHA Commissioners did not fully understand their roles and responsibilities (see [Appendix 3](#)). The HUD Board of Commissioners Training Program also identifies the range of knowledge that commissioners should possess to be effective (see Figure 12). HUD offers a webinar training series for new commissioners. However, the Civil Grand Jury learned that none of the Board had received any training from HUD.

Who Makes Up the Board of Commissioners?

- Recommended skills/attributes of a commissioner:
 - Administration (financial, reporting, legal).
 - Outreach and marketing (speakers, media contacts).
 - Service provision (service experts, training contacts).
 - Avoid political entanglements.
- Recommended experience of a commissioner:
 - Past service to other agencies in the public, private, and nonprofit sectors.
 - Real estate, housing, education, workforce development, social service, building/development.
 - Known positive reputation.
 - Community connections.

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Figure 11: Who Makes Up the Board of Commissioners? (U.S. Department of Housing and Urban Development, 2021)



Figure 12: What PHA Commissioners Should Know (U.S. Department of Housing and Urban Development, 2021)

The Board should have been cognizant that their approval to sell the Property only 14 months after its purchase failed in their obligations to protect federal, state, and local dollars intended for housing low-income families. They also missed a good opportunity to meet their SCCHA Strategic Plan Goals to provide affordable housing solutions.

County Board of Supervisors

SCCHA is a separate legal entity that was created by the County pursuant to state law. The responsibility for the selection and appointment of SCCHA Board members lies directly with the County BOS. (Cal. Health & Saf. Code section 34271.) As a consequence, the SCCHA Board members are not directly accountable to the voters, and concerns regarding the SCCHA Board’s governance are addressed by the BOS. (Cal. Health & Saf. Code section 34282.) In this manner, the entity that can meaningfully supervise the SCCHA Board is the BOS, but they do not exercise any form of oversight.

In the case of the SCCHA Board, the establishment of a housing board is prescribed by state law, which provides some legal parameters for its governance. The BOS has also published a handbook for its Boards and Commissions, which serves as a guide about the County processes, legal parameters, and protocols that affect the commissions’ business, as well as information on how to be a Commissioner in Santa Clara County (County of Santa Clara, 2016). The handbook covers many important topics, like the appointment process, orientation, training, responsibilities, and

conflicts of interest. The handbook material is generic in that it does not cover items specific to certain types of board or Commissioner appointments, and the County has indicated it does not apply to the SCCHA because it is an independent agency.

The Civil Grand Jury was surprised to learn that some County Supervisors were unaware the SCCHA had lost millions on the Property, and others were indifferent to SCCHA's financial loss because the loss did not come from County funds. This laissez-faire attitude is concerning to the Civil Grand Jury because the BOS must be acutely aware that any significant loss of public funds for housing is a lost opportunity for the County to address the overwhelming need for affordable housing opportunities. Since there is little public accountability for decisions made by the SCCHA Board, it is incumbent upon the BOS to take an active interest in appointing Commissioners who are as firmly committed to safeguarding public funds as they are to being passionate housing advocates. In this regard, the Civil Grand Jury found the BOS lacks appropriate protocols to ensure that SCCHA Board members are qualified and trained to serve in the complex role of a housing Commissioner. Further, the BOS has not addressed Commissioner vacancies in a timely manner.

The BOS qualification standards for appointing SCCHA Board members are inadequate. The Civil Grand Jury could not identify any BOS skills or background requirements for SCCHA Commissioner appointments beyond their being strong advocates for housing. HUD provides extensive criteria for the expected skills and capabilities for Commissioner appointments (see Figures 11 and 12.) The BOS has not adopted these standards and has not created any standards specific to the appointment of housing Commissioners.

The BOS has not mandated formal training for their SCCHA appointees. Unlike most other County Board and Commissioner appointments, the role and responsibility of SCCHA Commissioners involve making decisions that are both technical and complex, yet there is no evidence that the Commissioners have participated in any formal training, such as the HUD Exchange. The HUD Exchange is an online platform for providing program information, guidance, services, and tools to HUD community partners and provides webinar training for housing commissioners. It is designed for board members to understand their roles and responsibilities both to the PHA and the residents (see Figures 11 and 12) (U.S. Department of Housing and Urban Development, 2021). Many states and counties have developed Housing Authority Commissioners Handbooks (see [Appendix 4](#)), which define the responsibilities of SCCHA Commissioners consistent with the job. Although Santa Clara County has a County of Santa Clara Boards and Commissions Handbook, it does not apply to the SCCHA Board and the contents of the handbook do not address the level of responsibility, technical acumen, and analytical skill set required by appointees for scrutinizing complex financial and real estate transactions (County of Santa Clara, 2016).

FLAWED INFORMATION, FLAWED DECISIONS

The BOS has been indifferent to its responsibility for appointing Commissioners to serve on the SCCHA Board, filling vacancies, and completing the legal paperwork related to the appointments.

By law, the responsibility for appointing members of the SCCHA Board falls to the entire BOS. Figure 13 shows the appointment terms of individual Commissioners and the nominating supervisory districts.

Santa Clara County Housing Authority Board of Commissioners			
Supervisory District	Commissioner	First Appointed	End of Current Term
1	Bill Anderson	2004	2026
1	Marilyn Russell, Resident Commissioner	2019	2026
2	Denis G. O’Neal, Vice Chair	2011	2026
2	Ericka Mendieta, Resident Commissioner	2020	2026
3	Adrienne Lawton	2013	2025
4	Jennifer Loving, Chair	2016	2027
5	Kristina Loquist (position was vacant 2020-2024)	2024	2028

Figure 13: SCCHA Commissioner Districts and Terms (Santa Clara County Housing Authority, Board of Commissioners, 2024)

In constructing Figure 13, the Civil Grand Jury used the Board appointment terms shown on the SCCHA website. A review of actual BOS appointment documents highlighted several areas of concern regarding the documentation practices of the County. Some of the official appointment documents were missing. By law, a certificate of the appointment or reappointment of any commissioner is required to be filed with the County Clerk of the Board, and the certificate is considered to be the conclusive evidence of the due and proper appointment of the commissioner (Cal. Health & Saf. Code section 34273). Based on documents provided by the County, the Civil Grand Jury observed that the oath of office for the SCCHA Commissioners is embedded into the

certificate of appointment; in several cases, however, the required oath of office for appointees was either not signed or not available for Civil Grand Jury review. The most current Board and Commissioners Report (MADDY Report, May 1, 2024) issued by the Clerk of the BOS for some Board appointments differs from the official appointment records. Taken together, these issues raise concerns about the BOS adherence to their documented appointment process and guidelines and the degree of importance they place in ensuring the timely appointment of SCCHA Commissioners.

Given the high importance of the analytical decision-making required of SCCHA Commissioners, the anomaly that no reporting requirements to the BOS, and no proactive oversight by the BOS exists, the inattention to Commissioner appointments is especially troublesome and could have factored into the Property loss. Recognizing the magnitude of this loss, the BOS should undertake a concerted effort to recruit qualified applicants and promote training for new appointees. Contrary to their own publicly articulated priorities on the urgency of creating, identifying, building, and generating more affordable and accessible housing opportunities for County residents, it's hard to understand why no BOS Supervisor took any responsibility for, nor discussed with their Commissioners, the loss of millions of dollars of housing funds due to the SCCHA's short-sighted decision to sell the Property. Without some revision in the selection and training process, the SCCHA remains at risk for financial mistakes and losses similar to what occurred with the loss of the Property.

CONCLUSION

The Board approved the sale of the Property, a six-acre parcel in north San José, merely 14 months following the purchase of the Property, incurring a total loss of \$16.2 million. SCCHA executive management persuaded the Board to approve the sale of the Property based on incomplete and financially incorrect information. Significant factors, such as knowing the passage of SB 6 was imminent (easily enabling zoning changes for affordable housing), the site's location on a transit hub, the opportunity to establish a presence in the future growth area for North San José, and the increasing demand for low- to -moderate income housing, could have led to a decision to land-bank the Property for future housing development needs. SCCHA executive management and the Board deliberately chose to eschew the value of owning (without material cost to SCCHA) such a unique asset. Instead, the Board's decision to sell lost considerable public funds, and to date, they remain without an adequate headquarters to meet the needs of both staff and clients.

Additionally, this investigation identified many fundamental SCCHA management and leadership issues that contributed to the loss. These issues, which span SCCHA executive management, the Board, and the BOS, need to be addressed. Flawed analysis and the inability to recognize the errors and omissions within it increases the risk of flawed, potentially costly decisions such as the one documented in this report. The SCCHA is a valuable asset and a key player in the County's efforts to reduce homelessness and the burden of high housing costs. The Findings and Recommendations on the next two pages are intended to help SCCHA remain a strong, well-governed, and effective contributor to county residents' housing needs.

FINDINGS AND RECOMMENDATIONS

Finding 1

SCCHA executive management presented incomplete and financially incorrect analytical documents about the Property to the Board, omitting viable options for occupying, using, or selling the Property.

Recommendation 1

The Board should establish a standard operating procedure requiring executive management to use either internal or external experts to validate that financial analytical documents prepared for Board review, are accurate, complete, and present an unbiased evaluation of the matter under consideration. This recommendation should be implemented by December 31, 2024.

Finding 2

SCCHA's current five-year plan does not establish measurable objectives, goals, or accomplishments that would enable a comprehensive review of its programs and progress.

Recommendation 2

SCCHA should amend its current five-year plan to include actionable performance targets and measurable objectives. These performance targets should be incorporated into annual reviews for the SCCHA Executive Director and staff. This recommendation should be implemented by December 31, 2024.

Finding 3

SCCHA's existing five-year term plan does not identify specific SCCHA space needs and a funding plan to support them.

Recommendation 3

SCCHA should include an assessment of space needs and the associated funding requirements as part of their five-year plans. The assessment should include the financial impact of expected program growth, staffing, services, accessibility, and operating performance requirements on future office space needs. This recommendation should be implemented by December 31, 2024.

Finding 4

The BOS does not have established qualifications for selecting SCCHA Board of Commissioners.

Recommendation 4a

The BOS should use established HUD guidelines to develop County-specific guidelines for the selection and appointment of SCCHA Board members. This recommendation should be implemented by December 31, 2024.

Recommendation 4b

The BOS should develop a collaborative process that ensures the SCCHA Board, in total, contains a balance of skills, knowledge, and experience required to perform their assigned roles and responsibilities. This recommendation should be implemented by December 31, 2024.

Finding 5

The BOS does not have an established training program for its SCCHA Board appointees specific to the roles and responsibilities of a housing Commissioner.

Recommendation 5

The BOS should use established HUD guidelines to develop County-specific training programs for its housing Commissioners. This recommendation should be implemented by December 31, 2024 .

Finding 6

The BOS has multiple deficiencies in its SCCHA Commissioner appointment process, including long vacancies and incomplete documentation.

Recommendation 6

The BOS should develop processes to ensure that the appointment process and related documentation requirements are completed in a timely manner. This recommendation should be implemented by December 31, 2024.

REQUIRED RESPONSES

Pursuant to California Penal Code section 933(b) et seq. and California Penal Code section 933.05, the 2023-24 Santa Clara County Civil Grand Jury requests responses from the following governing body:

Responding Agency	Findings	Recommendations
Santa Clara County Housing Authority	1, 2, 3	1, 2, 3
The County of Santa Clara	4, 5, 6	4a, 4b, 5, 6

APPENDIX 1: Organization, Management And Personnel (OMP) Monitoring Guidebook (7460.9G)

7460.09

Chapter 2. ORGANIZATION MANAGEMENT AND PERSONNEL FUNCTIONAL AREA

Section 2. ORGANIZATION MANAGEMENT AND PERSONNEL FUNCTIONAL AREA

2-1 General.

The OMP function within the PHA leads and directs the activities of the agency operation. OMP addresses, through its sub-functions, those fundamental elements, which form the foundation for success or failure within a PHA's operation.

2-2SUB-FUNCTION/COMPONENT DESCRIPTIONS. The OMP function is divided into the following seven sub-functions:

- 1.Board of Commissioners: Selection and Operation
- 2.Organization
- 3.Management
- 4.Administration, Personnel and Training
- 5.Public/Private Partnerships
- 6.Legal Administration
- 7.Management Information Systems

The following is a brief description of each sub-functional area with descriptions of the components for each sub-function. Detailed guidance on assessing these areas is provided throughout this OMP Guidebook.

A. SUB-FUNCTION 1: Board of Commissioners: Selection and Operation.

Final authority, legal and fiduciary responsibility for the PHA lie with the Board of Commissioners, making the selection of Board members and its operations critically important. Core Principle: The Board should establish a clear mission for the PHA, setting broad policy, and should obtain a flow of critical information with which to evaluate management.

1.Components:

a.Board Composition and Selection. Determine if the Board members possess the requisite knowledge, skills, dedication and experience; whether potential conflicts of interest are present; and whether appointing authorities

2-1

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7460.9

have carefully considered appointees. The reviewer should use the opportunity of the review to point out the benefits to the PHA of having diverse representation on the Board, and members with expertise related to the PH's management of public housing such as individuals with property management; financial; legal; personnel management/labor relations; community relations and security. The benefits of having resident representation on the Board should also be addressed.

b. Board Functionality. Determine if the Board is fully functional by examining whether all members are in place, meetings held per bylaws, meeting minutes and resolutions fully documented, acting in all areas where Board authority is required. A determination should also be reached on whether the Board is routinely receiving key information on which to make policy decisions and on which to evaluate upper management; e.g. , unit turnover and vacancy rate, operating income and expenditure data, modernization progress reports, work order backlogs, major changes in HUD's regulations/requirements, security problems, etc. The emphasis should be on the impact of the Board's operation on the operations of the PH. Detailed review of adherence to bylaws, etc. would only be necessary if the legitimacy of the Board's legal authority came into question.

c. Board Effectiveness. Determine if the Board is fully engaged and effective in setting policy, monitoring and evaluating upper management, allowing the Executive Director and staff to exercise proper authority over the PH's daily operations, and acting as an advocate for the PH in the larger community to gain outside support.

B. SUB-FUNCTION 2: Organization.

The PHA organization should be designed, and periodically evaluated and redesigned, to efficiently accomplish its goals and mission.

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7460.9

The goals and workload should determine the number and level of skills of employees. The PHA should decide what it needs to accomplish and how it intends to get there. This sub-function encompasses the areas of organizational structure, coordination, and communication. Core Principle: The organizational structure, flow of communications and the interaction of the organization's components should support the achievement of the PHA's mission and core functions.

1. Components:

a. Organizational Structure. The primary purpose of the review is to determine if the organizational structure, formal and informal, is functioning so that it provides a rational framework to facilitate the flow of work. There is no best structure suitable to all situations. Centralized or decentralized, hierarchical or flat, whether divided along functional or divisional lines, what is appropriate is what works. Generally, a decentralized operation provides for more accountability of staff and a highly centralized operation requires more expertise and involvement on part of executive director. Issues of lines of authority, delegation of authority,

APPENDIX 2: Office Space Needs Assessment

From: Katherine Harasz
Sent time: 09/25/2020 08:32:17 AM
To: Melody H. Fennel <mfennel@verizon.net>; Bill Simpson <BillS@nrwa.org>
Subject: Fwd: replacement office project
Attachments: Proposed SCCHA Office Acquisition Sept. 2020 v.2.pptx

FYI.

Katherine Harasz
 Executive Director,
 Santa Clara County Housing Authority

From: Katherine Harasz <Katherine.Harasz@scchousingauthority.org>
Sent: Thursday, September 24, 2020 5:03 PM
To: 'All Staff - HACSC ONLY'
Subject: replacement office project

Good afternoon,

Your Executive team has been working to replace SCCHA’s current office. Why? There is an abbreviated list of reasons on this slide show, but for those that may have been hired during the pandemic, you might not realize how badly we need more space – more parking space, more meeting space, and more employee space. COVID-19 has only amplified our need for more space.

We do have land available at 14th and Santa Clara for the construction of an office, but we progressed enough with our office design and construction estimating to arrive at the understanding that it will be much more cost-effective, less risky, and quicker to buy an existing building. To test this theory, we engaged a real estate consulting firm to help us comb the market for prospects. Today the Board authorized me to proceed with negotiations to acquire the building described in this attachment. After acquisition and build out, this move will be about half of the cost of constructing new, not to mention two years sooner. We can pivot our current office architects, who have already completed programming for interior build out of a prospective new building, to this building for more cost/time efficiency.

I hope that this power point answers many of your questions, but I want to emphasize that this acquisition is still dependent on due diligence, meaning a further and more in-depth analysis of every aspect of this building. Because it was recently updated in 2014, we are fairly confident that some of the more expensive and time consuming improvements are already in place, but we need to be sure that there are not unexpected issues. We will know by the end of the year if this is a go, and we will keep you updated along the way.

In the meantime, thank you for your service in this time of unprecedented need. I just finished a presentation on this county’s homelessness prevention system. The number of Santa Clara County residents that have no jobs or extreme reductions in income, have lost family members to COVID and now have no adult to help with home, child and family care, and have no health care or sick leave to rely on is unprecedented. The gulf between the have and have nots will grow and our program is filling a very important need for those lucky enough to have rental assistance or an affordable apartment. You are making a difference every day in the lives of the households we serve. So, please take care. I hope that you and your family are well, and that we are soon on the other side of COVID-19.



Katherine Harasz
 Executive Director, Santa Clara County Housing Authority
 O 408-993-2903 | C 408-464-2692
 505 W. Julian Street, San José, CA 95110
www.scchousingauthority.org | [Join Our Newsletter](#)



The Housing Authority’s mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.

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SCCHA_001160

BACKGROUND – Why do we need to move?

- Current office is 35,000 s.f.; needs assessment pre-COVID indicated we need 65,000 s.f. (allows modest room for growth plus additional amenities).
- Parking area lease expires October 2023 – our current building has grossly insufficient parking.
- Estimated cost to construct a new building at 14th and East Santa Clara Street is in \$100M range.
- Post-COVID: opportunity to incorporate architectural recommendations for improvements for pandemic flu.

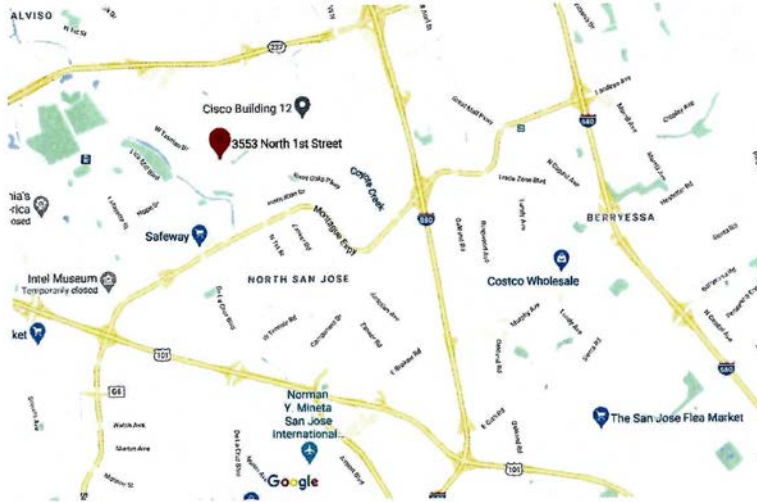
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3553 NORTH FIRST STREET, SAN JOSE



SCCHA_001162

3553 NORTH FIRST STREET, SAN JOSE



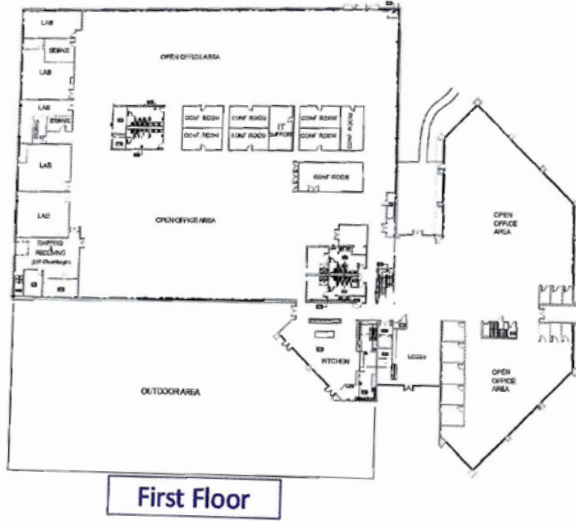
SCCHA_001163

3553 NORTH FIRST STREET, SAN JOSE

- Built 1983; last renovated 2014
- 86,145 square feet (about ¼ on second floor)
- 336 parking spaces
- Large outdoor amenity area (about a ½ acre)
- Includes a cafeteria/break area (with entry to amenity area)
- Vacant with some conference room/office spaces built out
- About half the cost of new construction downtown and can be move-in ready by end of 2021.

SCCHA_001164

BUILDING LAYOUT



SCCHA_001165

BUILDING PHOTOS



SCCHA_001166

BUILDING PHOTOS



SCCHA_001167

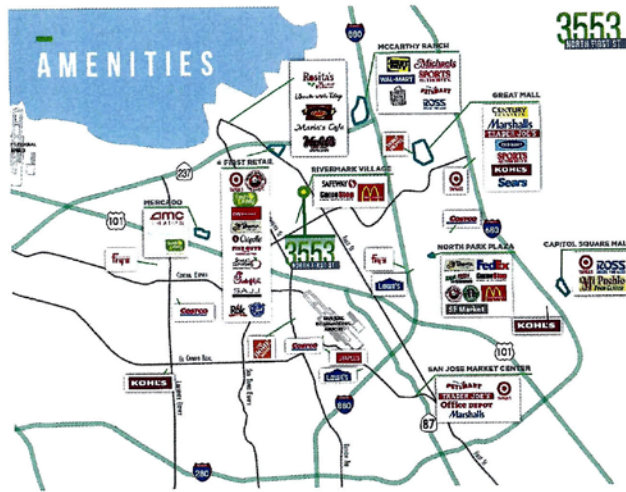
TRANSPORTATION AND ACCESS

Program of Self-Help, Office of Behavioral Science, 2012, p. 12, 13, 14.



SCCHA_001168

SURROUNDING RETAIL



SCCHA_001169

WHAT WE LOVE

- ✓ Space to accommodate existing, growth and post-pandemic business operations, ample room for additional conference space for client meetings.
- ✓ **Space to promote areas for employee wellness, privacy and breaks.**
- ✓ Space to build proper Board room with supporting needs.
- ✓ **Proximity to Guadalupe Trail/outdoor amenity area.**
- ✓ **Bathrooms with showers.**
- ✓ Adjacent to retail, apartment homes.
- ✓ Opportunity to address architectural recommendations for building improvements that would mitigate current and future pandemic flu risks
- ✓ Parking, parking, and more parking. Did we mention parking?

SCCHA_001170

ACQUISITION PROCESS

- Finish negotiation of Purchase and Sale Agreement.
- 60 day due diligence period
- **If due diligence yields buy decision**, close 30 days after due diligence completed (estimate completion of acquisition by year's end)
- Begin design/permitting/construction of improvements for SCCHA operations (estimate 6 – 9 months)
- Move in!

SCCHA_001171

APPENDIX 3: Foundations: Roles and Responsibilities

FOUNDATIONS: ROLES AND RESPONSIBILITIES



Board of Commissioners

Being named a commissioner is a great opportunity to serve your community, and with your appointment you have assumed significant responsibilities. The Board of Commissioners is the legally and financially responsible governing body of a PHA and the first line of accountability for the PHA's performance.

What Boards of Commissioners Do

Provide Leadership

- Set and champion the mission of the PHA
- Make strategic decisions to ensure the financial solvency of the agency
- Speak up when concerns arise

Provide Oversight

- Monitor the agency's ability to meet statutory, regulatory, and contractual obligations
- Assure PHAs meet obligations on audit recommendations
- Approve internal controls to safeguard the agency's assets
- Safeguard the financial integrity of the PHA, preventing fraud, waste, mismanagement, and abuse
- Approve, review, and monitor budgets, contracts, and other financial documents
- Conduct monthly reviews of budgets with actual expenses and revenues
- Ensure ethical, legal, and effective work performance
- Keep informed of subsidized housing industry rules and regulations

Actively Participate in Board Meetings

- Conduct and maintain an accurate record of board proceedings
- Follow open meeting requirements

What Commissioners Should Know

- The agency's history, mission, programs, financials, and strategic plan
- Agency policies and procedures
- Agency-owned developments and properties
- Board and committee meeting processes, including open meeting requirements and confidentiality
- Federal and state laws and regulations

Executive Director and Executive Staff

The commissioner's role is governance – establishing policy and ensuring oversight. The executive director's role is management. Commissioners and executive directors need to be cognizant of one another's roles without overstepping or undermining the other. Specifically, the executive director:

- Keeps commissioners informed
- Develops, implements, and oversees the operating budgets
- Ensures compliance with all federal laws and HUD guidelines
- Manages the day-to-day operations of the PHA
- Hires, evaluates, trains, and terminates staff
- Executes board-approved policies

RESIDENTS: AN ESSENTIAL VOICE

All PHAs must have a Resident Advisory Board (RAB) and Resident Commissioners. These voices can provide an important perspective on the most pressing issues facing the community of residents.

You should also get out, walk around these communities, and get to know the people you serve.

The executive team at an authority includes more than the executive director or chief executive officer. Depending on the size of the PHA, there may also be other executive staff. These staff members are hired by the executive director, and are concerned with the day-to-day management of the PHA.

U.S. Department of Housing and Urban Development (HUD)

HUD interprets the laws handed down by Congress, developing regulations to guide PHAs. These regulations are distilled in the Annual Contributions Contract (ACC), a legally-binding contract between HUD and the PHA. HUD is a resource for PHAs. HUD guidebooks, notices, and handbooks are important tools to guide your oversight. The PHA may also contact the HUD Field Office, Regional Office, and Headquarters for resources and support.

APPENDIX 4: Housing Authority Commissioner Handbooks

Alabama: Alabama Commissioner's Handbook published by Alabama Association of Housing and Redevelopment Authorities

<https://static1.squarespace.com/static/6319db9e5dae0606e43b2cc1/t/6334c24d311f0d48da7cf1ae/1664401997413/Commissioner+Handbook.pdf>

California: Housing Authority County of Merced, California Handbook for Commissioners

<https://www.merced-pha.com/board/2022/HACM%20Commissioner%20Handbook.pdf>

Minnesota: Roles and Responsibilities Quick Reference Guide: Board of Commissioners

<https://brainerdhra.org/wp-lib/wp-content/uploads/2018/10/LTW-Roles-Responsibilities-Quick-Reference.pdf>

New Jersey: New Jersey Housing Authority Commissioners Handbook

<https://static1.1.sqspcdn.com/static/f/813726/24961418/1401322870513/NJAHRACommHandbook2014.pdf?token=7MIWG7D2BOEi8vMJVumNP4FjtU%3D>

West Virginia: West Virginia Association of Housing Agencies Commissioner's Handbook 101

https://www.serc-nahro.org/wp-content/uploads/Documents/2017_Annual/Commissioners/Commissioners%20Track%20-%20Commissioner'sHandbook101.pdf

Wisconsin: A Handbook for Housing Authority Commissioners

https://www.wahaonline.org/wp-content/uploads/2017/09/WAHA_COMMISSIONERS_HANDBOOK_REVISION_FINAL_page_numbers_9_16_002_for_the_web.pdf

APPENDIX 5: Housing Authority Strategic Plan Goals

ATTACHMENT A
SANTA CLARA COUNTY HOUSING AUTHORITY STRATEGIC PLAN GOALS

SCCHA STRATEGIC PLAN GOALS (FISCAL YEAR 2020 TO 2025)			
Mission	To provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.	Vision	Healthy, Affordable Housing for All <i>(Approved February 25, 2014)</i>
Goals - SCCHA will endeavor to achieve its mission and vision through the following goals:			
Housing Availability & Affordability			
1. Increase the number of and equitable access to housing opportunities for low-income Santa Clara County residents Objective 1.1: Develop new affordable housing, including extremely low-income (ELI) and permanent supportive housing Objective 1.2: Leverage varied sources of public and private funding to support financial feasibility of Housing Authority projects Objective 1.3: Enable voucher holders to easily and efficiently locate housing Objective 1.4: Manage rental subsidies offered by the Housing Authority to increase the number of families served			
2. Preserve the existing housing opportunities available to low-income Santa Clara County residents to counter displacement of those who are most impacted by Santa Clara County's income disparity and housing crisis Objective 2.1: Preserve the Housing Authority's existing affordable housing portfolio Objective 2.2: Support efforts to preserve other affordable housing in Santa Clara County Objective 2.3: Maintain and increase the number of landlords participating in the Housing Authority's voucher programs			
Partnerships			
3. Understand and address the needs of low and extremely low-income individuals and build strong partnerships that promote better outcomes for those in need of maintaining, affording or securing housing Objective 3.1: Partner with local governments and non-profits to provide services for target populations and promote resident self-sufficiency Objective 3.2: Support key stakeholders to promote and advocate for innovative housing policies and additional affordable housing resources Objective 3.3: Establish partnerships with institutions of higher education to strengthen SCCHA's MTW program and SCCHA's career pipeline Objective 3.4: Partner with local governments to promote fiscal responsibility and program integrity consistent with SCCHA's mission Objective 3.5: Work with partners to reduce homelessness and increase and maintain effective working relationships			
Operational Excellence			
4. Maximize agency fiscal health, efficiency and effectiveness by streamlining processes, adopting technology and embracing innovation Objective 4.1: Promote an organizational culture and work environment that supports staff professional development and personal excellence Objective 4.2: Attract, develop and retain a skilled, engaged and collaborative staff Objective 4.3: Monitor and enhance the customer experience of the Housing Authority's clients and stakeholders Objective 4.4: Increase the efficiency and effectiveness of internal processes through technology, staff training and development Objective 4.5: Maintain the Housing Authority's fiscal health and integrity			

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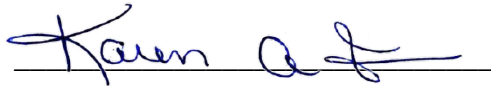
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This report was **ADOPTED** by the 2023-24 Santa Clara County Civil Grand Jury on this 10th day of June, 2024.

A handwritten signature in blue ink, appearing to read "Karen Enzensperger", written over a horizontal line.

Karen Enzensperger

Foreperson