

**FY
2003-2004**

South Carolina State Housing Finance and Development Authority

Accountability Report



“Housing South Carolina Is Our Business”

Since the Agency’s creation in 1971, it has been the mission and purpose of the South Carolina State Housing Finance and Development Authority (the “Authority,” or “Agency”) to **promote and provide safe, decent, and affordable housing for the citizens of South Carolina**. Every day, our dedicated staff strives to ensure that all low-to-moderate income families, older adults, persons with disabilities and other frequently underserved individuals obtain one of the most basic of human needs—a safe and decent place to call home.

The South Carolina State Housing Finance and Development Authority and its staff operate with the knowledge that helping South Carolinians realize a safe, decent place to live is more than an altruistic public service. Rather, it is an investment. Expanding housing opportunities is, at its core, an investment in individuals, communities, and local economies.

MISSION, VISION, AND VALUES

As previously stated, it is the mission of the Authority to promote and provide safe, decent, and affordable housing for the citizens of South Carolina. The Authority envisions that all South Carolinians will have the opportunity to live in safe, decent, and affordable housing. Toward this means, the Authority has the following core values:

- **Customer Focus:** We strive to know and understand our customers and their needs. We respect all persons and value their diversity. We continually seek ways to improve our service. We encourage and appreciate our partnerships.
- **Public Trust:** We take responsibility for our actions and protect the public trust by upholding the constitution and laws of our nation and state. As guardians of public funds and resources, we will exercise competent and judicious management. We value integrity and ethical conduct above all else.
- **Employee Focus:** We value our employees and treat them with dignity and respect. We ensure that our employees have the tools and the training they need to be successful. We recognize and reward them for their outstanding contributions to our mission. We empower them to improve upon the systems and processes that they control.
- **Quality and Innovation:** We are dedicated, committed, and competent public servants. We are visionary, creative, and open to change. We constantly seek to improve our knowledge and ability to serve our customers. Professionalism, Quality, and Innovation are the hallmarks of the Authority.

MAJOR ACHIEVEMENTS OF FY 2003-2004

Not unlike the past couple of years, this year has seen significant organizational and leadership changes. Perhaps the most significant of these changes was the arrival of the new Chairman of the Agency’s Board of Commissioners. With change comes the opportunity to examine how we do things: how processes can be made more efficient, resources allocated more effectively and customer service improved. Fortunately, the Authority has embraced these “side effects” of change, which have attributed to several major achievements this year. These major achievements include:

- 4,444 New Homes and Apartments
- 11,947 Jobs Created
- \$185,261,347 New Tax Base
- \$2.9 Billion Rental Portfolio
- Down HOME Assistance Program, providing a \$5,000 forgivable loan, targeted to households at or below 80 percent of the county median income
- Creation of the Public-Private Broker Initiative, providing service to potential homebuyers in the underserved areas of the State
- Creation of Housing Trust Fund Block Grant, making it easier for nonprofit organizations to access affordable housing capital

KEY STRATEGIC GOALS FOR PRESENT AND FUTURE YEARS

The Agency completed a major strategic planning session in June of 2003. The session created an agreement among the strategic planning team (composed of all executive and mid-level managers) on five major strategic issues the Authority needs to address. The team arrived at a list of key results, or specific objectives to resolve each respective issue, as well as a list of specific tasks that must be accomplished to achieve the respective key results. The following are the key results, or goals, our team produced:

- Become a more proactive agency in determining affordable housing policy, to include ensuring that affordable housing initiatives are coordinated with economic expansion efforts and to forge strong public, private and nonprofit alliances
- Become more pragmatic and methodical in the approach to operations, resources, and human capital; focus on maximizing existing resources
- Discover ways to address different needs of divergent markets
- Better define the role of the Agency's support functions, especially that of the Information Technology Division

Section III, Category 2, will discuss in detail the specific objectives created to approach these goals.

OPPORTUNITIES AND BARRIERS IMPEDING STRATEGIC GOALS

Perhaps the greatest barriers in addressing the Agency's strategic goals, and more broadly, in achieving its mission and purpose, are the limitations incurred by being a governmental agency. Many states have found this to be the case and have allowed their Housing Finance Agencies to become quasi-governmental agencies and, in some cases, to become private organizations. This allows the agencies, which are essentially Financial Organizations, to become less encumbered by a slow reacting procurement system, from hiring procedures and salary caps that can prevent the Agency from hiring the most qualified candidates, etc. It is inherently difficult for an organization that is at its core a financial institution—an institution that needs the ability of quick reaction time for effective action—to operate within a bureaucratic system.

Always a significant barrier to an Agency's success is funding. Although the Authority does not depend on annual appropriations from the General Assembly, the services it provides are heavily dependant upon federal allocations and grants (e.g., Section 8 Rental

Assistance), allocations of the state's Private Activity Bond cap which funds our homeownership programs, and revenue generated from the state documentary stamp tax which entirely funds the South Carolina Housing Trust Fund¹. All of these funding sources fluctuate annually. Although the Agency has been lucky not to have experienced any major budget crises this year, it has nevertheless continued to operate in a fiscally conservative manner, remaining a good steward of public funds.

USING THE ACCOUNTABILITY REPORT TO IMPROVE PERFORMANCE

The Accountability Report has been useful primarily as an opportunity for the Agency to reflect on its annual performance, and to compare a current year's performance to previous ones. However, under past leadership, there was little effort to align the Baldrige Criteria and the guidelines of the Accountability Report with the Agency's organizational infrastructure. This has begun to change as performance measures are put in place, per the strategic plan, to allow the Agency to take a more systematic approach in its focus on customer service, process and information management, leadership, and employee development.

¹ It is important to note that the SC State Treasurer serves as the trustee for the fund and that all monies deposited in the fund are held separate and distinct from general funds of the Authority and from general funds of the State. The Authority maintains separate records for all monies deposited into the fund.

EMPLOYEES AND OPERATION LOCATIONS

The Authority has 122 FTE (full time equivalent position) slots available that are currently filled with 119 full-time permanent employees, as well as seven temporary employees. The Agency is operated from two locations in Columbia. The Homeownership Division, comprised of Loan Administration, Loan Purchasing, and Mortgage Servicing Departments, operates from our 711 Bluff Road location. The remaining programs and support services, including Finance and Administration, Legal, Development, Rental Assistance, Communications and Planning, Human Resources, and Information Technology, operate from 919 Bluff Road (29201).

EXPENDITURES/APPROPRIATIONS

The Authority is a self-sustaining Agency that does not rely on state general fund revenues for its operations. It is supported through funds generated by the sale of tax-exempt Mortgage Revenue Bonds; Federal programs funded by the U.S. Department of Housing and Urban Development (HUD) and authorized by the Department of Treasury-Internal Revenue Service; user fees; and State Documentary tax funds transferred to the South Carolina Housing Trust Fund. All Notes and Bonds issued by the Authority are special obligations of the Authority and do not constitute a debt, grant, or loan of credit of the State of South Carolina, or any political subdivision thereof. The Authority works in partnership with the private sector and operates in a fashion that more closely resembles a private financial institution than a government entity.

Base Budget Expenditures and Appropriations

Major Budget Categories	02-03 Actual Expenditures		03-04 Actual Expenditures		04-05 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$4,833,367	\$0	\$4,793,793	\$0	\$5,098,053	\$0
Other Operating	\$2,666,448	\$0	\$3,301,803	\$0	\$2,449,519	\$0
Special Items	\$0	\$0	\$0	\$0	\$0	\$0
Permanent Improvements	\$0	\$0	\$0	\$0	\$0	\$0
Case Services	\$89,642,217	\$0	\$93,252,164	\$0	\$100,000,000	\$0
Distributions to Subdivisions	\$6,691,251	\$0	\$8,823,740	\$0	\$8,000,000	\$0
Fringe Benefits	\$1,270,054	\$0	\$1,277,663	\$0	\$1,300,145	\$0
Non-recurring	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$105,103,337	\$0	\$111,449,163	\$0	\$116,847,717	\$0

Other Expenditures

Sources of Funds	02-03 Actual Expenditures	03-04 Actual Expenditures
Supplemental Bills	\$0	\$0
Capital Reserve Funds	\$0	\$0
Bonds	\$0	\$0

Interim Budget Reductions

Total 02-03 Interim Budget Reduction	Total 03-04 Interim Budget Reduction
\$0	\$0

MAJOR PROGRAM AREAS

Program Number and Title	Major Program Area Purpose (Brief)	FY 02-03 Budget Expenditures	FY 03-04 Budget Expenditures	Key Cross References for Financial Results*
06050000 Rental Assistance	Contract Administration, Voucher Administration and Voucher Program	State: 0 Federal: 91,872,024 Other: 0 Total: 91,872,024 87.4 % of Total Budget:	State: 0 Federal: 95,521,753 Other: 0 Total: 95,521,753 85.7 % of Total Budget:	7.1d 7.2 e
0610000 Housing Initiative	HOME	State: 0 Federal: 7,464,593 Other: 0 Total: 7,464,593 7.1 % of Total Budget:	State: 0 Federal: 10,383,559 Other: 0 Total: 10,383,559 9.3 % of Total Budget:	7.2f 2.2g
06010000 Property Administration	Compliance Monitoring	State: 0 Federal: 0 Other: 289,550 Total: 289,550 0.3 % of Total Budget:	State: 0 Federal: 0 Other: 346,319 Total: 346,319 0.3 % of Total Budget:	7.2f 7.2h 7.2i
0615000 Tax Credit	Low Income Housing Tax Credit	State: 0 Federal: 0 Other: 602,250 Total: 602,250 0.6 % of Total Budget:	State: 0 Federal: 0 Other: 514,852 Total: 514,852 0.5 % of Total Budget:	7.2a 7.2h
08010000 08050000 Homeownership	Loan Purchasing and Loan Servicing	State: 0 Federal: 0 Other: 1,219,594 Total: 1,219,594 1.2 % of Total Budget:	State: 0 Federal: 0 Other: 1,355,821 Total: 1,355,821 1.2 % of Total Budget:	7.2b 7.2c 7.2d

Below: List any programs not included above and show the remainder of expenditures by source of funds.

Administration
Employer Contributions

Remainder of Expenditures:	State: 0 Federal: 584,330 Other: 3,071,996 Total: 3,656,326 3.4 % of Total Budget:	State: 0 Federal: 545,617 Other: 2,781,242 Total: 3,326,859 3.0 % of Total Budget:
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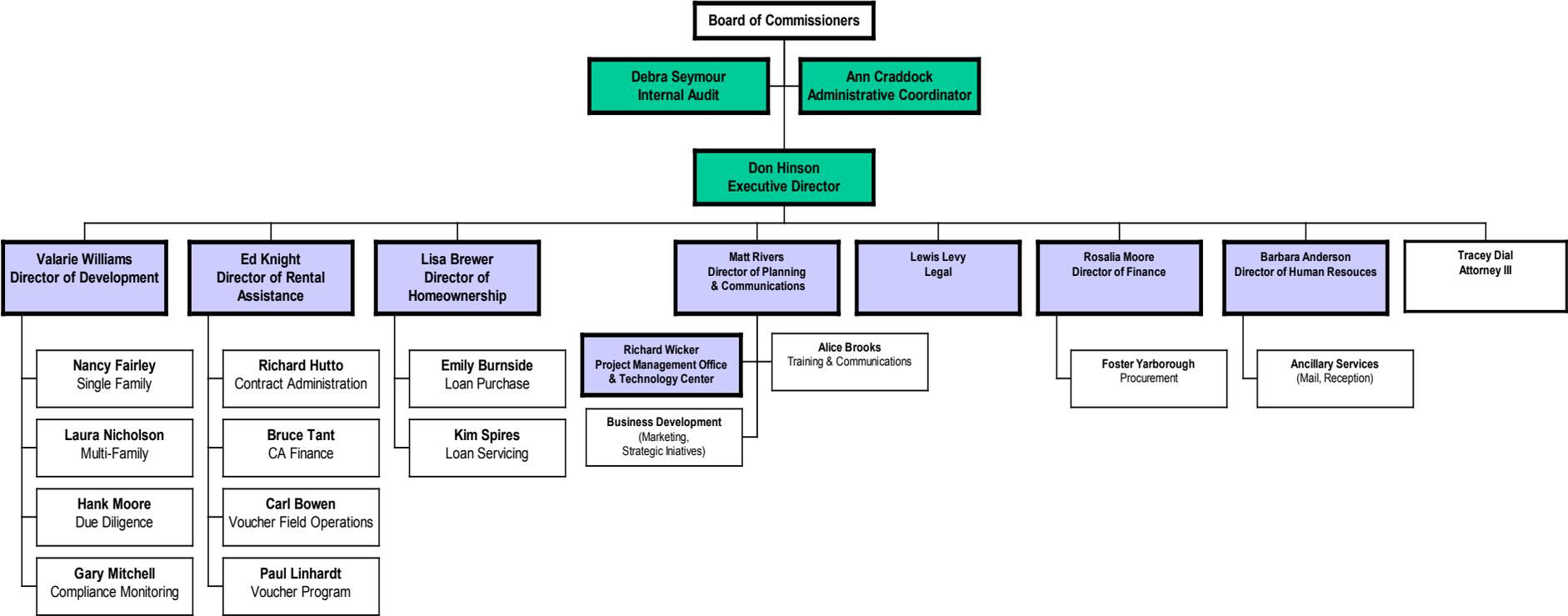
KEY CUSTOMERS/STAKEHOLDERS LINKED TO KEY SERVICES

Service/Product	Customers	Intermediate Customers	Stakeholders
MRB Homeownership Program	Mortgagors (low- to moderate-income)	Lenders; Mortgage Brokers	Investors; Insurers; Federal agencies; Private Service Providers
Rental Assistance – Housing Choice Voucher (HCV)	Tenants (extremely low- and very low-income)	Property Owners	US Department of HUD
Rental Assistance – Contract Administration	Tenants (extremely low- and very low-income)	Property Owners; US Department of HUD	
Low Income Housing Tax Credit (LIHTC)	Tenants (very low- and low-income)	Developers (both private sector and nonprofit)	
Multi-Family Tax-Exempt Bond Financing	Tenants (very low- and low-income)	Developers (both private sector and nonprofit)	
HOME Investment Partnerships	Tenants; Homeowners	Developers (both private sector and nonprofit)	
SC Housing Trust Fund	Tenants; Homeowners; Homeless	Developers (both private sector and nonprofit)	

KEY SUPPLIERS

Service/Product	Supplier
Computer Software	Applications Oriented Design (AOD); Housing Development Software (HDS); Yardi
Computer Hardware	Dell Computers; HP Direct; CDW Computer Supplies
Computer Consulting	Modis
Office Supplies	State Central Supply; Lorick Office Supplies; Forms & Supply; J M Grace; Peachtree Business Products; United Product Distributors
Office Equipment (non-computer)	Xerox Corporation; Pitney Bowes
Office Furniture	JM Grace Corp; Lorick
Printing/Binding	SCDC Printing & Graphics; Professional Printers; University of South Carolina Press; Colonial Printers; Lexington Printers
Mail/Freight/Courier Services	US Postal Service; Federal Express; United Parcel Service (UPS)
Temporary Services	Modis
Travel Services	Travel Network; Forest Lake Travel
Promotional Supplies	Paper Pro; Adstreet Specialties; Palmetto Promotions; Joe Henry Company

ORGANIZATIONAL STRUCTURE



1. LEADERSHIP

1.1 How do senior leaders set, deploy, and ensure two-way communication for: a) short and long term direction, b) performance expectations, c) organizational values, d) empowerment and innovation, e) organizational and employee learning, and f) ethical behavior?

a.) The Board of Commissioners provides policy direction for the Agency, and executive and senior management are responsible for translating this direction into strategic and tactical plans. Most direction is set by senior leaders during strategic planning sessions in which the Authority develops a set of goals and tactical plans created to keep the direction of the Agency aligned with the Agency's stated mission, vision, and values. The Board of Commissioners has recently established several committees composed of Board members to address important decisions regarding organizational direction that must be dealt with outside of the normal strategic planning. As was the case this year, the Board will also call a special working session to address short and long-term direction as needed. Although goals and plans are published and disseminated to all employees, it is the ultimate responsibility of all managers to communicate these goals and their importance. The most effective way in which senior leaders set, communicate, and deploy direction at the individual level is through annual review of employees' Position Descriptions and Planning Stages (EPMS). This review ensures that the employee is aware of the goals of the Agency, and the responsibilities of the employee toward helping the Agency meet those goals. Illustrating the importance the agency places on this form of communication, each supervisor's planning stage includes a requirement for timely completion of EPMS for his or her direct reports.

b.) Senior leaders have set the tone for setting, deploying and communicating performance expectations by requiring that each employee's objectives and success criteria as outlined in the employee's EPMS align with the Agency's strategic goals. Senior leaders also communicate a high standard for performance by placing a strong emphasis on maintaining excellent standing with our stakeholders, particularly the US Department of Housing and Urban Development which conducts annual audits of the Agency's performance in several departments.

c.) Organizational values are the nucleus of the Authority's operations. New employees are introduced to our core values of public trust, quality and innovation, employee focus, and customer focus at an orientation program designed to instill the importance of these values and their importance to the Agency's mission. These values are reinforced in Agency newsletters, other internal communiqués and the Employee Handbook. As role models, senior leaders display these values by remaining good stewards of public funds and resources, by always endeavoring to improve processes and services and encouraging the same of their employees, by cultivating their employees to be contributors and treating them with respect, and by

realizing and communicating a strong customer focus, remembering that meeting the often divergent needs of our customers is at the center of what they do.

d.) *Innovation* and *employee focus* are among our most important stated organizational values. Senior leaders empower their employees with the information, education, resources, and flexibility employees need to do their jobs to the best of their abilities. As an excellent example of employee empowerment, this year senior leadership created eight morale teams in which Agency staff was encouraged to conduct very candid discussions on ways to improve Agency morale. By opening up these conversations to staff at all levels of the Agency, senior leaders empowered employees to make a difference in important Agency policy while creating buy-in for implementation plans. Creativity and innovation in the services (“products”) the Agency provides, the delivery of those services, and process management are encouraged through awards and recognition. Perhaps the best example of recognition is the Employee Recognition Program which recognizes the outstanding performance and contributions made in carrying out the mission, vision, and values as outlined in the Authority’s Strategic Plan. The Program stresses the importance of individual contributions in productivity and teamwork. This Program recognizes two outstanding employees each year, and a monetary award is given to each of the recipients.

e.) Organizational and employee learning is encouraged through access to seminars and other training. All supervisors and managers are encouraged to participate in the Associate and Certified Public Manager courses and all employees are encouraged to make use of the Authority’s Tuition Assistance program. The amount of training each employee and each department receives annually is tracked by the Human Resources Division, which has concentrated much effort in the last fiscal year into creating an infrastructure to ensure continual employee development. Each employee follows an individualized training plan to ensure consistency and thoroughness.

f.) Ethical behavior standards are endorsed and communicated by the actions and examples of Agency leadership, and through the employee handbook and personnel policies. Progressive discipline and proper conduct are addressed in performance reviews and on an ongoing basis as needed. *Public trust* is one of our four core stated organizational values.

1.2 How do senior leaders establish and promote a focus on customers and other stakeholders?

In the past years the Authority has operated as an Agency with a menu of services in which customers come to choose whichever product best suits them. While this works well-enough for the small number of customers who know what they want and know where in our Agency to go for their needs, it doesn’t work for the majority. In its last strategic planning session, senior leaders identified this as a “key issue” which needed addressing. Last year the Agency created a Business Development Department which was charged with expanding the knowledge and awareness of Authority products by reaching out to current and prospective customers and stakeholders. In its incipient year,

Business Development focused primarily on one Agency product, the Mortgage Revenue Bond Homeownership program. Business Development has since begun to expand its efforts to reach out to customers and stakeholders of other Agency programs. As further proof of an increased focus on our business relationships, the senior staff has begun creating a technical assistance function to assist customers and stakeholders in their utilization and application of Authority products (esp. grant applicants).

1.3 How do senior leaders maintain fiscal, legal, and regulatory accountability?

Fiscal accountability is accomplished via a comprehensive internal budgeting process. This process is conducted in addition to the usual agency-level budgets required by the Comptroller General's office. The internal budgeting process requires each Division Director to carefully review past and expected revenues and expenses and to provide a detailed estimate for each line item.

Legal and regulatory accountability is driven by both external and internal forces. Externally, each Program area is subject to various compliance audits by the Department of HUD or other outside parties. These audits generally focus on process compliance in addition to results. The results of all audits are reviewed in detail by the Division Director, the Executive Director, the Internal Auditor, and any other affected staff.

Internally, each program area carefully coordinates new processes or products with internal and external legal counsel to ensure compliance with all legal and regulatory requirements. In addition, our Internal Auditor periodically reviews different areas of the agency for compliance.

1.4 What key performance measures are regularly reviewed by your senior leaders?

Performance measures vary widely by program. The following includes some of the key performance measures regularly reviewed by senior leaders:

- Levels of customer satisfaction
- Number of housing units produced and rehabilitated
- Development costs per square foot (as a measure of efficiency)
- Distribution of funding
- Delinquency and foreclosure ratios
- Number of loans purchased (i.e. new homeowners)
- Contract renewal turnaround times

1.5 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization?

Senior leaders compare organizational performance with either industry standards or historical data to determine progress and effectiveness, where possible. Senior leaders regularly review findings collected as part of the EPMS process, exit interviews and, most recently, morale teams, to evaluate leadership effectiveness. All senior leaders are

also encouraged to complete the Certified Public Manager program. Within this curriculum is the Edge 360 class which includes a formal assessment by peers, supervisors, and employees.

1.6 How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

Public trust is a core value of the Authority; therefore, addressing the impact of its programs and services on the public is of great importance. The Authority gauges the current and potential impact of its programs and services on the public in a variety of ways. Perhaps the most important tool for determining impact is through our annual Stakeholder Investment Report which outlines how much money has been invested in the state through Agency programs that create affordable housing. This report measures the impact these programs have on job creation, expansion of tax base, generation of tax revenues and, most importantly, families assisted. This report not only serves as a means to address our Agency's impact on the public, but is also our way of being held accountable to our customers and stakeholders.

Additionally, the Agency statistician, in collaboration with Clemson University's Strom Thurmond Institute of Government and Public Affairs, has been working on the creation of a new needs index. This needs index is a county-by-county assessment of affordable housing need based on a variety of housing-related data. Unlike past efforts of this type, this index is not a snapshot of current affordable housing need, but rather is a "living" tool which can be adapted over the years to measure current need. As a reflection of the importance the Agency has placed on public impact, the Authority has invited over thirty customers, partners and stakeholders to participate in the creation of the needs index.

1.7 How does senior leadership set and communicate key organizational priorities for improvement?

Major organizational priorities for improvement are generally set and addressed through strategic planning and communicated in accordance with the strategic plan communication plans. Additional tactical-level priorities are set periodically based on market changes, customer feedback, legislative changes or other data gathered within the organization. Of course, the EPMS process is another very effective way in which senior leaders communicate the organizational priorities that have been chosen for improvement.

1.8 How does senior leadership actively support and strengthen the community? Include how you identify and determine your areas of emphasis.

Providing decent, safe, and affordable housing is, by its nature, a community strengthening public service. Every time our employees place a very low-income family in an affordable apartment, each time we are able to finance the new home of a low-income single parent, each time we help a nonprofit build an affordable housing complex

for elderly, disabled, or low-income individuals, the Authority is strengthening the community. Beyond this, the Agency supports many community activities benefiting low-income individuals and families. Community activities sponsored by the Agency and its staff concentrate on helping individuals who are in the same economic positions as our customers. Some of these activities include an annual children's coloring and essay contest that benefits many children living in Section 8 Rental Assistance apartments; supporting Harvest Hope Food Bank by holding food drives; participation in the Angel Tree Charity supporting orphaned children; fundraising for Salvation Army; participation in Red Cross blood drives; and the Authority's Education and Outreach Program which includes a Speaker's Bureau. In addition to these, senior leadership encourages voluntary payroll deductions to charity causes such as the United Way Campaign and Community Health Charities.

2. STRATEGIC PLANNING

As a preface, in past years the Strategic Plan was updated annually in an almost perfunctory process. Under new executive leadership in 2003, the Authority underwent a change in its strategic planning process. This process, while still new, has proven to be much more effective as far as examining our current business positions and creating a strategic action plan. The challenge will be following through with the new plan which is much more aggressive and comprehensive than past Strategic Plans.

2.1 What is your Strategic Planning process, including KEY participants, and how does it account for: a) customer needs and expectations, b) financial, regulatory, societal and other potential risks, c) human resource capabilities and needs, d) operational capabilities and needs, e) supplier/contractor/partner capabilities and needs?

The new strategic planning session was prefaced with a period in which two employees were almost exclusively devoted to collecting pertinent data. After data collection was completed, it quickly became apparent what strategic issues needed to be addressed by the Agency. After compiling these issues, the issues were presented to the Board of Commissioners for their agreement. Next, each executive manager and his/her direct employees assembled in a setting off-site for a three-day strategic planning session, directed by outside facilitators. The group separated into breakout groups and each was tasked with deciding which "key results" it felt would result from addressing its assigned strategic issue. From there, each group was assigned several key results to further break down into more tactical "associated strategies." All groups then reassembled and discussed and agreed upon a final list of strategic issues. On the third day, the executive management team met with the facilitators and discussed implementation tactics.

Our Strategic Plan accounts for customer, human resource and operational needs and capabilities primarily through the data collection and analyzation process. As far as accounting for financial and regulatory risks, the Agency's Director of Finance, Internal Auditor and General Counsel are involved in any planning that involves or potentially involves financial, regulatory/compliance or legal risks.

In a January work session, the Board of Commissioners reviewed the strategic plan and reaffirmed the Agency's strategic goals and direction.

2.2 What are your key strategic objectives?

- Make the State Housing Authority the leader for affordable housing assistance, in housing priorities, policy issues, and funding in South Carolina
- Expand the Business Development marketing strategy to be inclusive of all agency programs
- Have the numbers, data, facts, and information to support marketing efforts
- Have in place measurements to ensure accountability, and effectiveness
- Appropriately address divergent housing situations
- Create opportunities to combine programs to meet needs of divergent situations
- Determine the role and needs for Information Technology (IT); IT becomes a service provider
- Appropriately utilize support services

2.3 How do you develop and track action plans that address your key strategic objectives?

Action plans are developed by small groups of Authority staff members, usually led by a member of the senior management team, who are charged with analyzing the strategic objective, including gathering all relevant data, and developing an action plan. The action plan is then shared with senior management for consensus. In most cases, the group responsible for creating the action plan is also responsible for creating performance measures and tracking performance.

2.4 What are your key action plans/initiatives?

The following are our key action plans as they relate to key strategic objectives:

Make the State Housing Authority the leader for affordable housing assistance in housing priorities, policy issues, and funding

- Information Clearinghouse, a "One Stop Shop," including the economic impact of affordable housing initiatives
- Liaison with local governments
- Work toward the creation of a legislative committee that views dealing with affordable housing issues as its continual responsibility
- Collaboration with other organizations in the affordable housing arena
- Coordinate housing policy and economic development policy
- Raise legislative awareness of affordable housing

An expanded business development marketing strategy

- Refine/establish data collection methods to meet program needs

- Empower business development with the knowledge of the various marketable programs so that they are in a position to go out and educate groups and individuals about our programs (Redirect BD to do “relationship marketing” instead of just “marketing”)
- Revisit how we market our programs

Have the numbers, data, facts and information to support marketing

- Conduct an internal analysis to see if current structure, processes, policies need changing, how they need to change, whether they are conducive to change, and what problems may be encountered

Maximize the utilization of resources

- Review Agency processes to include programs, support services, and delivery to maximize and streamline the processes
- Review all mandatory and non-mandatory requirements for applicability
- Utilize cross-sections to maximize human resources
- Develop an Agency wide succession plan supported by senior management

Have in place measurements to ensure accountability, effectiveness

- Review and develop quantifiable, meaningful measurements for accountability, effectiveness and/or quality within each area
- Review and develop employee performance appraisals that accurately reflect the Agency measurements that are established for accountability and effectiveness
- Develop a communication plan for all employees that conveys the importance of measurements and how they relate to the overall Agency mission

Become a “one-stop” shop for Affordable Housing Information

- Make it easier for our customers, stakeholders, and employees to get the information they need

Address divergent housing situations

- Create/update policies and procedures for each housing program

Create opportunities to combine programs to meet needs

- Look externally for available housing programs and sources of funds
- Use the needs assessment report to inventory housing needs/issues
- Analyze needs/issues in comparison with internal and external programs

Determine the role of and needs for Information Technology (IT); IT to become a service provider

- Develop an IT Business Plan
- Get Management to sell and create buy-in for IT Business Plan
- Clearly communicate the role of IT to every employee

Appropriately utilize support services

- Define and communicate the role of project management office and project steering committee
- Through orientation, training, updates, etc., clearly communicate the role and changes related to all support services to new and existing employees

2.5 How do you communicate and deploy your strategic objectives, action plans and performance measures?

The Senior Staff of the agency meets weekly to discuss a variety of issues. Part of this process involves periodic updates on objectives, plans and measures from the strategic plan. Work groups from across the agency are assembled to tackle specific strategic objectives or related tactical issues, and the progress and/or results generated by these teams are communicated both to the Senior Staff group and all employees in general.

Specific objectives or duties are also included in the Employee Performance Measurement System (EPMS) that directly relate to components of the strategic plan. By including these objectives in each employee's planning document, objectives, plans and measures are pushed down to all levels of the organization.

2.6 If the agency's strategic plan is available to the public through the agency's internet homepage, please provide an address for the plan on the website.

A version of the Agency's plan can be found at:

http://www.sha.state.sc.us/Authority/Strategic_Plan/strategic_plan.html

3. CUSTOMER FOCUS

3.1 How do you determine who your customers are and what their key requirements are?

The enabling legislation of the various State Housing Finance and Development Authority programs mandates the beneficiary class of Authority programs and awards. The beneficiary classes range from extremely low-income (less than 30% of the area median income, or AMI) to low-income (less than 80% of the AMI), and in some cases, moderate-income individuals and families. Intermediary customers and stakeholders are determined by the services the Authority must provide in order to effectively administer its housing programs.

The Authority strives to stay abreast of customers' requirements with periodic customer satisfaction surveys and through routine customer service interaction. In addition to these, all customers are encouraged to submit suggestions, comments, and complaints to the Communications Department, either in writing, via email, or over the phone. In many instances, such as with lenders/brokers in the Homeownership Division, and builders/investors in multi-family projects, training, workshops and "wellness meetings"

are held to ensure that the customers' (in this case the "intermediary customers' ") needs are being met.

The Authority is the host of *South Carolina Partners in Homeownership*, an organization consisting of over 50 partners, many of whom are customers, stakeholders, or otherwise interested parties. The primary objective of the "Partnership" is to educate each other on best practices and share relevant information. The Agency's involvement in the Partnership has placed the Agency in the middle of a unique forum, giving the Authority both the opportunity to be educated as to its customers' requirements and preferences, as well as to be the educator, providing information to its partners that will also help its end-user customers.

Not least of all, the State Housing Authority hosts the Annual Palmetto Affordable Housing Forum. The Forum typically brings together over 400 affordable housing professionals from across the state. The Forum has been an excellent opportunity for customers and stakeholders to voice their opinions and needs.

3.2 How do you keep your listening and learning methods current with changing customer/business needs?

In an effort to keep abreast of changes in the business environment, staff employees routinely attend Realtor[®], builder, and mortgage banking conferences and trade shows as well as the National Council of State Housing Authorities (NCSHA) sponsored conferences to get first-hand input on customer program requirements. In addition, employees attend many HUD-sponsored conferences which allow staff to learn and share best practice techniques with other agencies which often indirectly help meet changing customer needs.

3.3 How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

Information and feedback received from customers and stakeholders are often reflected in the action plans, applications, and criteria of our programs. For example, the Annual Qualified Allocation Plan for the Low Income Housing Tax Credit begins with the Agency hosting conferences through the year to solicit input from the development community. A draft plan is developed based on that input, and the plan is presented at a public hearing. Developers then may offer additional suggestions in writing before the document is finalized.

Feedback from tenants obtained by surveys and tenant meetings is also used to correct physical deficiencies with housing and problems with property management to meet customer needs. Feedback from customers is used to adjust programs.

3.4 How do you measure customer/stakeholder satisfaction?

Customer satisfaction is measured differently according to program areas. For most program areas, the primary means of measuring customer satisfaction is with surveys.

Surveys are periodically submitted to customers and stakeholders. Satisfaction is then measured against past performance and, where relevant, changes are made to address needs.

In the Rental Assistance programs, measures for customer satisfaction are prescribed by HUD in the form of performance indicators. In the case of Contract Administration, a program in which the Authority acts as a performance-based contractor for HUD, customer satisfaction is measured primarily by the determination of fees earned as a ratio of potential fees. In this case, the maximization of fees is the truest indicator of performance. The Voucher Program uses 14 key performance indicators (again, prescribed by HUD), which result in a good indication of customer satisfaction

3.5 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

The Authority hosts a statewide conference annually and holds public hearings for most of its programs. The conference and hearings bring affordable housing stakeholders together to network, share best practices, and develop business strategies that can be replicated in communities across the state to expand and improve affordable housing opportunities. The Authority works closely with numerous nonprofit and for-profit organizations as well as many state and federal agencies to enhance their capacity as housing development partners and advocates. The Agency provides training opportunities, housing development capital, organizational support and in-kind contributions to these entities that are essential to the state's housing delivery system.

Additionally, last year the Agency created a small Business Development Division whose role is not simply to foster existing business relationships but to also create meaningful new relationships with customers and stakeholders.

The Agency believes that the key to building and maintaining positive relationships is doing a job accurately and timely, listening to our customers, and making every attempt to satisfy and meet their needs. HUD, the IRS, and other regulatory agencies are primarily interested in compliance with rules and regulations and timely reporting. Property owners and managers look for correct and timely payments and consistent application of the rules. Customers demand and have a right to confidential, accurate, timely, and courteous service. Lenders, Realtors[®], developers, and builders are satisfied by a quick turn around time and our willingness to work with them on problem loans.

4. MEASUREMENT, ANALYSIS, AND KNOWLEDGE MANAGEMENT

The Authority programs must meet monitoring and reporting mandates, external audits, and reviews from third parties on a scheduled basis. These third parties include HUD/FHA, the IRS, and bond rating agencies. The monitoring encompasses such items as general eligibility compliance, financial strength, fiscal responsibility, and tax matters. The Agency has stringent measures in place, including management and/or senior

management reviews of findings as needed, to ensure that all of these requirements are met. Due to the requirements of third parties, the Authority documents program processes and utilizes direct feedback to maximize the efficiency of programs for stakeholders, business partners, and customers. The Agency expanded its monitoring and information dissemination efforts to include such items as progress toward strategic and tactical goals, customer satisfaction, and internal process performance.

4.1 How do you decide which operations, processes and systems to measure for tracking financial and operational performance?

Third parties, internal and external needs as well as national standards define most of the operations, processes and systems the Authority measures. For example, the delinquency rate and the foreclosure rate are critical to the Mortgage Servicing program, and must be kept low to protect the Authority's assets. These two items are measured and reported monthly. In most cases the indicators that are used for measurement and tracking are those which staff feels are best able to reflect performance within a given program.

4.2 What are your key measures?

The key measures are:

Rental Assistance

- Families Assisted
- Number of Subsidy Payments
- Housing Choice Voucher Participation Rate
- Housing Choice Voucher SEMAP Score
- Contract Administration Percent of Administrative Fees Earned
- Contract Administration Annual Compliance Reviews

Homeownership

- Complaints received regarding errors in the department in our escrow accounting and default record keeping areas
- Complaints received regarding errors in property taxes, insurance, and payoffs as a guide
- Bond/Loan Yield Rates
- Homeownership Rates
- Mortgage Loans Purchased
- Mortgage Loans Managed
- Mortgage Loans Serviced
- Interest Rates

HOME

- Total Awards Made
- Total Amount of Awards
- Total Number of HOME Units

Low Income Housing Tax Credit Program

Tax Credits Allocated
Number of Developments
Number of Rental Units

Housing Trust Fund

Annual Trust Fund Amount
Annual Trust Fund Awards
Annual Number of Units Produced or Rehabilitated

4.3 How do you ensure data integrity, timeliness, accuracy, security and availability for decision-making?

Data quality, reliability, completeness and availability for decision-making are ensured in the following ways:

- All program inputs and outputs are reviewed on an annual basis.
- Financial data is systematically reconciled.
- External auditors audit the Authority's financial records annually.
- The Authority's internal auditor evaluates and verifies data accuracy and availability.
- Work done by contractors is verified or reviewed annually.
- All Section 8 tenants are re-certified annually and have their income verified directly by the source.
- TANF (formerly Aid to Families with Dependent Children, AFDC), Child support and Social Security benefits are verified via computer link with the SC Department of Social Services.
- Contract Administration and Tax Credit compliance require that a sample of tenant files be reviewed for proper and timely income verification, appropriate rent levels and number of units set aside for the beneficiary class.

To ensure data quality and reliability, the Authority integrates information technology via various software products into most of its business processes. The automated systems have edits and verifications designed into the software to detect errors and/or inaccurate data.

The Agency's intranet provides information and various other services to all employees. These include, but are not limited to, communicating our employment policies and procedures, processing leave requests and approvals, scheduling, reserving presentation equipment and meeting rooms, taking telephone messages, and other routine office tasks.

Similar information services are offered to external customers using our Internet site and secure extranet site, designed by our business partners. Lenders who initiate Agency-funded home loans can reserve funds and receive instant feedback on the status of loan reservations that are being processed by the Loan Purchase Department. Developers attending our training events and conferences can register for these events on-line. Application forms and instruction manuals for the Agency's various housing programs

are available on-line, with many forms that can be filled out and submitted on the website.

4.4 How do you use data/information analysis to provide effective support for decision-making?

The Authority annually reviews programmatic data to make and justify changes in the program areas. In addition, the Authority is currently creating a new comprehensive needs analysis based on housing-related census data. The analysis of information received will allow those in decision-making positions to:

- Assess and adjust program policies and procedures to meet customer and stakeholder needs
- Determine any needed action for performance improvement
- Develop future plans including performing historical analysis of costs; use the data to pinpoint areas that may be underserved or overbuilt

4.5 How do you select and use comparative data and information?

Managers are encouraged to use comparative data wherever possible and relevant. The department managers select data sources at their discretion to benchmark their key measures. Comparative or benchmarking data sources are generally chosen because of their relevancy to data to which we seek to compare and due to high standards of performance. The data sources range from local to national organizations.

4.6 How do you manage organizational knowledge to accomplish the collection and transfer and maintenance of accumulated employee knowledge, and identification and sharing of best practices?

Senior management prioritizes the goals, objectives and tasks for the Authority. Senior management then identifies the urgency of each task and assigns either individual staff or forms teams to accomplish the task and to create performance measurements. Generally, both managerial and non-managerial level employees are used in these teams. Teams are usually cross-functional and are assembled based on employee knowledge and experience. When staff training is required, senior management will allocate resources for in-house or off-site training for staff. After the tasks and measurements are completed, senior management reviews the results and makes recommendations.

5. HUMAN RESOURCES

The Authority places a high premium on the collective knowledge and experience of its staff, and continues to make investments in staff training. In order to continue to expand that knowledge base, the Authority is committed to improving internal communication channels. In an effort to improve internal communication channels, summary minutes of senior staff meetings are distributed to employees on the day of the staff meeting. Goals

and objectives for individual staff members must also be reviewed to ensure that they are in line with the overall strategic plan for the organization.

5.1 How do you and your managers/supervisors encourage and motivate employees (formally and/or informally) to develop and utilize their full potential?

The Authority also hosts various fundraising activities to build morale and assist the Coloring Contest Committee and other charitable endeavors. Other incentives to build morale are flexible work hours, casual workdays on Fridays, and an after-work golf league that crosses agency program lines.

5.2 How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training?

The orientation program, introduced two years ago, has been well received by employees. The program has been a useful tool to introduce employees to the various programs of the Authority and it has assisted the agency in providing consistent service to our clients. All functional areas are able to field client questions or direct the client to the appropriate area. The Agency provides this training each quarter for new hires, and supplements the training with the Office of Human Resources' orientation training module for new hires to State government.

The Authority also introduced a new Power Point presentation that introduces each member of the Authority and explains the staff member's background and job function. This presentation is available to new employees immediately on the Agency intranet. Each new employee is introduced by Agency e-mail to the Authority. A picture of the new employee, information regarding the employee's previous work experience and supervisory information is presented in the e-mail.

The Authority continues to provide tuition assistance. Tuition assistance is provided to develop a better educated workforce and to provide job enhancement opportunities for employees. Six employees participated in the program this year.

Over 90 percent of the Agency has completed the driver-training program. Over the past fiscal year, 17 employees received safe driver awards. The Agency logged 418,906 miles during FY 2004.

Supervisors are required to complete the Associate Public Manager (APM) certification, and all employees on the management team are encouraged to complete the Certified Public Manager (CPM) program. The Authority has nine CPM graduates and two employees who are currently enrolled in the program. Senior managers are encouraged to complete the Executive Institute Program. Six employees from the Agency have completed the Executive Institute.

5.3 How does your employee performance management system, including feedback to and from employees, support high performance?

The Authority continues to use the combined PD/EPMS form this year to ensure that all employees are aware of duties on their PD and EPMS. The form has been an integral tool to help managers stay on task with linking the PD to the strategic plan. Continuous communication between employee and supervisor is directed. Employees participate in the drafting of the combined planning document and are encouraged to make suggestions where appropriate. One other successful component of our EPMS system is a universal review date that ties employee reviews more in line with the annual accountability report timeframes.

5.4 What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation?

The Authority received one EEOC complaint this year, and the EEOC issued a “no cause” determination. The Human Resources Director conducts oral exit interviews with each departing employee to measure satisfaction and assess Agency weaknesses and strengths. Exit interviews have indicated that the Authority is a good place to work. Tuition assistance and flexible work hours allow employees to balance work and professional development needs.

5.5 How do you maintain a safe and healthy work environment?

Employees are encouraged to seek Job Retention Services (JRS) when their jobs are in jeopardy due to outside conditions or disabilities. The JRS program allows employees to overcome their difficulties while they stay on the job. The Authority offers health screenings, flu shots on-site, mammography on-site, a lunchtime walking club, and on-site CPR training.

5.6 What is the extent of your involvement in the community?

The Authority sponsors Red Cross Blood Drives, hosts food drives for Harvest Hope Food Bank, Good Health Appeal, and aggressively campaigns for the United Way. The Agency also promotes National Homeownership Month annually. The Authority is involved in 74 outreach and communication activities to spread information about our programs to the community.

6. PROCESS MANAGEMENT

Most of the processes within the respective program areas are primarily driven by State and Federal requirements. However, the Authority’s senior management is committed to reviewing all internal processes to ensure efficiency and eliminate any unnecessary gaps and/or redundancies.

6.1 What are your processes that produce, create or add value for your customers and your organization, and how do they contribute to success?

After assessing customer requirements and how those requirements can be met within the guidelines of applicable state and federal laws and regulations, Authority staff work with focus groups and committees to determine the most efficient method of delivering our programs, and communicate updated information about current programs.

The Authority evaluates and ranks Low Income Housing Tax Credit (LIHTC) proposals and delivers tax credits to applicants for housing to serve qualified tenants. We publish data and provide LIHTC, Housing Trust Fund and HOME applications on the SHA website.

The primary mission of the tenant-based and Contract Administration programs is to pay rental subsidies for eligible clients in eligible units. The tenant-based program utilizes Yardi master software (www.yardi.com); Contract Administration utilizes Housing Development Software (HDS), (www.hdsoftware.com). These software systems offer more accurate and complete reporting by enabling timely payments, and checking for eligibility.

6.2 How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors into process design and delivery?

Most product/process designs are undertaken in response to changing customer profiles or requirements. The scope for the design is set by Senior Management, with allowances made for some level of scope change as the project proceeds. New product and process designs are undertaken using a team approach, where the team is comprised of members from across the organization. The complexity or organizational reach of the design dictates what divisions are represented on the team.

Including members of the Finance and Information Technology divisions on the design teams, where applicable, ensures that cost, efficiency and technology requirements are considered in the overall effort.

A recent example of a large-scale product and process design effort was the creation of the Broker Lending program. In order to meet the objectives set by Senior Management, a team comprised of staff from the Loan Purchase, Finance, IT, Marketing, Business Development, and outside contractors/consultants was assembled. The representative(s) from each group were responsible for ensuring that the interests of their group were incorporated into the design while also insuring that the product/process design met the scope and stated objective as set by management.

The end result was a new set of processes that dramatically increased our loan production business with an inconsequential impact on the overall cost structure of the agency. By leveraging knowledge and expertise from across the organization, the time from project

initiation to implementation was dramatically shortened, and the expected results were exceeded almost from inception.

These design teams operate very independently, and are generally limited only by the scope as it applies to time, cost and expected results.

6.3 How does your day-to-day operation of these processes ensure meeting key performance requirements?

In order to meet the Authority's mission to provide safe, decent, affordable housing to South Carolinians, Authority staff ensures that customers have access to programs funded and administered by the Authority. External auditors ensure that program guidelines are being adhered to by conducting audits in each program area. The Authority also has an internal auditor who has done work in some programs and support areas to identify weaknesses and provide suggestions for improvement.

All staff receives professional training on the compliance requirements of each program. Many of these training programs require certification examinations. Each area contains clerical, management and software edits to strengthen compliance with Authority policies and procedures.

6.4 What are your key support processes, and how do you improve and update these processes to achieve better performance?

The Authority's internal support processes (human resources, information technology, finance, and procurement) collaborate to coordinate processes of program areas and Authority staff. The strategic plan incorporates process review and updates.

6.5 How do you manage and support your key supplier/contractor/partner interactions and processes to improve performance?

The Procurement Department strives to obtain all supplies, services, and equipment in compliance with the South Carolina Consolidated Procurement Code. They work in conjunction with the Materials Management Office (MMO) in purchasing supplies, furniture, various services, and in conjunction with the Office of State Chief Information Officer (CIO) in purchasing products and equipment relating to information technology. The staff in the Procurement Department constantly strives to recruit new vendors, particularly minority-owned vendors, for the purpose of enhancing the goals of the Authority's annual Minority Business Utilization Plan.

In addition, the Information Technology department works with software vendors to provide user input regarding needed improvements. The Information Technology Department purchases from State Contracts as much as possible. Like all agencies, we strive to buy in-state as much as financially feasible in an effort to assist our local economy.

7. BUSINESS RESULTS

The Authority's efforts to promote and provide housing opportunities for low- to moderate- income South Carolinians last year were productive. Noteworthy accomplishments for the year include:

- Assisted 48,522 South Carolinians with their housing needs
- Provided over \$280 million in direct assistance
- Helped push South Carolina's homeownership rate to 75.0%, a rate that continues to surpass the national rate of 68.3%
- Generated 11,947 construction jobs
- Generated \$185 million in state and local revenue
- Provided rental subsidies for over 20,000 very-low income families and individuals
- 4.0 percent cost-to-production ratio
- Moody's Rating of Mortgage Revenue Bonds – Aa2 (stable) as of May, 2004
- Implementation of Broker Loan Program which has almost tripled the number of outlets providing access to our Homeownership Program

The Authority staff continues to increase productivity in all program areas.

7.1 What are your performance levels and trends for the key measures of customer satisfaction?

Authority divisions measure customer and stakeholder satisfaction in different ways:

Section 8 Housing Choice Voucher Program

The US Department of Housing and Urban Development (HUD) Section 8 Housing Choice Voucher Program provides rental subsidies to very-low income families and individuals in the private rental market. Subsidies are based on family income and composition. Participants may select a house, mobile home, duplex or apartment that meets HUD Housing Quality Standards (HQS), rents for a reasonable amount, is affordable and whose owner is willing to participate in the Voucher Program. HUD pays 100% of the rental subsidies and an administrative fee to the Authority to cover operating costs. The Authority administers the Voucher Program in ten counties.

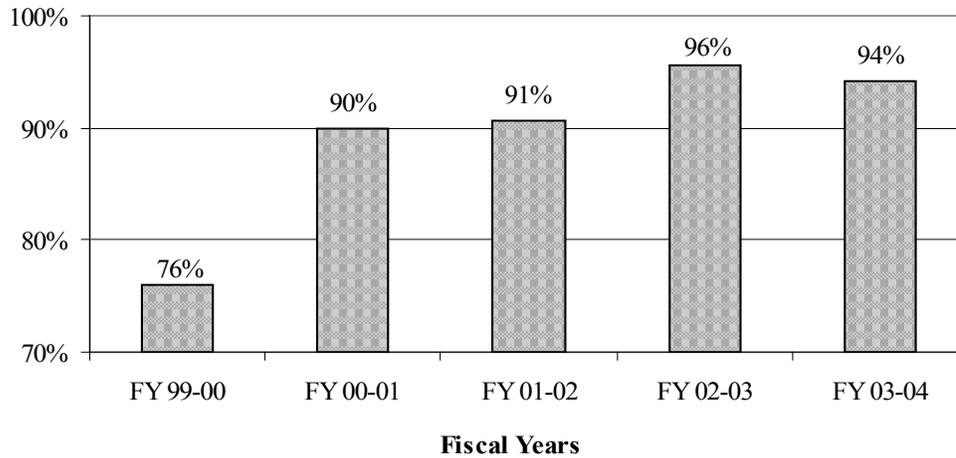
Participants and rental property owners are the two primary customers of the Voucher Program. HUD is the primary stakeholder. The Authority's performance for each of these groups is measured.

Customers:

The Voucher Program provided assistance for 2,600 participant families during the past fiscal year. Although this number represents an increase in participation/utilization from the previous year, the number of Vouchers and budget available from HUD limits participation. The Authority re-certifies a family's eligibility, income and expenses as

well as the unit's condition at least annually. The Authority continues to survey participants to determine the level of customer support and satisfaction (See Graph 7.1a.).

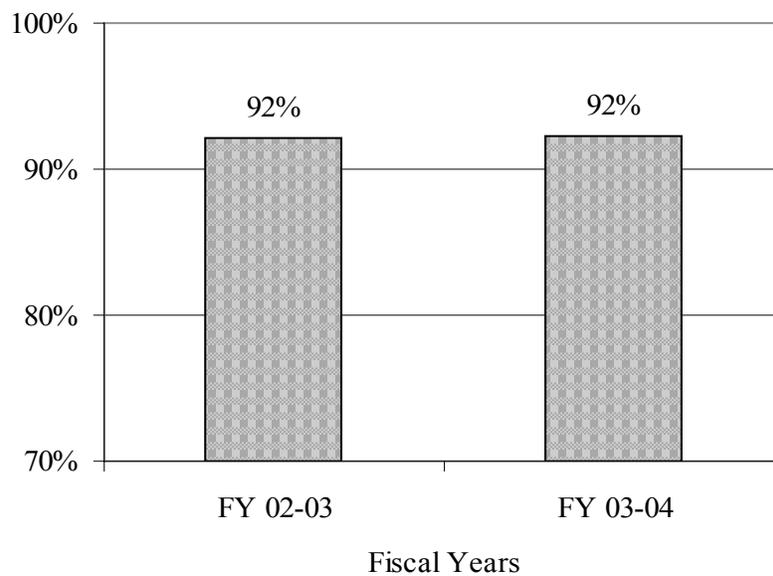
Housing Voucher Participant Satisfaction



Graph 7.1a

Approximately 800 property owners/apartment complexes rent units to Voucher participants. The units are inspected based on HUD Housing Quality Standards at least annually. The Authority continues to survey owners in an effort to track performance and customer satisfaction (See Graph 7.1b.).

Housing Voucher Owner Satisfaction



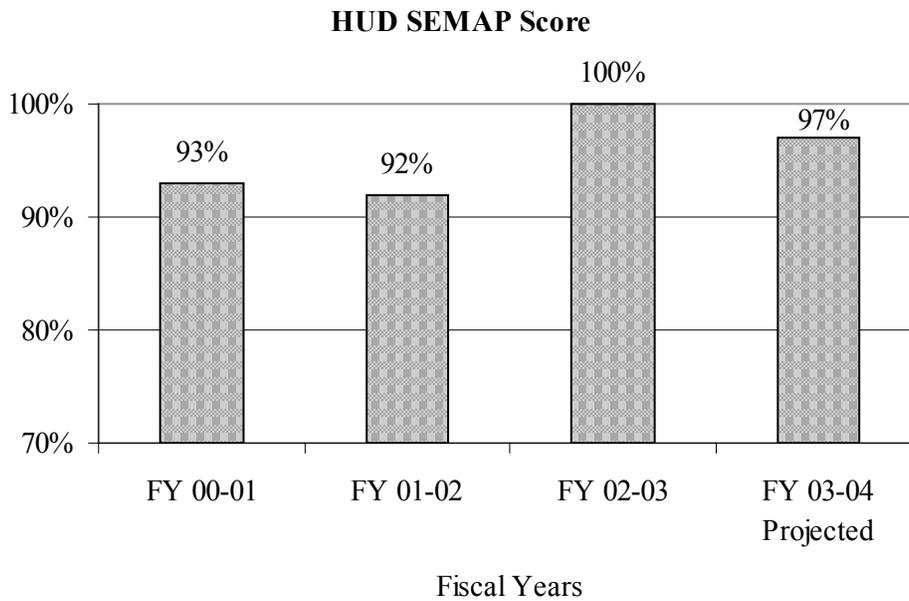
Graph 7.1b

Stakeholders:

HUD established a grading system for housing authorities (HA) that administer the Voucher Program. The Section Eight Management Assessment Program (SEMAP) measures 14 indicators of the program success covering compliance, timeliness, unit inspections and occupancy. HUD issues grades to the housing authorities from 1 to 100.

High Performers	90 to 100
Standard Performers	60 to 89
Troubled	Below 60

Troubled PHAs may be sanctioned or their operations taken over by HUD. SEMAP issued grades during FY 00-01 for the first time (See Graph 7.1c).

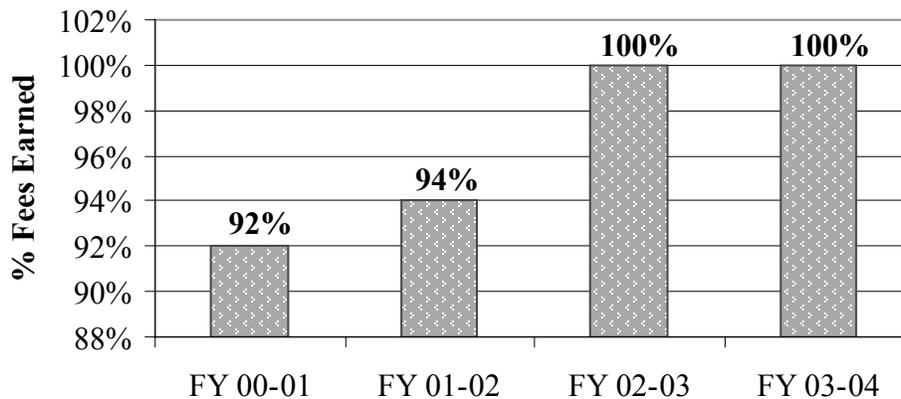


Graph 7.1c

Section 8 Contract Administration

Customer satisfaction is measured primarily by the determination of fees earned as a ratio of potential fees. We are a subcontractor for HUD. They have created very specific accountability measures to include performance timeframe requirements. Maximization of fees is the truest indicator of performance. For example, tenant complaints of a life threatening nature require our office to respond within 1 hour of receipt of the complaint. If this deadline is missed we are charged with a “disincentive” or reduction in fees. The chart titled “Percentage Administrative Fees Earned Fiscal Years 2001 – 2004” (See Graph 7.1d) provides the amount of fees earned as a percentage of potential monthly earnings.

% Administrative Fees Earned



Graph 7.1 d

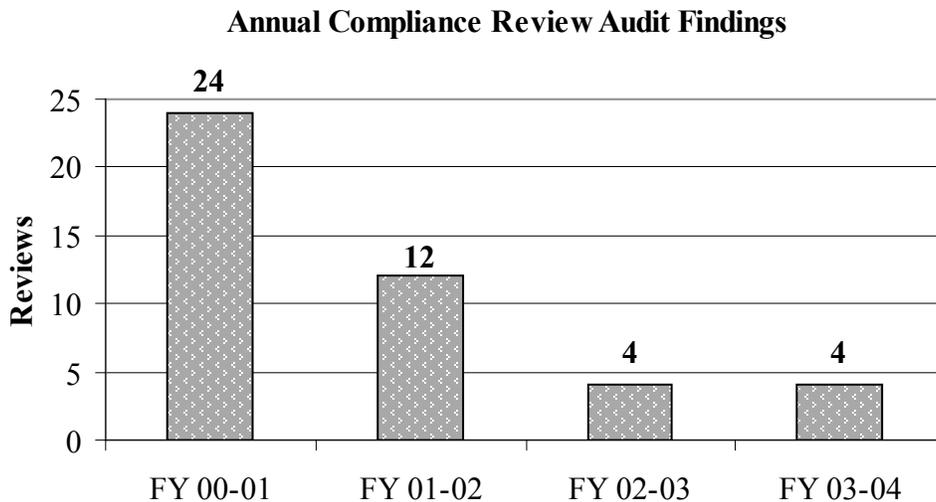
The contract allowed an initial grace period in which 100% of fees were paid to our Authority regardless of performance. The performance-based contract requires the timely completion of 28 core tasks. These tasks are:

1. Management and Occupancy Review
2. Documenting Owner Civil Rights Compliance
3. Processing Rental Adjustments
4. Owner Opt-Out Notices and Contract Terminations
5. Owner Opt-Out and HAP Contract Termination: Submit resident data to HUD
6. Review, Verify, and Authorize Monthly Section 8 Vouchers
7. Notice of Corrective Actions
8. Monitoring & Reporting Owner's follow-up efforts on discrepancies identified as a result of tenant income matching initiatives.
9. Life-threatening Health & Safety Issues
10. Non-life-threatening Health & Safety issues
11. Budgets, Requisitions, Revisions
12. Year-end Statement
13. Public Housing Authority Audit
14. Renewals of Expiring HAP Contracts
15. General Reporting Requirements
16. Monitoring Physical Inspection Results

Completion of core tasks involving electronic payments to owners and renewals of subsidy contracts required that owners make system preparations and provide information to our staff. Many owners did not make necessary system changes in a timely manner or were slow to provide information to staff. This combined with the lack of a system to provide for task prioritization and issues with private contractors hired to obtain data resulted in early fee losses. Property owners have since updated or established systems that allow timely electronic funds transfers and have resulted in eliminating fee losses in

this area. Contract Administration staff has implemented the use of tracking and prioritization spreadsheets to efficiently process subsidy contract renewals. These changes have resulted in fee maximization over the last 28 months.

Another indication of staff effectiveness or customer satisfaction is the Annual Compliance Review. This review is an audit performed annually by HUD in relation to the Contract Administration performance-based contract. The chart titled “Annual Compliance Review Audit Findings” indicates the results of the first four years of this contract (See Graph 7.1e). Audit findings have significantly decreased over this period. The most recent audit report indicated that “the PBCA (Performance Based Contract Administrator) staff has developed some excellent computer checklists, reports and tracking charts to assist them in meeting the requirements of the Annual Contributions Contract.” Contract Administration was also audited by the Department of Housing and Urban Development’s Office of the Inspector General this past year. This audit is part of a nationwide review of Performance Based Contract Administration. The audit team from the Office of the Inspector General indicated that our Contract Administration system for computerized auditing and error tracking was among the best in the country.



Graph 7.1e

We also continue to enhance customer satisfaction as we build positive working relationships with HUD by responding quickly and courteously to requests for information. We continually demonstrate a willingness to meet with them to discuss implementation of regulatory changes. Positive working relationships are developed with HUD and Owners as we demonstrate our program competency. All Contract Administration staff is required to successfully complete third party sponsored training. Staff also meets monthly to discuss issues and best practices. In addition, Contract Administration staff is always represented at user group meetings sponsored by our primary software provider. Strong relationships are developed with tenants by responding to their complaints within the timeframes established in our performance-based contract.

Homeownership – MRB

In Loan Purchase, turn around time is used as an indicator of customer satisfaction. Lenders and Realtors[®] are generally satisfied when turn around time is three days or less.

Although the Mortgage Servicing Department currently keeps a ledger of the more formal customer complaints, the Department will soon establish a system that will allow employees to more easily capture all customer complaints and inputs, which will create a more measurable idea of customer satisfaction. This will result in an increased ability to identify any weaknesses in service delivery.

7.2 What are your performance levels and trends for the key measures of mission accomplishment?

The South Carolina State Housing Finance and Development Authority is the State's single largest public developer of affordable multi- and single-family housing. Resources available to the Authority were invested in a wide range of programs to help address growing demand for affordable housing across South Carolina. The State's housing assistance activities included homeownership (mortgage) and down payment loan assistance, single and multi-family housing development, preservation, rental and utility payment assistance, and special needs housing development for the very low-income, homeless, disabled and elderly.

According to the most recently available census data, South Carolina had a homeownership rate in 2003 of 75.0%. This is significantly higher than the national average of 68.3%. In the Southeast, South Carolina continues to lead the region in homeownership, as evidenced in table 7.2a below.

HOMEOWNERSHIP RATES IN THE SOUTHEAST
Calendar Year 1997-2003

	CY 97	CY 98	CY 99	CY 00	CY 01	CY 02	CY 03
South Carolina	74.1	76.6	77.1	76.5	76.1	77.3	75.0
Alabama	71.3	72.9	74.8	73.2	73.2	73.5	76.2
Florida	66.9	66.9	67.6	68.4	69.2	68.7	69.5
Georgia	70.1	71.2	71.3	69.8	70.1	71.7	71.4
North Carolina	70.0	71.3	71.7	71.1	71.3	70.0	70.0
Virginia	68.4	69.4	71.2	73.9	75.1	74.3	75.0
National Average	65.7	66.3	66.8	67.4	67.8	67.9	68.3

Table 7.2a

By using mortgage revenue tax-exempt bond proceeds and Agency-generated funds, the Authority works with participating lenders to offer low-to-moderate income, first-time homebuyer loans with affordable, below-market interest rates. During the fiscal year, the Authority purchased a total of 1,385 mortgages, totaling over \$ 69M (See Table 7.2b).

HOMEOWNERSHIP PROGRAMS
Mortgage Loans Purchased

	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04
MRB Program	\$83,500,909	\$67,353,530	\$61,721,394	\$48,963,976	\$56,640,341
Special Programs	\$33,816,384	\$9,274,272	\$23,807,772	\$2,246,811	\$12,445,055
Total	\$117,317,293	\$76,627,802	\$85,529,166	\$51,210,787	\$69,085,396
First Mortgages	1,703	1,090	1,089	635	774
Second Mortgages	778	449	238	350	611
Total	2,481	1,539	1,327	985	1,385

Table 7.2b

Over 75 percent of the first mortgages purchased participated in one of Down Payment Assistance programs. As of June 2004, nearly 40 percent of first mortgages were provided through our Broker Program network. For the first time in SCSHFDA history, the Authority has had the ability to adjust interest rates for our mortgages. This has allowed the Authority to offer below market interest rates while maintaining the financial integrity of the program. These rates can be viewed daily by participating lenders and borrowers alike on the Agency’s website and are be updated on a weekly basis.

The Authority’s portfolio contains a total of 11,649 first and second mortgages that are serviced by four (4) private sector providers in addition to Authority in-house servicing. The in-house department services the complete portfolio of second mortgages. See Tables 7.2c and 7.2d below.

HOMEOWNERSHIP PROGRAMS
Loan Administration
Mortgage Loans Managed

	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04
Principal Balances	467.1M	491.4M	528.8M	500.3M	482.5M
Number of Mortgages	10,180	10,385	13,266	12,339	11,649

Table 7.2c

HOMEOWNERSHIP PROGRAMS
In-House Mortgage Loan Servicing
Mortgage Loans Serviced

	FY 99-00	FY 00-01	FY 01-02	FY 02-03	FY 03-04
First Mortgages	6,068	6,591	6,784	6,704	6,377
Second Mortgages	2,846	2,974	2,827	2,731	2,788
Total	8,914	9,565	9,611	9,435	9,165

Table 7.2d

The Mortgage Servicing Department has set a goal to keep Agency foreclosures ratios below that of the Mortgage Bankers Association of America. The Authority has maintained a ratio below that of the MBAA for several years.

Rental Assistance (Section 8) Programs

Over 20,000 families receive housing assistance through the Authority’s administration of the HUD Section 8 Project-based (Contract Administration) and Tenant-based (Housing Choice Voucher) programs. Tenants pay approximately 30% of their income toward rent and the remainder is subsidy. During fiscal year 2003-2004 this subsidy amounted to over \$92M.

	FY 00-01^A	FY 01-02	FY 02-03	FY 03-04
Families assisted	18,591	19,163	20,265	20,280
Subsidy Payments	\$21,741,877	\$75,542,813	\$96,804,747	\$92,400,782

Table 7.2e

Note A – fiscal year 2000-2001 was a transition year for Contract Administration. During most of the year, HUD made the subsidy payments directly.

HOME Investment Partnership Program

The following tables (See Table 7.2f and 7.2g) show the awards made by the HOME program during fiscal years 1999 to 2002. Of the 36 awards that were made with 2002 funding, 60 percent of the awarded recipients had never previously participated in the program.

Fiscal Year	Program Activity	Total Awards Made	Total Amount of Awards	Total Number of HOME units
FY 98-99	Homeownership	16	\$3,782,852	249
FY 99-00	Homeownership	14	\$2,701,526	205
FY 00-01	Homeownership	9	\$2,007,421	213
FY 01-02	Homeownership	6	\$1,094,850	63
FY 98-99	Lease/Purchase	4	\$1,150,000	54
FY 99-00	Lease/Purchase	2	\$570,000	86
FY 00-01	Lease/Purchase	1	\$300,000	15
FY 98-99	Rental	17	\$6,075,161	270
FY 99-00	Rental	11	\$4,479,525	248
FY 00-01	Rental	21	\$7,080,191	476
FY 01-02	Rental	30	\$10,005,039	585

Table 7.2f

Fiscal Year	Total Awards Made	Total Amount of Awards	Total Number of HOME units
FY 98-99	37	\$11,008,013	573
FY 99-00	27	\$7,751,051	539
FY 00-01	31	\$9,387,612	704
FY 01-02	36	\$11,099,889	648

Table 7.2g

Distribution of HOME Funds Over the Past Four Years:

FY 98-99

24 of the 46 counties received funding. Based on the division of the state as Upstate, Midlands, and Low Country, 27 percent of HOME funding was awarded to counties in the upper part of the state, 29 percent was awarded to counties in the Midlands and Pee Dee areas of the state, 27 percent was awarded to counties in the Low Country.

FY 99-00

18 of the 46 counties received funding. 33 percent of HOME funding was awarded to counties in the upper part of the state, 21 percent was awarded to the Midlands and Pee Dee area of the state, 15 percent was awarded to counties in the Low Country.

FY 00-01

20 of the 46 counties received funding. 29 percent of HOME funding was awarded to counties in the Upstate, 10 percent was awarded to counties in the Midlands and Pee Dee area, 27 percent was awarded to the Low Country.

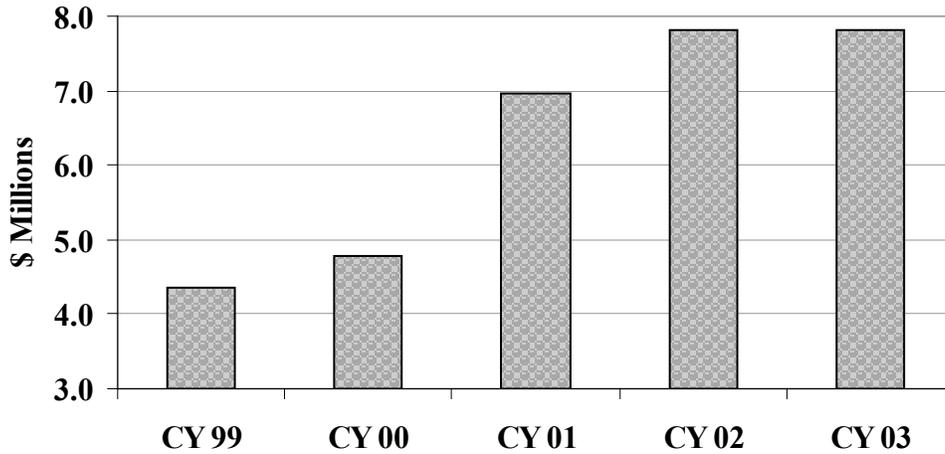
FY 01-02

18 of the 46 counties received funding. 27 percent of HOME funding was awarded to counties in the Upstate, 46 percent was awarded to counties in the Midlands and Pee Dee area, 27 percent was awarded to the Low Country.

Low Income Housing Tax Credit Program

The significant increase in tax credit dollars allocated in the year 2003 is a result of an increase in the per capita amount of credit that was passed by Congress in late 2000. This legislation increased the amount of credit from \$1.25/person to \$1.50/person in 2001 and to \$1.75/person in 2002 (See Graph 7.2a), and is indexed for inflation thereafter.

Low Income Housing Tax Credit Allocations



Graph 7.2a

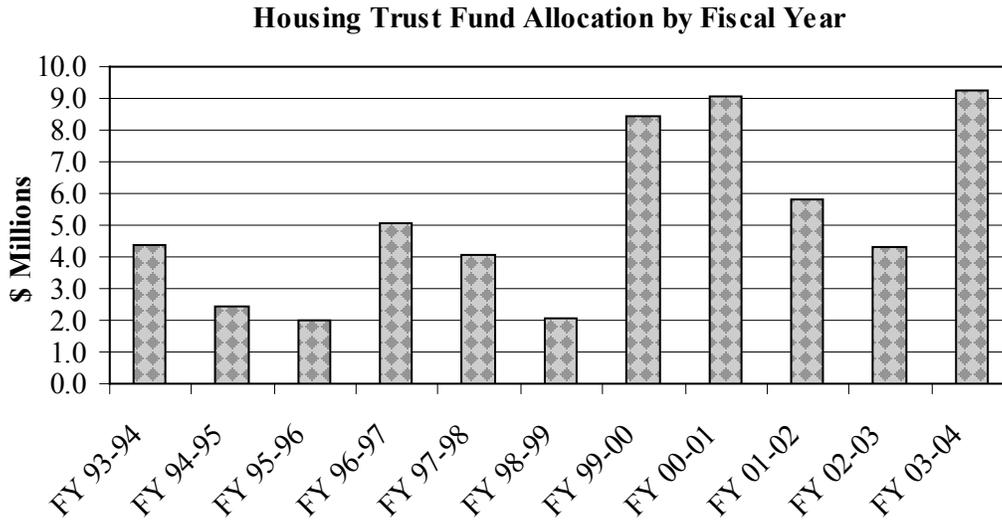
Year	Tax Credits Allocated	# Developments	Rental Units
CY 99	4,354,067	17	810
CY 00	4,782,482	17	825
CY 01	6,958,405	28	1,312
CY 02	7,812,886	29	1,220
CY 03	7,810,626	25	1,297

Table 7.2h

Tax credit funding of \$7,810,626 was awarded in 2003. These tax credits are sold by developers to investors generating approximately \$60,923,000 in equity to be used for the construction and rehabilitation of low-income rental developments. The 25 developments awarded in 2003 will produce 1,297 rental units serving 4,013 citizens of South Carolina.

Housing Trust Fund

Housing Trust fund awards were made throughout the state with a total of \$6,498,867 awarded in 2002 and \$4,393,813 in 2003. There were 296 awards made in 37 counties during 2002 and 396 awards were made in 30 counties during 2003 (See Graph 7.2b).



Graph 7.2b

The decrease in awards funded beginning in 2002 was deliberate as Housing Trust Fund restricted awards in an effort to ensure that the Housing Trust Fund did not become depleted, as the revenue source for the fund is economy-driven based on real estate transfers (See Table 7.2i).

Housing Trust Fund Allocation by Fiscal Year	
Fiscal Year	Trust Fund Amount
FY 93-94	\$4,380,593
FY 94-95	\$2,410,751
FY 95-96	\$2,012,386
FY 96-97	\$5,065,974
FY 97-98	\$4,081,737
FY 98-99	\$2,045,788
FY 99-00	\$8,442,848
FY 00-01	\$9,070,050
FY 01-02	\$5,834,487
FY 02-03	\$4,318,595
FY 03-04	\$9,258,977
Total	\$56,922,186

Table 7.2i

The following tables list the awards made by the Housing Trust Fund over the past three fiscal years:

Fiscal Year	Program Activity	Awards Made	Units Produced
FY 01-02	Group Homes	5	5
FY 02-03	Group Homes	4	4
FY 03-04	Group Homes	11	19
FY 01-02	Homeownership (includes Land Acquisition)	89	175
FY 02-03	Homeownership (includes Land Acquisition)	145	183
FY 03-04	Homeownership (includes Land Acquisition)	94	107
FY 01-02	Multifamily Rental	12	130
FY 02-03	Multifamily Rental	7	42
FY 03-04	Multifamily Rental	18	198
FY 01-02	Owner Occupied (includes Emergency Repair)	177	177
FY 02-03	Owner Occupied (includes Emergency Repair)	137	137
FY 03-04	Owner Occupied (includes Emergency Repair)	224	256
FY 01-02	Shelters	2	8
FY 02-03	Shelters	1	11
FY 03-04	Shelters	2	37
FY 01-02	Special Projects	2	84
FY 02-03	Special Projects	1	15
FY 03-04	Special Projects	0	0
FY 01-02	Transitional Housing	2	6
FY 02-03	Transitional Housing	1	4
FY 03-04	Transitional Housing	0	0

Table 7.2j

Fiscal Year	Awards Made	Units Produced
FY 01-02	289	585
FY 02-03	296	396
FY 03-04	349	617

Table 7.2 k

Distribution of funding over the past 3 years:

- FY 01-02- 46 of the 46 counties received an award
- FY 02-03- 29 of the 46 counties received an award
- FY 03-04- 35 of the 46 counties received an award

7.3 What are your performance levels for the key measures of financial performance?

According to the National Council of State Housing Agencies, the South Carolina State Housing Finance and Development Authority "ranks among the nation's most financially secure and well-managed housing finance agencies." Moody's Investors Service rate the Authority's Bonds Aa2 and the Authority's Homeownership Program has been ranked as best in the nation by *Bond Buyer*.

The following tables and graphs are from the 2004 State Housing Finance Agency Outlook and Medians for Single Family Whole Loan Programs (Based On Fiscal Year 2003 Financials And Program Data) produced by Moody's Investor Service:

SOUTH CAROLINA STATE HOUSING FINANCE & DEVELOPMENT AUTHORITY

Mortgage Revenue Bonds
 Program Rating: Aa2
 Analyst: Maura McGuigan

201.395.6327

Outlook: Stable
 Maura.McGuigan@moodys.com

CREDIT FACTORS:

- While the program's asset-to-debt ratio (PADR) had increased incrementally since its inception in 1994, increased bond issuance in 2000 doubled the program's amount of debt outstanding, reducing PADR to 1.034. Since 2000, the program's financial condition has improved as evidenced by a PADR of 1.08 as of June 30, 2003.
- The mortgage insurance provisions on the pledged loan portfolio should protect the bond program from significant losses arising from any non-performing loans. Following a transfer of loans from the Authority's Homeownership Mortgage Purchase Bond program, the portfolio composition consists of 72% FHA insured loans, 23% loans insured by various private mortgage insurance providers, 2% VA guaranteed loans, 1% RHS loans and 2% of uninsured loans.
- The program's serious delinquency level (7.81%) is above national averages but currently below State averages for FHA insured loans. The Authority currently services 78% of the loans in this program, which gives the Authority an opportunity to take an active role in managing the portfolio and minimizing losses.

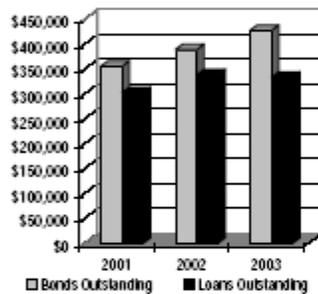
INDENTURE REQUIREMENTS:

Obligation Type: Special revenue
Flow of Funds: Open loop at 1.01
Debt Service Reserve: 3% current balance of all program loans
Mortgage Reserve: 1% of outstanding principal
Supplemental Mortgage Coverage: 2% of aggregate principal amount of program loans purchased

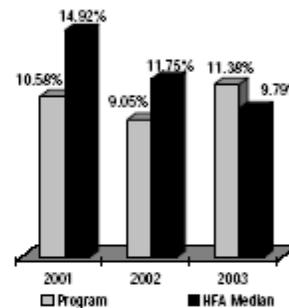
PORTFOLIO DATA :

Serious Delinquencies (90, 90 and Foreclosure): 7.81%
 Insurance: FHA- 72%, VA- 2%, RHS- 1%, Private- 23%, Uninsured- 2%
PROGRAM ESTABLISHED: 1994

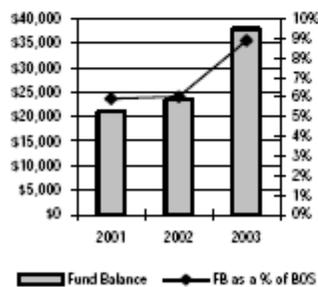
Bonds And Mortgage Loans Outstanding



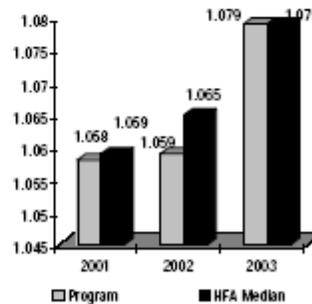
Profitability (Net Revenue As A % Of Total Revenue)



Fund Balance And Fund Balance As % Of Bonds Outstanding



Program Asset To Debt Ratio



Financial data (\$000):	FY 2001	FY 2002	% Change FY 01- FY 02	FY 2003	% Change FY 02- FY 03
Program fund balance	\$21,020	\$23,422	11.43%	\$37,964	62.09%
Program fund balance as % of bonds outstanding	5.92%	6.02%	1.81%	8.88%	47.43%
Program asset-to-debt ratio (PADR)	1.058	1.059	.11%	1.079	1.92%
Program net revenue as % of total revenue	10.58%	9.05%	(14.38%)	11.38%	25.72%
Program net interest revenue as % of gross interest revenue	13.23%	13.24%	.08%	15.02%	13.47%

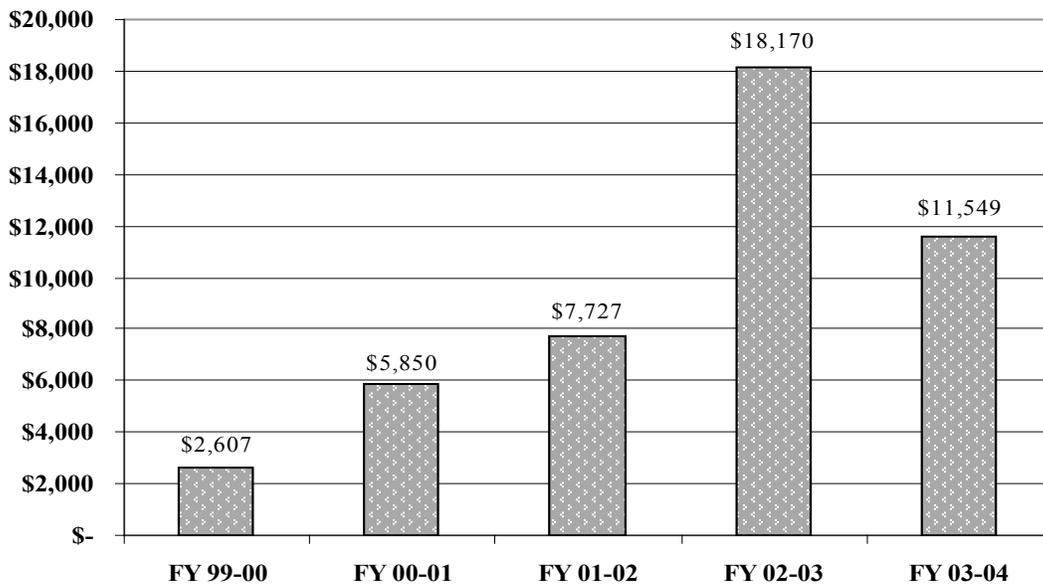
Rating History:	April 1997:	Aa2 (refinement)
	August 1994:	Aa

Graph 7.3a

7.4 What are your performance levels and trends for the key measures of Human Resource Results?

Tuition Assistance

The Agency has adapted a program to provide tuition assistance for its permanent employees. The purpose of the program is to develop a better-educated workforce and to provide job enhancement opportunities for the employees within the Authority. Tuition assistance is provided for employees to attend courses that are directly related either to the employee's position, to a position to which the employee could progress, or which is part of a planned degree program in a field that is related to the Authority's mission. The agency has provided this benefit since the fall of 1993, and since that time 22 employees have benefited for a total cost to the agency of \$68,778. During fiscal year 2003-2004, six employees received tuition assistance from the Agency. The chart below depicts the agency commitment to tuition assistance for the past five years. The decrease in dollars the current fiscal year was due to a change in the tuition assistance policy. The policy was revised in 2003 to limit the amount of tuition assistance per employee for fiscal year to \$3000 per year.



Graph 7.4a

Training Cost Analysis

The Authority increased training hours in FY 2001 due to increased efforts to train our staff on new computer programs and an agency initiative to train several staff on a conversational Spanish class. The training hours increased in FY 2002 due to initiatives to train new hires in contract administration and rental assistance on technical training of the area. The average hours of coursework per employee increased by six hours this fiscal year showing the agency's commitment to professional development.

Fiscal Year	Number of Employees	Courses Taken		Course Hours	
		Total (Total Agency)	Average (Per Employee)	Total (Total Agency)	Average (Per Employee)
FY 03-04	117	403	3.44	4,350.5	37.18
FY 02-03	113	403	3.57	3,564	31.54
FY 01-02	113	360	3.19	3,343	29.58
FY 00-01	112	568	5.07	3,997	35.69

Table 7.4a

Leave Totals

The agency is a family friendly workplace and encourages employees to take time off with families. The table below shows the agency’s use of annual and sick leave for the past five years.

		Figured By Hours (1 Day = 7.5 Hours)				
		Annual		Sick		A + S
Fiscal Year	Number of Employees	Total (Total Agency)	Average (Per Employee)	Total (Total Agency)	Average (Per Employee)	Total (Total Agency)
FY 03-04	117	14,120.97	120.69	8,824.44	75.42	22,945.41
FY 02-03	113	12,443.67	110.12	7,154.86	63.32	19,598.53
FY 01-02	113	11,040.25	97.7	7,113.07	62.95	18,153.32
FY 00-01	112	8,718.66	77.85	6,062.17	54.13	14,780.83
FY 99-00	104	6,738.50	64.79	4,061.75	39.06	10,800.25

Table 7.4b

Notably, 63 percent of our employees took advantage of our Family Sick Leave, comprising 1,881 hours, or 21 percent of total sick leave. Several factors account for increased average annual leave per employee. Several employees used their annual leave after exhausting their maximum family sick leave and general sick leave. In addition, certain employees prefer to use annual leave for sickness, driving up per employee average annual leave.

Turnover Data

The agency experienced a decline in turnover last fiscal year due to a concerted effort to maintain our employees through professional development and job enhancement opportunities. The agency was able to use the retention increase salary option to retain several key employees.

Fiscal Year	Housing Authority	Statewide (South Carolina)
FY 03-04	4.32%	11.73%
FY 02-03	13.91%	12.05%
FY 01-02	7.04%	12.39%
FY 00-01	12.20%	18.13%
FY 99-00	8.24%	14.67%

Table 7.4c

7.5 What are your performance levels and trends for the key measures of regulatory/legal compliance and community support?

The administration of the Authority is responsible for establishing and maintaining a system of internal control over its transactions. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The Authority is subject to a number of reviews and audits performed by external parties to ensure compliance to laws, regulations and program guidelines. In addition, the Authority established an internal audit function in fiscal year 2001-2002 that performs audit work that includes verifying compliance with policies and procedures and aims to provide suggestions for efficiency and effectiveness improvements.

The annual financial audit of the Authority conducted by DeLoach & Williamson, L.L.P., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor, for the fiscal year ended June 30, 2003 resulted in an unqualified (clean) audit opinion. Because the Authority administers several major federal programs, this audit included testing to ensure compliance with federal laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. There were no findings of noncompliance.

The Authority also is subject to several annual program reviews/audits that are performed by the U. S. Department of Housing and Urban Development (HUD). The results of these reviews were all favorable with only minor findings.

The Office of Human Resources of the State Budget and Control Board conducted an audit of our delegated transactions for the fiscal year ended June 30, 2002. We were found to be in compliance with our agreement and no recommendations for improvements were made.

The Authority's ability to expand housing and homeownership opportunities depends on the quality and diversity of its relationships. The Authority's many public-private as well as public-public partnerships have expanded affordable housing choice statewide. The

successful business alliances and development partnerships cultivated and maintained over the Authority's history have led to substantial capital investment and quality of life improvements. Strategic alliances were crucial to many of the Authority's proudest achievements during the past fiscal year. More recently creative public-private partnerships have enabled the Authority to extend its reach into many of the state's hardest-to-serve or disenfranchised communities. The Authority was able to increase capital investments in many rural, high-cost urban and coastal, and low-income areas of the state due to effective partnerships. The Authority routinely partners with other public agencies at the federal, state, regional and local levels to design and deploy programs and services, and to improve business processes. A shared sense of purpose and efficiencies achieved through resource sharing and collaboration has led to significant improvements in housing conditions, affordability, and choice statewide.

The Authority's alliances with the Governor's Office, Department of Commerce, U.S. Department of Housing and Urban Development (HUD), Veteran's Administration, the Affordable Housing Coalition of South Carolina, Local Public Housing Authorities (PHAs), Community Development Corporations (CDCs), Community Action Agencies (CAAs), Community Housing Development Organizations (CHDOs), Home Builders Association, Councils of Government (COGs), Habitat for Humanity, Manufactured Housing Institute, USDA Rural Development, Human Affairs Commission, Department of Mental Health, DSS, DHEC, Department of Consumer Affairs, Commission for Minority Affairs, Department of Disabilities and Special Needs, Fannie Mae, banks, other financial institutions, industry and trade organizations, and many other agencies have led to the creation of new or enhanced housing initiatives as well as process improvements. Other specific examples include, the South Carolina Partners in Homeownership, Governor's Task Force on Affordable Housing, InterAuthority Coordinating Council for Affordable Housing and Community Development, State HOME Program and the South Carolina Housing Trust Fund Advisory Council.