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Executive Summary

HUBBARD MANOR EAST AND HUBBARD MANOR WEST APARTMENTS

The Dearborn Housing Department's FY2014 Department Budget supports its mission of providing affordable housing for moderate income senior citizens and supportive services to our elderly population while remaining self sustaining. The Department manages 333 federally subsidized public housing, 351 city-owned, moderate income senior citizen apartments and 96 federally subsidized housing choice vouchers.

The budget together with the supporting documentation listed in the index is intended to provide the reader with general background and summary information for the Dearborn Housing Department, including significant issues and challenges we expect going forward.

The resident population at Hubbard Manor West is currently 74% female with an average age of 79. Average rent at Hubbard West is \$526 and the vacancy rate is 4%.

Hubbard Manors East is home to a population 53% female with an average tenant age of 73. The average rent at Hubbard Manor East is \$499 with a current vacancy rate of 51%

The Housing Department believes its core services include:

- Providing administrative and maintenance services necessary to operate our low and moderate income senior citizen apartments and the Section 8 Housing Choice Voucher rental assistance program.
- Capital and maintenance planning, project management, and grant administration for low and moderate income senior citizen apartments.
- Local bus transportation for residents of our low and moderate income senior citizen apartments
- Social and supportive services including intake screening for residents of our low and moderate income senior citizen apartments

Non-core services include:

- Facilitate commodities distribution to residents of Public and City Housing
- Provide a venue for voting in special and general elections.
- Provide a venue for Pleasant Hours Club meetings
- Provide bus transportation to other department and special events.

Revenue
Hubbard Manor East & West

Revenue projections contained in the Senior Operating Budget for Hubbard Manor East and Hubbard Manor West apartments contain reimbursement for shared administrative expenses for core services allocated to programs operated by the Dearborn Housing Commission. The revenue in the departmental budget includes reimbursement from the Dearborn Housing Commission Operating Budget for its share of prorated administrative costs including, but not limited to, salaries and benefits.

Operating revenue for the Senior Operating Budget is derived primarily from rental income produced by occupied units, income from the revenue split from our laundry vending machines, and miscellaneous income from communications leases. Driven largely by high vacancy rates, a small rent increase is anticipated in the 2014 budget, as monthly rents have increased approximately 1% last year and a 1% increase is anticipated each year in 2014, 2015 and 2016.

	2007	2008 – 2011	2012	2013	2014	2015	2016
Minimum Rent	\$424	\$437	\$440	\$445	\$450	\$455	\$460
Maximum Rent	\$519	\$535	\$540	\$545	\$555	\$560	\$565

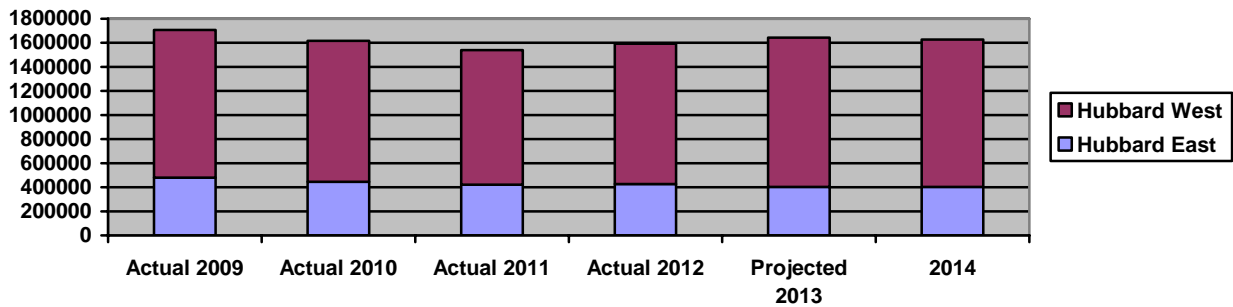
Given increasing vacancy rates, slower lease-up times, small to non-existent waiting lists, higher turnover rates because of increasing average age of current tenants and few married couples (average 6%), we are not anticipating a significant increase in rents for the coming year. Again this year, a significant rent increases may adversely affect the marketability of units and increase the rent burden on current occupants who are already seeing reductions to investment income, and little or no increase in Social Security and pension income on which most rely to pay rent.

In previous years, rent was determined at the time of original move-in based upon 30% of income subject to the minimum and maximum rents. Currently rent is based upon the maximum rent at the time of move-in for all new residents unless the applicant is willing to submit to certification of income to justify a lower rent within the established range.

The current year budget anticipates total revenue of \$2,650,709. This revenue figure includes reimbursement from the Housing Commission for salaries and benefits if fully staffed.

Because Sprint/Nextel has abandoned the technology associate with the Nextel site at Hubbard Manor West, Sprint has terminated its lease with the City and the equipment has been removed. Lease termination will result in a revenue decrease of approximately \$29,000.

Rental Revenue History



Expenses: The majority of operating expenses contained in the Senior Operating Budget are focused very predictably in five primary areas as follows:

- Salaries / Wages and Benefits
- Utilities
- Building repair and maintenance
- Insurance
- Supplies / materials

Salaries / Wages and Benefits

The Senior Citizen Operating budget reflects revenue and expenses for Hubbard Manors East and West. Because the mission of both the Housing Department and Housing Commission is fulfilled using the same administrative and maintenance staff, salaries and benefits for all housing personnel are reflected in the personnel budget for the Senior Citizen Operating Budget. The Housing Commission reimburses the Senior Citizen Operating Fund for certain shared costs, employee salaries and benefits related to the operation of low income federally subsidized housing buildings Townsend Towers, Kennedy Plaza and Sisson Manor, and the Section 8 Housing Choice Voucher program. Reimbursement is based upon actual costs at the Housing Commission federal fiscal year end on September 30th.

Certain expenses including salaries/wages and personnel benefits, are prorated based upon personnel assigned to work in federally subsidized properties and across federally subsidized programs based upon the number of subsidized units for each. While the senior operating budget reflects the full cost of salaries and benefits, direct reimbursement from federally subsidized programs is reflected in the revenue portion of the budget to cover the allocated cost of salaries and benefits for the low income public housing and Section 8 rental assistance programs.

The department is currently contracting out accounting services for low income programs following the retirement of the department accountant. Together with other modifications to the existing staff organizational we expect a reduction in costs while at the same time maintaining service delivery. The housing department hopes to maintain

personnel expense into the future, and the organizational chart has been modified to reflect the status of our current staffing.

At present each property has one full-time maintenance worker and one full-time custodian. A part-time custodian floats between buildings on weekends and holidays removing trash, conducting the resident stat-check and assisting in emergency situations. A full-time Facilities Supervisor/Modernization Coordinator provides daily maintenance supervision and field coordination of modernization projects for both federally subsidized and city owned properties. A significant portion of the Facilities Supervisor's salary is funded directly from the yearly HUD Capital Fund Program grant. The actual amount varies each year as a percentage of the federal modernization grant.

Occupancy staff previously included two full-time occupancy specialists responsible for initial intake of applicants, waitlist and other inquiries, annual recertification of tenants, monthly rent receipting, collection of aged receivables, and tenant move-out processing at lease termination. Cross trained in all areas of occupancy, the occupancy staff also process initial intakes, voucher issuance, and annual recertification for all properties and Section 8 Voucher holders. With the sale of Dearborn Towers, the Housing Department has opted to eliminate the previous full-time occupancy clerk opening reflected above with a part-time clerk to handle these same functions and general occupancy matters related strictly to Hubbard Manor East and Hubbard Manor West.

In addition to the staff reductions experienced in recent years, the retirement of the Housing Director and resulting vacant position, the current administrative and maintenance staffing mix is inadequate and reflects a less than desirable level of staffing necessary to properly deliver the services for this 24 hour, 7 day operation while accommodating sick days, vacation and holiday requirements. The Department administrative staff is pressed to maintain services expected by our customers and at the same time meet the extensive, demanding and ever expanding performance measures imposed by HUD for federally subsidized properties.

Utilities

While driven to a great extent by weather, utility costs continue to increase generally. As with all other city facilities, our senior buildings are monitored by the powerhouse. The current NOVAR energy management system controlled and used by the powerhouse assists in monitoring and controlling space temperatures for both occupant comfort and energy efficiency. The housing department and commission maintain an aggressive capital improvement program. As new projects are contemplated, we look for opportunities to incorporate energy efficiency improvements in the design process. We also hope to engage a firm to conduct an energy audit for all properties, as we continue to search for opportunities to reduce electric, water and natural gas costs.

Building repair and maintenance

Repair and maintenance costs on older properties naturally increase over time. Capital improvement projects that replace aging equipment can help mitigate the cost of on-going repairs, but preventative maintenance is still required regardless of age. Included in building repair and maintenance costs are the services of contractors. Contractors are engaged when, in the opinion of housing management, repairs are either beyond the technical capability of existing staff or can more cost effectively and efficiently be completed by outside contractors.

Insurance

Insurance bids are solicited annually by the risk manager in the Legal Department. Typically very few bids are received and the increased cost of insurance is more a reflection of the current market than any perceived increase in risk factors by bidders or changes loss experience.

Supplies / materials

For local properties the cost of supplies and materials remains fairly consistent from year to year. Supplies and materials is a broad category, and it includes items such as fuel, uniforms, non-capitalized equipment, and repair and maintenance supplies. The later two items, equipment and repair/maintenance supplies, include replacement of refrigerators and ranges on an as needed basis. Some appliances are original equipment and we've found it is far more cost effective to replace appliances generally than attempting repair. To improve the marketability of vacant units, new appliances are installed prior to renting and original appliances are stripped for parts where possible and disposed of. Other maintenance equipment wears out with use and must be repaired or replaced on a fairly regular basis.

One-Time Requests

In addition to routine expenditures reflected above, the current year budget contains the following items:

Bus Replacement – The department anticipates the need to replace one of the two buses. Bus number 227-02 was purchased and placed into service in 2002. We are told by the central garage that we should anticipate the replacement of this bus as soon as possible. Last summer the air conditioning unit for this bus failed and the garage had an extremely difficult time locating and obtaining a replacement condenser unit. The bus was out of service for approximately one month because of extremely hot summer temperatures. The department anticipates the purchase of a slightly smaller, 12 passenger plus 2 wheelchair bus which does not require a CDL licensed driver with the appropriate endorsements. Approximate cost \$60,000.

Building Equipment – Included in the current year budget are one-time, non-capital items including additional rolling/folding cafeteria tables, replacement outdoor benches at the front of each building, handicapped accessible picnic tables for Hubbard West and East, outdoor trash cans / ash trays for entrances, carpet driers and shop vacuums. The total cost of these items \$24,426.

Department Challenges and Significant Issues

Occupancy

High vacancy rates at Hubbard Manor West have eased and we currently have achieved full occupancy with a small waiting list. Although stable, the vacancy rate at Hubbard Manor East remains problematic. At present, we have virtually no waiting list for Hubbard Manor East and we currently have a vacancy rate of 50%. Presently Hubbard Manor West has 8 vacant units or a 4% vacancy rate.

Vacancy problems may be due in part to elderly parents relocating further out into the suburbs in order to be closer to their grown children. In addition, competing housing for moderate income seniors has developed in the private sector. Many residents at Hubbard East and West have resources such that they can afford other more expensive private housing options. At Hubbard Manor East we believe there is perception on the part of eligible prospective applicants that the area is not safe and therefore not as desirable as Hubbard West. While the housing market and available housing inventory has improved somewhat, we continue to believe that many elderly residents who would otherwise wish to move to senior housing are either unable sell their homes or are unwilling to sell them at current prices.

The vacancy rate at Hubbard Manor West has improved and with a small waiting list, we are confident in our ability to maintain at least a 90% plus average occupancy rate for the coming fiscal year. The vacancy rate at Hubbard Manor East, however, is likely to remain high. Current admission policies restrict occupancy to residents in which the head of household or spouse is 55 years of age or older, as state law limits occupancy to this group for purposes of maintaining an “elderly” designation.

Actions taken to improve vacancy rates include:

- Reducing or eliminating the income restriction – *(Implemented in 2011-2012)*
- Establishing a flat rent/changing the moderate income nature of the buildings *(Implemented in 2011-2012)*
- Development of a Pet Policy and allowing for pets - *(Implemented in 2011-2012)*
- Offering a referral credit to current residents - *(Implemented in 2011-2012)*

The housing department has implemented a pet policy for Hubbard Manor East and West. Allowing pets in federally subsidized housing for elderly has been required for many years subject to the adoption of a pet policy. Because of many inquiries from applicants regarding pets (particularly cats), the housing department has extended the pet policy to Hubbard Manors East and West.

Since the adoption of a pet policy for Hubbard Manor East and West, several residents have moved in with pets. We continue to believe that by allowing pets, some applicants may reconsider Hubbard Manor East and West as a home, and our experience since 1994 allowing pets in our federally subsidized senior buildings has been that the problems encountered have been minimal and manageable.

Satellite Dishes, Cable TV, and Hi-Speed Internet

Smaller 18" satellite dishes offering Dish Network, DirecTV, and free-to-air programming from foreign countries populate balconies at federally subsidized public housing buildings and increasingly at city owned apartment buildings in the same fashion and for the same reasons as private residences. Residents want choice. We have been advised by the City Legal Department that a flat out prohibition on use of satellite dishes is not an option per FCC regulations.

Television broadcast in English is largely irrelevant to non-English speaking residents and applicants, as free-to-air programming for foreign countries is their preference. The proliferation of satellite dishes on balconies also presents an esthetic problem. For some apartments satellite dishes are not an option depending upon the direction a balcony faces. In September, 2011 Dish Network moved all Arabic channels to a new satellite, and at the present time all services and free-to-air satellites require a southwest exposure to receive signal. The lack of television options added to our occupancy problems. Even if prohibiting satellites were an option, it would not likely be a wise decision from a marketing standpoint.

To address the immediate concern of residents at all five properties, the housing department contacted the nation's largest retailer for Dish Network, Don-Lors Electronics, Inc. located in Livonia, MI. After several meeting and site surveys at all five properties, the company has installed, at no cost to the housing department or commission, four (4) large centralized dishes on the roof at each of the five buildings to receive high definition Dish Network programming. The dishes measuring about 48" in diameter each are located in a central location on each roof. In spite of their size and because the central location on the roof, the dishes are not visible from the ground and are virtually unaffected by rain/cloud signal fade that smaller dishes on balconies are subject to. The central location also eliminates the line of sight issue at each property and ensures that ALL apartments now have a choice between Comcast cable and Dish Network satellite television, including the most Arabic programming of any satellite or cable provider. Our hope is that the lower cost and more reliable signal strength offered by the large dishes together with a balcony free of wires and ugly dishes will entice many residents to abandon their existing balcony dish in favor of a rooftop connection.

The existing cable television wiring used by both systems is deteriorating and has not been properly maintained by Comcast. As the only vendor currently providing cable service to the properties, Comcast has proposed to replace all existing wiring (except for Townsend Towers) in exchange for a 15 year agreement that carries significant restrictions. The housing department is not certain that the proposed agreement

adequately addresses the changes in technology that are likely to come, nor does it offer the best deal for our tenants who would essentially have but one choice in cable providers.

One option that could be considered involves pre-wiring each apartment for satellite and/or cable television with wiring running to the roof of each building for satellite or first floor for cable. Installing home run wiring to the first floor for cable would allow for multiple cable operators and would eliminate the need to find building staff for connection issues.

Another option that is also being considered is to solicit proposals for a comprehensive wiring system that would address television, high speed internet access (both wired and wireless or Wi-Fi) and possibly replacement of existing telephone systems wiring and head-end for tenant notification system. A comprehensive system would preclude all other operators, but would hopefully yield lower cost to tenants and a consistent interface. The assistance of a consultant will likely be necessary to proceed in the evaluation of options.

The current year budget for communications has been increased slightly and anticipates installation of Wi-Fi in the lobby at both Hubbard Manor East and West. Turning the lobby at each building into "hot spots" will allow residents with laptop computers to access the internet in the lobby at no cost. The monthly cost of \$80 to the senior operating fund budget for each property is minimal and will address the concerns of many applicants and current residents for internet access until a permanent solution is found.

Parking Lots & Security

When originally constructed most properties housed retired residents who, to a large extent, either did not drive or were otherwise not as mobile. As elderly residents have become more mobile, demand for parking space has increased. Unfortunately very little space exists to expand our lots. The problem is particularly acute at Hubbard Manor West and Sisson Manor, as residents are forced to park in church parking lots blocks away or in visitor parking at the building entrance. Perceptions of building security are also a problem because of the lack of secured parking areas and cameras.

One option would be to reconfigure existing parking lots and eliminate certain planting areas. Parking lots for both buildings would be combined, angled parking with narrower lanes would be employed and the lot would be configured for possible fencing in the future. Fencing in the lots and employing proximity card or key-fob access would eliminate visitors parking in the lots and would likely increase residents sense of security when going to and from their cars. If offered for sale, another option would be to acquire the car repair shop at Beech & Monroe. The cost to acquire the property, demolish the structures and repave for parking would be significant.

The property at 5539 Bingham adjacent to Hubbard Manor East north parking lot was purchased last year and demolished. The property at 5447 Bingham and adjacent to the south lot has also recently been purchased for \$27,000 by Seniors Operating Fund. Demolition and appurtenant costs associated with the purchase are estimated at \$16,000. This property will be demolished this spring/summer and will eventually be incorporated into the parking lot renovation and fencing at Hubbard Manor East. Similar to the plan at Hubbard West, fencing in the lots and employing proximity card or key-fob access would prohibit thieves entering parking in the lots, upgraded camera systems will serve as a deterrent to would be thieves, and a secured parking area will increase residents sense of security when going to and from their cars.

Bed Bugs

Virtually absent for nearly 50 years in the U.S., bed bugs have made a come back. In the last 4 years or so, multi-family housing, nursing homes, hotels/motels and university housing and shelters have seen an exponential increase in cases. Bed bug control has been a problem for the Housing Commission, as the pests are often not promptly reported by tenants to management for treatment allowing them to spread and are difficult parasite to eliminate. **Neither Hubbard Manor East nor Hubbard Manor West has experienced a bed bug issue, and at the present time, we currently have no known infestation problems at any property in our inventory.** Given the rate at which the problem is expanding in the Detroit area, an occurrence is inevitable.

The current pest control contract includes a protocol for identification, treatment and (hopefully) eradication of these bugs. While we continue to look for better methods to eradicate the pests and reduce liability to the City, treatment is certain to be an increasing expense. While a number of methods to control the spread of bed bugs exist, education of tenants together with a prompt response and follow-up by contractors and staff is the key to management of this exploding problem in the Detroit area.

Monthly Health Screening

Monthly health screening for residents in senior housing was conducted by the Dearborn Health Department. When the Health Department closed, Sanford-Brown Vocational School was assisting with health screening for a short period of time; however, because of timing problems and inconsistency in scheduling, the program was terminated by mutual agreement.

At the present time, the Outreach Counselor has made contact with private home care agencies and we hoping for their support in providing on-site monthly screening on a more predictable and consistent basis at no cost to the department.

