

STRATEGIC HOUSING  
FINANCE CORPORATION

of TRAVIS COUNTY

**SHFC Discussion Item 6D  
August 2, 2018**

**Resolution No. SHFC -2018-11: To Approve the Personnel Evaluation Template recommendations from Woollard Nichols and Associates**

**WHEREAS**, Performs evaluation and assessment, particularly regarding executive staff members, is critically important component of governance; and

**WHEREAS**, The current individual Employment Agreements for both the CEO/Executive Director and the Director of Real Estate Development are within their 3<sup>rd</sup> and final year and warrant substantial review for improvements, modifications, and the like; and

**WHEREAS**, Developing clear compensation and classification parameters is consistent with Goal 7 of HATC's Board-adopted Strategic Plan, as it relates to creating a *"positive, ethical work environment where everyone is accountable, capable and mission focused, and where there are clear and open lines of communication."*

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of SHFC hereby:

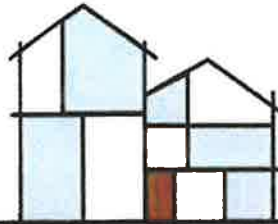
1. Approves Resolution No. SHFC-2018-11,
2. Authorizes the Executive Vice President to execute all necessary documents and extensions.

**Passed and approved the 2<sup>nd</sup> day of August 2018.**

**Eddie Karam, President, Board of Directors**

**Attested and approved as to form:**

**Patrick B. Howard, Executive Vice President**



STRATEGIC HOUSING  
FINANCE CORPORATION

of TRAVIS COUNTY

**SHFC Discussion Item 6D  
August 2, 2018**

**Resolution No. SHFC -2018-11: To Approve the Personnel Evaluation Template recommendations from Woollard Nichols and Associates**

**Background Information:**

During, and subsequent to the most recent performance evaluation appraisals conducted for the Executive Vice President and the Director of Real Estate Development in January and March 2018, respectively, the HATC Board expressed a strong interest in improving the process for assessing and awarding the annual performance of Executive Vice President and the Director, particularly in of the fact that the agency was entering in Year Three of adopted Three-Year Employment Agreements for both individuals. Staff was given the directive to enlist the help of a trusted outside "3<sup>rd</sup> party" individual/entity who would conduct a thorough analysis of the aforementioned, and subsequently offer specific, thoughtful, viable recommendations for modifying/improving the performance evaluation/compensation process based on best practices and industry norms, in light of the feedback provided by Board members both individually and collectively. Woollard Nichols and Associates – an organization very familiar with the inner workings of HATC, was selected to complete this important task.

**Recommended Action:**

Consideration and appropriate action regarding Resolution No. SHFC-2018-11, To Approve the Personnel Evaluation Template recommendations from Woollard Nichols and Associates.

**Alternate Option:**

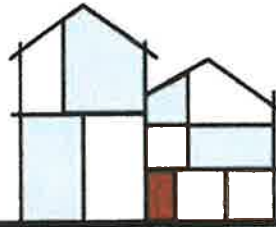
The Board of Commissioners could elect to Not Approve the proposed recommendations.

**Fiscal Impact:**

N/A

**Attachment:**

- A. Housing Authority of Travis County/ Strategic Housing and Finance Corporation:  
Performance Evaluation System Report



STRATEGIC HOUSING  
FINANCE CORPORATION

of TRAVIS COUNTY

**Prepared by:**  
Patrick Howard, Executive Vice President

**Approval:**  
  
Patrick B. Howard, Executive Vice President

# Housing Authority of Travis County/ Strategic Housing and Finance Corporation: Performance Evaluation System

**July 11, 2018**



|   |          |
|---|----------|
| <b>Contents</b>                                       |          |
| <b>Introduction .....</b>                             | <b>1</b> |
| <b>Scope.....</b>                                     | <b>1</b> |
| <b>Results.....</b>                                   | <b>2</b> |
| <b>Appendix A: Sources of Information .....</b>       | <b>7</b> |
| <b>Appendix B: Recommended Contract Language.....</b> | <b>9</b> |

## **Introduction**

---

In 2018, the Executive Director of the Housing Authority of Travis County (HATC) hired Woollard Nichols and Associates to review the performance evaluation processes for HATC and the Strategic Housing and Finance Corporation (SHFC). These two organizations have a symbiotic relationship. The HATC was created in 1975 by the Travis County Commissioner's Court under Chapter 392 of the Texas Local Government Code. Its purpose is to maintain public housing units and issue housing choice vouchers. SHFC was created in 2004 as a nonprofit corporation and a public instrumentality of Travis County under the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code. Its purpose is to provide financing for housing development projects in Travis County for persons of low and moderate income. The Executive Director of HATC is also the Executive Vice President of SHFC.

The goal of this review is to ensure that the appropriate individuals are conducting the performance evaluations for key positions, that the performance evaluation tool is measuring appropriate aspects of each position, and that compensation appropriately reflects the result of the performance evaluation.

## **Scope**

---

To conduct this review, the team began by reviewing best practices of other housing authorities. First, the organizational charts of six housing authorities nationwide were obtained. These charts were reviewed to see what positions reported to the board of directors and what the reporting line was for the Director of Real Estate, or a similar position. Next, research was conducted on current performance evaluation tools that are generally supported by the human resource industry. They were then reviewed to determine which model best fit the unique reporting structure of the Director of Real Estate position. Two performance evaluation tools were obtained from other housing authorities. Finally, the incentive/bonus pay structure for four housing authorities were obtained and reviewed for trends in process and amounts. A summary of the results of our housing authority review can be found in Appendix A.

In addition, the team reviewed the current performance evaluation practices of HATC and SHFC. Specifically, we reviewed the job agreements, and performance evaluations for the Executive Director and Director of Real Estate to determine if job responsibilities were included in the evaluation tool. We then interviewed the individuals in these positions to understand the challenges surrounding the current performance evaluation process. We also reviewed background documents including the organizations' website and strategic plans. Because the strategic plan guides a company's vision and goals for the future it should align with executive leadership responsibilities, we reviewed the performance evaluation to see if they contained goals and objectives from the strategic plan.

Finally, we conducted phone interviews with the Board Chair from HATC and the Board Chair from SHFC to obtain their perspective on the performance evaluation process, tool, and compensation. We also conducted an online survey with the remaining three members of each board on the same issues.

## **Results**

---

### **Process for Evaluating Director of Real Estate**

The Executive Director of HATC and the Director of Real Estate of SHFC both have job agreements with their respective boards of directors. As part of those job agreements, each position has its performance evaluation conducted by the board. This arrangement is appropriate for the Executive Director who reports directly to the HATC board. However, this arrangement is not appropriate for the Director of Real Estate. This is because organizationally, the Director of Real Estate is hired by and reports to the Executive Director of HATC who is also the Executive Vice President of the SHFC.

Having the Director of Real Estate position report to the Executive Director of the Housing Authority is not unusual. A review of seven housing authorities around the nation indicates that the Director of Real Estate (or similarly titled position) in these organizations reports to either the Executive Director or another executive leader. In no instance, did this position report to the board. In fact, a review of housing authority organizational charts also showed that no other positions in the organizations directly reported to the Board of Directors. In one organization there were positions with "dotted lines" but those were positions that were responsible for legal and compliance issues. Additionally, a majority of the current HATC/SHFC board agreed that the Director of Real Estate's performance evaluation should be conducted by the Executive Director.

In addition, requiring a job agreement for a position that reports to the Executive Director is an unusual arrangement. Currently, no other positions that report to the HATC/SHFC Executive Director have job agreements.

### **Recommendations:**

- The Board of Directors should continue to evaluate the performance of the Executive Director.
- Reconsider utilizing a job agreement for the Director of Real Estate position. The job description for the Director of Real Estate should be in a consistent format with other positions that report to the Executive Director.
- Should the Board determine that a job agreement is needed, the job agreement with the Director of Real Estate should be revised during the next opportunity to clarify the position's reporting relationship and performance evaluation responsibility to the Executive Director. An example of the revised language can be found in Appendix B. Until the Director of Real Estate's job agreement can be revised or eliminated, the board should include the Executive Director's perspective in each of the job performance ratings.
- The HATC/SHFC board should consider adjusting all employment contracts so that start and end dates coincide with the fiscal year. This would allow the Board the opportunity to consider employment contracts within the context of the overall budget. If the Board moves in this direction, then the Board would need to consider how to address compensation increases during the six-month interim term so that the employee does not have to wait 18 months for a compensation increase. Options include a 5% cost of living adjustment or 5% incentive pay at the end of the six-month interim term.

### **Performance Evaluation Tool**

An appropriate evaluation tool for any position should address the job responsibilities for that position. It should also include an evaluation of whether yearly expectations were met. These expectations should be developed each fiscal year by the board and based on strategic goals or specific performance expectations.

#### **Executive Director:**

The Executive Director's job agreement lists 19 different job responsibilities. All of these responsibilities appear to be addressed in the current performance evaluation tool for this position. While each responsibility is not listed specifically, they are addressed in performance groups. For instance, four job responsibilities relate to the Executive Director's interaction with and responsibilities to the Board of Commissioners. These responsibilities are addressed in the Governance section of the performance appraisal. Similarly, three responsibilities address the safekeeping of the Housing Authority's facilities, equipment, supplies, etc., the preparation of budgets and approval of expenditures, and negotiation of contracts. These responsibilities appear to be addressed in the section entitled Fiscal Accountability.

While the Executive Director's job responsibilities are addressed in the evaluation tool, yearly expectations are not evaluated. In fact, yearly expectations in the form of a specific and measurable performance plan for the Executive Director does not exist. During our interviews, board members expressed a desire for more quantitative measures on the Executive Director's performance evaluation tool. While the current tool addresses quantifiable performance standards such as degree of staff turnover and achievement of annual budget within typical operating ranges, developing a yearly performance plan that addresses specific achievements or movement towards goals in the organization's strategic plan could provide additional quantitative measurement. In addition, board members also expressed a desire for clarification of ratings so that they are all consistently measuring the performance standards and deliverables. While the current tool has ratings with definitions for how to measure, more clarification and discussion may be needed immediately preceding the evaluation process.

#### **Director of Real Estate:**

For the Director of Real Estate position, 16 job responsibilities are listed in the job agreement. Almost all of these responsibilities are addressed in the current performance evaluation tool for this position. For instance, the 3 responsibilities related to originating new business - identifying opportunities, identifying potential partners, and negotiating with development partners - appear to be addressed in the Project Origination, Analysis, Negotiation, and Management section of the appraisal. The only responsibility that does not appear to be addressed is the one regarding assessing the effectiveness of property management entities and monitoring resident satisfaction through surveys. While this could be considered a part of Assess Management and Planning, most of the specific performance standards address finances rather than effectiveness. In addition, the current tool appears to address performance of responsibilities not included in the employment contract. Specifically, under Coordination/Leadership/Teamwork, a deliverable is "providing leadership, mentoring, professional guidance, direction and supervision to other internal team members" with associated performance standards that mention guiding and encouraging peers and subordinates. The current employment contract does not include any expectations related to leading or developing other employees in the organization. The current responsibilities also do not include performance measures related to the Board's strategic goal of increasing the number of units at 30% or below. If this remains a focus of the Board, then it should be a goal in the Director of Real Estate's job description.



## Recommendations

- The performance tool for the Director of Real Estate should be updated to include a performance standard that address effectiveness monitoring as listed in the job responsibilities. Alternatively, that responsibility should be removed when the next employment contract is developed.
- The performance tool for the Director of Real Estate should be revised to remove mention of leadership/mentoring of other employees as this is not a condition of the current employment contract. If this is an important responsibility of this position, the employment contract should be revised for the next contract period to include this expectation.
- The performance tool for the Director of Real Estate should be revised to include progress toward the strategic goal of increasing the number of units at 30% or below.
- The Board of Directors should develop a yearly performance plan of specific expectations that the Executive Director is expected to achieve. Achievement of these expectations should be evaluated annually. This evaluation can be included with the current tool. Examples of performance expectations might include achievement of certain goals or objectives listed in the 2017 strategic plan such as:
  - % increase in partnerships with organizations that serve similar populations.
  - At least 10% of affordable housing is created for 30% AMI and below
  - Identify specific opportunities and challenges associated with making community centers available to partner agencies to provide programmingActual metrics should take into consideration historical performance, budget/community needs, and the current economic environment, and be developed in coordination with the Executive Director. (Should help developing these expectations be desired, Woollard Nichols could be available to assist.)
- Prior to the rating process, Board members should review the ratings and develop an agreement about what each score means so they can evaluate performance consistently.

## **Compensation**

### **Executive Director:**

Executive Director compensation based on good performance is a decision appropriately made the board of directors. However, exactly what that compensation should be and how it should be distributed is not universally established and should be developed as part of an agreement between board and staff.

Research conducted on four other housing authorities revealed that all awarded one-time bonuses, as opposed to salary increases, as awards for good performance. Three awarded bonuses based on individual performance and one based on departmental performance. In addition, all four distributed bonuses and/or raises to the entire organization and not just to the executive team. The rate and method for determining bonuses was the same for the executive team as it was for all other staff. However, the award of the bonus to all employees was still at the discretion of the board to allow for appropriate budget control.

**Bonus Information for Similar Housing Authority Organizations**

| <b>Organization</b>           | <b>Who Is Eligible</b> | <b>Basis for Bonus</b>   | <b>Rate</b>         |
|-------------------------------|------------------------|--------------------------|---------------------|
| Fort Worth Housing Solutions  | All Employees          | Individual Evaluation    | Up to 5% of salary  |
| Charlotte Housing Authority   | All Employees          | Departmental Performance | Up to 5% of salary  |
| San Antonio Housing Authority | All Employees          | Individual Evaluation    | Up to 15% of salary |
| San Diego Housing Commission  | All Employees          | Individual Evaluation    | 2.5% of salary      |

For more detail, see Appendix A.

Currently, all staff, including the Executive Director, receive a cost of living pay increase – a percentage that increases their base salary. This past year, the cost of living increase was 4% to address the requirement of a 4% retirement contribution. In addition, the Executive Director receives incentive pay (a one-time bonus) based on the results of his performance evaluation. This incentive pay can be as much as 12.5% per year.

Developing an agreed-upon compensation package for good performance is helpful to ensure that that rewards for achieving certain performance expectations are clear to the recipient and not subject to unknown, subjective determinations. At the same time, board members have expressed a concern about tying compensation too tightly to evaluation scores and desiring some flexibility in the process.

For nonprofits, bonuses are permissible to use within the nonprofit sector as long as the total compensation package is:

- Established by an independent board of directors or by an independent compensation committee;
- Is reasonable in terms of the employee's specialty and geographic locale;
- The result of arms' length bargaining;
- Includes a ceiling or reasonable maximum;
- Does not have the potential to reduce the charitable services or benefits the organization would otherwise provide;
- Takes into account measures of the employee's performance;
- Keeps the organization within budget without charging more for services;
- Does not transform the principal activity of the organization into a joint venture between it and the employee;
- Is not merely a device to distribute all or a portion of the organization's profits to persons who are in control of the organization;
- Serves a real and discernable business purpose of the exempt organization;
- Does not result in abuse or unwarranted benefits; and
- Rewards the employee based on services the employee actually performs.

("Awarding Employee Bonuses in a Nonprofit Organization," Matthew Bolstad, Association of Corporate Counsel, <http://www.acc.com/legalresources/quickcounsel/aebiano.cfm>)

As quasi-governmental organizations and public instrumentalities, HATC and SHFC might find that following these guidelines are useful as well.

## Recommendations

### **Executive Director:**

The board of directors should agree to a yearly compensation package for the Executive Director that includes:

- A cost of living increase that is added to the employee's base salary. This increase should be established at the beginning of each year and determined within the context of the organization's budget, the economic environment, and if appropriate, similar increases offered by Travis County to its employees. Recommended range for the cost of living increase would be between 3% and 5%.
- A market adjustment to salary based on the results of the current performance evaluation tool. This increase should identify specific increase ranges for meeting expectations, often exceeding expectations, and consistently exceeding expectations. This increase should be determined within the context of the organization's budget, the economic environment, and the salary of others in similar positions around the nation and should not exceed 5% per year.
- Incentive pay (one-time payment) based on the achievement of yearly performance expectations developed by the board and agreed to by the Executive Director. Incentive pay can be a flat amount, a percentage of salary, a percentage of budget growth, etc. with different pay agreements for each performance expectation. Based on incentive pay in other organizations, our recommendation would be a total of 5% of salary.
- A retirement contribution through the Deferred Compensation Plan for achievement of yearly performance expectations. Contributions could be a flat amount, a percentage of salary, a percentage of budget growth, etc. with different pay agreements for each performance expectation. Our recommendation would be a total of 5% of salary.

### **Director of Real Estate:**

As a position that reports to the Executive Director, the Director of Real Estate's compensation should be governed by the organization's personnel policies that address compensation. Should the organization desire to supplement this compensation, one-time incentive pay can be considered based on the achievement of yearly performance expectations developed by the board (or the Executive Director in the revised contract). Incentive pay can be a flat amount, a percentage of salary, a percentage of budget growth, etc. with different pay agreements for each performance expectation. Based on incentive pay in other organizations, our recommendation would be up to 5% of salary.

**APPENDIX A**  
**Sources of Information Summary**

**Table 1: Organizational Charts**

| <b>Organization</b>                              | <b>Source</b>  | <b>Discoverable</b>  |
|--|--|--|
| Charlotte Housing Authority                      | Organizational Chart   | Executive VP of Real Estate reports to CEO.  |
| Chicago Housing Authority                        | Organizational Chart   | Like position reports to COO, who reports to the CEO.  |
| District of Colombia Housing Authority           | Organizational Chart   | Like position reports to the Executive Director. Other positions have a "dotted line" to the Board of Directors, but not positions similar to the Director of Real Estate. |
| Joliet Housing Authority                         | Organizational Chart   | Like position reports to the Executive Director.   |
| Lexington-Fayette Urban County Housing Authority | Organizational Chart   | Position reports to the COO who reports to the CEO.  |
| Sacramento Housing and Redevelopment Agency      | Organizational Chart   | Like position reports to the Executive Director.   |
| San Diego Housing Authority                      | Organizational Chart   | Position reports to the Executive Vice President who reports to the President.   |
| Fort Worth Housing Solutions                     | Unable to Obtain – Currently reorganizing according to Human Resources |  |

**Table 2: Compensation**

| <b>Organization</b>                  | <b>Source</b>              | <b>Discoverable</b>   |
|--------------------------------------|----------------------------|---|
| <b>Fort Worth Housing Solutions</b>  | <b>Human Resources</b>     | <b>All employees are eligible for an incentive pay based off of their performance evaluation. The evaluation is a scale of 0-5 and the percent bonus is based on the score they receive. For example, if they got a 3 they received a 3% bonus.</b> |
| <b>Charlotte Housing Authority</b>   | <b>Human Resources</b>     | <b>All employees are eligible for incentive pay. The compensation is up to 5% of salary and is based off of hitting objectives assigned to each specific department.</b>  |
| <b>San Antonio Housing Authority</b> | <b>Compensation Policy</b> | <b>Eligible for all employees. Up to 15% of employee's annual salary. Award was based off of annual performance evaluation and board determined whether or not it was distributed.</b>  |
| <b>San Diego Housing Commission</b>  | <b>Compensation Policy</b> | <b>Bonus payment of 2.5% annual base salary for excellent rating of performance evaluation. All employees are eligible for this.</b>  |