

The header image features a blue sky with white clouds and the top edge of a dark roofline. The text is overlaid on the right side of the image.

Department of Housing and Urban Development Pacific-Hawaii Region Annual Report

Overview of Jurisdiction

The mission of the Department of Housing and Urban Development is to increase homeownership, support community development, and expand access to affordable housing free from discrimination. The staff of Region IX supports this mission by managing and overseeing the Department's programs throughout Region IX's jurisdiction which consists of four states: Arizona, California, Nevada, and Hawaii plus Guam, American Samoa, and the Northern Mariana Islands. HUD's operations in the region are conducted out of the San Francisco Regional Office and 10 field offices: Phoenix, Tucson, Fresno, Los Angeles, Sacramento, San Diego, Santa Ana, Honolulu, Las Vegas and Reno.

Economy – The economy of Region IX remained strong through the third quarter of 2006 although the rates of job growth moderated in most areas. Labor markets continued to tighten due to the growing economy. The unemployment rate averaged 4.8 percent down from 5.3 percent in the previous comparable 12-month period. Unemployment rates ranged from a low of 2.7 percent in Hawaii to 5 percent in California. Hawaii, Arizona, and Nevada all had unemployment rates below the national average.

Population – According to the Census Bureau, the population of Region IX was estimated to be 46.4 million as of July 2006, 1.3 percent increase compared to a year earlier. The population in Arizona and Nevada led the region with average annual growth rates of 3.6 and 3.5 percent, respectively due to net in-migration. California accounted for nearly half of the 612,000 regional population increase. The populations of California and Hawaii increased 0.8 and 1.0 percent, respectively, in the past year.

General Housing Conditions – Home sales continue to slow across Region IX, primarily as a result of rising interest rates. The decline in homebuilding activity in the region continued through the third quarter of 2006 in response to slower sales demand and generally increased inventories of unsold new homes. New home building in Region IX totaled 215,700 units permitted in the 12 months ending September 2006, down 21 percent from the previous 12 months. Phoenix, Riverside-San Bernardino, and Las Vegas are among the top 10 largest single-family homebuilding markets in the nation and account for nearly half of the homes permitted in the region. Rental markets in the region continued to be tight or balanced throughout the period. Rental demand has been supported by growth in employment and in-migration and the rapid home sales price increases of recent years. In addition, apartment production has been moderate during the past year. Multifamily building permit activity in the region declined 7 percent in the past 12 months through September 2006 to 74,200 units, fewer than 1,000 below the highest volume of units permitted since 1990.

Conditions by State

Arizona: In Phoenix, sales of existing and new homes fell 25 and 2 percent, respectively, in the 12 months ending September 2006 from the record year-earlier pace, according to the Phoenix Housing Market Letter. The current sales volumes are still among the top four highest levels for the area. The Arizona Real Estate Center reported a median home resale price of \$260,000 in the third quarter of this year, essentially unchanged from the same quarter a year ago, and a median new home sales price of \$310,000, up 20 percent from a year ago. The number of existing home listings in Phoenix has more than doubled from last year and the average time required to sell an existing home has risen from 26 days to nearly 70 days between the third quarters of 2005 and 2006, weakening the new home move-up market. Home construction as measured by the number of building permits issued declined 19 percent in Arizona to 63,200 units, which is still a high level of activity. According to the Arizona Real Estate Center, the Phoenix rental market vacancy rate for apartment buildings of 100 or more units remained low at 5 percent in the third quarter of 2006, well below the 8-percent rate measured as recently as early 2005. Average rents rose nearly 7 percent in the past 12 months, the highest increase recorded since the late 1990s.



California: According to the California Association of REALTORS® (CAR), sales of existing single-family homes declined 20 percent to 510,000 units in the 12 months ending September 2006 compared with a near-record sales volume in the previous 12-month period. Total sales of both new and existing homes fell 14 percent in Southern California and 20 percent in the San Francisco Bay Area in the past 12 months. CAR reported a median existing home sales price of \$556,000 in the current 12-month period, a 10-percent gain well below the 18-percent increase in the previous 12 months. In the third quarter of 2006, the average time required to sell an existing home increased to 52 days from 29 days a year earlier, reflecting the continued increase in the number of listings.



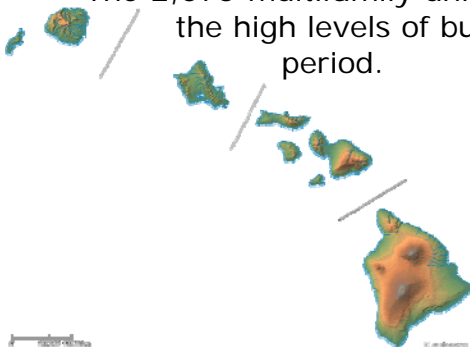
The largest decline in construction occurred in California, where building permits for 115,100 new homes were issued in the past 12 months, a 24-percent decline. In the San Francisco Bay Area,

the apartment vacancy rate declined nearly 1 percent to 3.7 percent in the third quarter of 2006 from the same quarter a year ago, according to the *Real Facts* apartment survey. The average rent for larger, higher amenity rentals rose 7.5 percent in the East and West Bay submarkets and more than 10 percent in the San Jose-Silicon Valley area, the largest increases recorded since the economic boom of the late 1990s. Sacramento rental conditions remained balanced at a 6-percent apartment vacancy rate, relatively unchanged from the previous year, although the average rent rose about 3 percent in the past year.

High home prices in Southern California have helped the area remain one of the strongest rental markets in the country. During the third quarter of 2006, rental market conditions remained tight in five of the seven major counties. The vacancy rate in San Diego declined to 4 percent, as newly completed units were absorbed during the quarter. Los Angeles, Orange, and Ventura Counties and southern Santa Barbara County continued to have rental vacancy rates of 4 percent or lower. The rental vacancy rates in Riverside and San Bernardino Counties remained at 7 and 6 percent, respectively, as these two counties continued to absorb the more than 6,400 units completed during the 12-month period ending August 2006. According to the Consumer Price Index covering most of Southern California, rents rose more than 5 percent during the past year.

Multifamily building permit activity in the region declined 7 percent in the past 12 months through September 2006 to 74,200 units, fewer than 1,000 below the highest volume of units permitted since 1990. California accounted for 50,600 of the 74,200 multifamily building permits issued, a decline of almost 13 percent.

Hawaii: Sales of existing homes in Honolulu declined 15 percent in the past 12 months, primarily reflecting a slowing in condominium sales. The median sales prices of existing condominiums and detached homes rose 14 and 4 percent, respectively, in the third quarter compared with a year ago. The number of homes permitted declined 12 percent in Honolulu. The Honolulu rental market remained tight with a 4-percent overall rental vacancy rate. The 2,075 multifamily units authorized in Hawaii were down 18 percent from the high levels of building permits issued during the previous 12-month period.



Nevada: Sales of existing and new homes in Las Vegas declined 21 and 26 percent, respectively, according to the Las Vegas Housing Market Letter. The median home resale price rose just 2 percent in the third quarter of 2006 from a year ago with unsold listings up 33 percent in the past year. The number of homes permitted declined 13 percent in Las Vegas.



In Las Vegas, an apartment survey by CB Richard Ellis reported a 5-percent vacancy in large apartment properties. The average rent in the area increased 6 percent in the past year, and concessions fell to just more than 33 percent of the surveyed complexes compared to more than 60 percent a year ago. Strong rental market conditions in Las Vegas reflect rapid household growth, moderate apartment production and increased condominium conversions, and huge increases in single-family home sales prices. In Nevada, multifamily activity rose 22 percent to 10,300 units, reflecting, in part, new condominium production in Las Vegas.

Information on housing market conditions discussed in this report is taken from the ***U.S. Housing Market Conditions***, a national publication of the U.S Department of Housing and Urban Development.

The report is available online and can be downloaded for free at:
<http://www.huduser.org/periodicals/ushmc.html>

Cross Cutting Issues

Lack of Affordable housing – Region IX continues to have much of the least affordable housing in the country.

10 least affordable major metro areas

Where the fewest average income families can afford to buy the median priced home.

City	State	Median Income	Median Price	Percent Affordable
Los Angeles	CA	\$56,200	\$523,000	1.8%
Santa Ana	CA	\$78,300	\$626,000	2.6%
Modesto	CA	\$54,400	\$372,000	4.1%
Stockton	CA	\$57,100	\$310,000	4.8%
San Diego	CA	\$64,900	\$477,000	4.9%
New York	NY	\$59,200	\$500,000	5.1%
Riverside	CA	\$57,500	\$393,000	6.7%
San Francisco	CA	\$91,200	\$759,000	6.8%
Fresno	CA	\$47,000	\$306,000	7.1%
Nassau/Suffolk	NY	\$91,000	\$450,000	7.9%

Decreasing Homeownership – The homeownership rates in Region IX are among the lowest in the country. According to US Census data, Region IX's homeownership rates are lower than the national average in three of our four states.

Homeownership Rates

	2005	2006
United States	68.9	68.8
Arizona	71.1	71.6
California	59.7	60.2
Hawaii	59.8	59.9
Nevada	63.4	65.7

Addressing Homelessness

One of the most vexing problems facing State and local governments in Region IX is eliminating homelessness. The attractive climate, rapidly changing housing markets and declining real income for low-income households have contributed to a growth in the number of homeless persons and families. Despite the economic boom of the 1990s and the investment of millions of dollars to provide shelter and treatment programs to solve the problem of homelessness, homelessness has increased. HUD's programs providing specialized housing and supportive services are fundamental to State and local efforts to end chronic homelessness. Several cities in Region IX have undertaken efforts to develop a plan to eliminate homelessness within 10 years.

Increasing Foreclosures

Several housing markets expect to see a significant rise in foreclosures related to ARM indexes resetting and substantially increasing the mortgage payments for homeowners with this type of financing. Combined with the number of homeowners who have sub-prime loans, some housing experts have called these the conditions for a "perfect storm" which will have devastating effects on the gains in homeownership rates that have been made in some markets.

Staffing in Region IX



There are 745 employees in Region IX. The office sizes range from 7 employees in the Reno Office to 227 in the Los Angeles Office. The accomplishments of these 745 employees are reflected in the successful oversight of program funds and the accomplishment of Management Plan activities by the various program offices.

**Staff Duty Stationed in Region IX
By Field Office**

Field Office	Total Employees
Fresno	12
Honolulu	28
Las Vegas	21
Los Angeles	227
Phoenix	85
Reno	7
Sacramento	21
San Diego	8
San Francisco	209
Santa Ana	119
Tucson	8
Totals	745

**Staff Duty Stationed in Region IX
By Program Office**

Program Office	Total Employees
Field Policy and Management	54
Administration	20
Community Planning & Development	74
Economic, Marketing and Analysis	4
Fair Housing and Equal Opportunities	45
General Counsel	41
Housing - Multifamily	183
Housing - Single Family	139
Inspector General, Audit	34
Inspector General	40
Information Technology	12
Labor Relations	4
Public and Indian Housing	65
SW Office of Native American Programs	30
Total Staff	745



Region IX Program Offices

- ❖ **Community Planning and Development (CPD):** As part of its responsibilities for awarding funds, administering grants, and monitoring program compliance, the Office of Community Planning and Development (CPD) strives to create and strengthen partnerships with other Federal agencies, State and local governments, non-profit organizations, and the private sector to carry out a variety of housing and community development programs. Through this collaborative effort, CPD and its partners seek to increase homeownership opportunities, improve access to affordable housing, expand economic opportunities, and strengthen communities throughout Region IX.
- ❖ **Fair Housing and Equal Opportunity (FHEO):** The Office of Fair Housing and Equal Opportunity (FHEO) administers federal laws and policies that contribute toward the achievement of the Department's overall mission of increasing homeownership, supporting community development, and increasing access to affordable housing free from discrimination. FHEO investigates, resolves, and prosecutes housing discrimination complaints submitted by private citizens and interest groups. To ensure that everyone is aware of their rights and responsibilities under the Fair Housing Act, FHEO provides educational and training opportunities to housing industry groups and citizens. Throughout the entire investigative process, FHEO works closely with the Office of General Counsel (OGC) to ensure that each fair housing complaint is given its due diligence.
- ❖ **Housing, Multi-Family (MFH):** HUD is a primary partner in the development and preservation of affordable rental housing through its numerous Multifamily Housing programs. FHA multifamily programs have been principally aimed at providing housing for households of modest incomes.
- ❖ **Housing, Single Family (SFH):** The Federal Housing Administration (FHA) helps families achieve the American dream of homeownership by insuring mortgage loans with a low down payment for moderate income families, which in turn helps to build stable communities and revive cities.
- ❖ **Native American Housing:** The Southwest Office of Native American Programs (SWONAP) is responsible for the implementation and administration of all Departmental programs that are specific to Native Americans in the southwestern United States. SWONAP ensures that safe, decent and affordable housing is available to Native American families, creates economic opportunities for Tribes and Indian housing residents, assists Tribes in the formulation of plans and strategies for community development, and assures fiscal integrity in the operation of the programs.

SWONAP also provides local administration of HUD's programs including making and implementing funding decisions, providing direct interaction with grantees, monitoring grantee activity, and working closely with tribes and tribally designated housing entities (TDHEs) to help address housing and community development issues.

- ❖ **Public Housing (PH):** PH programs provide housing for households with the greatest need through fixed public housing projects and rental assistance vouchers. PH programs comprise the majority of HUD's budget and serve the greatest number of low-income beneficiaries serviced. PH staff promotes the availability of an adequate supply of decent, safe, and affordable housing, free of discrimination; foster opportunities for residents' self sufficiency and economic independence; and assure fiscal integrity and regulatory compliance by program participants."

Region IX Support Organizations

- ❖ **Field Policy and Management (FPM):** Regional Directors (RDs) and Field Office Directors (FODs) establish management priorities for front office field operations, maintain effective working relationships with community and industry groups and with state and local elected officials, and ensures effective use of operational resources for maximum positive impact. The RDs and FODs ensure that the component parts of each field office (including out-stationed staff) effectively function as a common enterprise in achieving Departmental goals.
- ❖ **Office of Administration (Admin):** Admin is responsible for carrying out all administrative support functions that enable our workforce to execute HUD's mission. This includes responsibility for all activities related to human capital management, employee training and development, space management, records management, protection/security of HUD personnel and property, and grants management. Regional and field administrative staff provides daily administrative and human capital support services to HUD's program staff throughout Region (IX)
- ❖ **Office of Departmental Operations and Coordination (ODOC):** ODOC performs a broad range of cross-program functions. The Office of Labor Relations and the Regional Web Manager carry out two of ODOC's functions.
 - Office of Labor Relations (OLR):** - OLR staff performs statutory labor standards compliance activities to ensure that construction undertaken through HUD programs complies with Davis-Bacon requirements. LR provides policy advice and guidance to Program Offices on matters pertaining to organized labor particularly the building and con-

struction trades unions, labor statutes and regulations, and related matters. OLR administers Federal prevailing wage requirements applicable to maintenance employees of public housing agencies and Tribally Designated Housing Entities. The OLR works with organized labor, contractors, housing and community development industry groups, and other agencies to support and enhance HUD's employment and community empowerment objectives for low-income people.

-- **Regional Web Manager:** - The Web Manager enhances Departmental productivity with a wide variety of web-based services (Internet websites in both English and Spanish, Intranet, HUD Answer Machines, kiosks, and HUD Web Clinics. The Regional Web Manager works with Web Coordinators, Program Area Directors, and Field Office Directors in all offices within the region to provide local information for the public, HUD staff and HUD's business partners. The web products are a critical link between HUD and its entire customer base. There are Web Coordinators assigned to work with each Field Office. They are the official points of contact for web activities. The Web Coordinators assist the Regional Web Manager respond to public email inquiries and handle a wide range of activities associated with managing the HUD's websites www.hud.gov, www.fha.gov, espanol.hud.gov, and hud@work. The Web Coordinators support activities of the HUD's web-based Government Information Kiosks, and HUD's Public Computers, staff training, quarterly certification, and marketing and outreach efforts to promote HUD web products and HUD/FHA.

- ❖ **Office of the Chief Information Officer (OCIO):** OCIO staff is responsible for carrying out all activities related to the strategic use of information technology (IT) resources.
- ❖ **Office of Public Affairs (OPA):** OPA staff is HUD's primary point of contact with the media and oversees all national and regional media-related matters. The Program Affairs Officer advises the regional public affairs officers (PAOs) to ensure the accurate and timely flow of information to the public and continuity of message in the following types of media: print, electronic (television, radio, Internet, and intranet) and visual.
- ❖ **Office of Policy Development and Research (PD&R):** PD&R staff perform policy analyses, research, surveys, studies, and evaluations, both short- and long-term, to assist the Secretary and other Principal Staff to make informed decisions on HUD policies, programs, and budget and legislative proposals.
- ❖ **Office of General Counsel (OGC):** OGC provides legal opinions, advice and services with respect to all departmental programs and activities.

OGC represents the agency in litigation and enforcement actions; provides legal services in connection with the development, preparation and presentation of the Department's legislative initiatives; has primary responsibility for the development of HUD program regulations; and assists in the development of HUD programs and policies.

- ❖ **Departmental Enforcement Center (DEC):** The DEC, as part of the Office of General Counsel, consolidates the Department's enforcement efforts for serious noncompliance of the Department's program requirements. The DEC works with HUD program staff to reinforce the federal government's commitment to both uncover and aggressively pursue program violations by property owners, landlords, management agents, HUD grantees and participants, FHA lenders, and other business partners who do not comply with the law and HUD agreements. The DEC refers to the US Department of Justice (DOJ) or local US Attorney's Offices cases of civil violations of laws governing HUD programs. Criminal referrals are made to HUD's Office of the Inspector General.

- ❖ **Office of Inspector General (OIG):** OIG's is to provide independent and objective reporting to the Secretary and the Congress for the purpose of bringing about positive change in the integrity, efficiency, and effectiveness of HUD operations. These goals are carried out through two division of the OIG that are represented in Region IX: OIG for Audit OIG for Investigations.
 - **Office of Audit:** The primary focus of the Office of Audit is to determine program compliance with applicable HUD laws and regulations, evaluating systemic, programmatic, and fiscal issues with the object of improving the efficiency of the administration of HUD programs. The OIG for Audit works closely with other agencies and divisions, and will often refer apparent criminal matters to the OIG for Investigations.
 - **Office of Investigations:** - The Office of Investigations is responsible for the investigation and prosecution of criminal matters involving fraud against the Department and its programs. The Office of Investigations also conducts investigations into administrative matters, such as employee misconduct.