

# Memorandum

**TO:** SAN JOSE HOUSING AUTHORITY  
BOARD OF COMMISSIONERS

**FROM:** Leslye Corsiglia

**SUBJECT:** SEE BELOW

**DATE:** February 26, 2014

Approved



Date

3/4/14

**SUBJECT: SUPPORT FOR THE MOVING TO WORK 2015 ANNUAL PLAN AND AN UPDATE ON THE COLLABORATION BETWEEN THE CITY OF SAN JOSE HOUSING AUTHORITY AND THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA.**

## RECOMMENDATION

It is recommended that the Board of Commissioners for the Housing Authority of the City of San José (City Housing Authority) take the following actions:

- (a) Accept this update on the collaboration between the City Housing Authority and the Housing Authority of the County of Santa Clara (HACSC), and
- (b) Authorize the City Housing Authority Executive Director to submit a letter to the HACSC that does the following:
  - (1) Supports the Moving to Work 2015 Annual Plan; and
  - (2) Requests that the HACSC seek HUD approval for a future Sponsor Based Voucher program for the purposes of housing the homeless.

## OUTCOME

If the U.S. Department of Housing and Urban Development (HUD) approves the Housing Authority of the County of Santa Clara's (HACSC) 2015 Moving to Work (MTW) Plan and the companion City Housing Authority 2015 MTW Plan, HACSC will be positioned to reduce program costs and encourage Section 8 families to become more self-sufficient.

## BACKGROUND

Among other activities, the HACSC provides public housing and rental assistance (Section 8) for lower-income families, seniors, and persons with disabilities throughout the County. The HACSC also administers and manages the public housing and rental voucher program for the

City Housing Authority (“City Program”) pursuant to an assignment agreement (“Agreement”). HACSC has an allocation of 17,202 Section 8 vouchers from HUD and 40% of these vouchers are allocated to the City Housing Authority. In recent years, all of the public housing projects located in San José have been refinanced with tax credits, are funded with rental vouchers and are now owned by private entities.

Included in the Agreement between the City Housing Authority and HACSC is a requirement that the HACSC consult with the City Housing Authority and receive City Housing Authority approval of any significant policy decisions regarding administration of the City Program. In response to requests for greater involvement in policy decisions, the HACSC has provided the City and City Housing Authority with a greater level of detail on policy items and actively sought the City’s input on various initiatives. The City Housing Authority and the HACSC continue to meet in person or by telephone several times per month to facilitate communication.

### **Moving to Work (MTW) Annual Plan FY 2015**

MTW is a federal demonstration program, established by Congress in 1996, that links broad federal goals with locally-designed initiatives. The MTW Program encourages selected housing authorities to propose and, upon HUD approval, implement innovative changes to the way affordable housing programs are administered in order to meet at least one of the following three broad federal goals:

- To decrease costs and increase cost effectiveness in housing program operations;
- To promote participants’ economic self-sufficiency; and
- To expand participants’ housing choices.

The MTW Annual Plan is a major policy document which includes numerous guidelines impacting the use, administration management, and oversight of the rental voucher program. Each year, the HACSC releases an MTW Annual Plan that describes new policies and procedures that will be implemented as part of its MTW Program. Through MTW, the HACSC has the ability to implement special programs that meet the housing needs of the local community.

As part of the 2013 MTW Plan, the HACSC Board approved a Memorandum of Understanding with the County of Santa Clara that committed 100 turnover vouchers to serve chronically homeless individuals. The first 75 vouchers were released in quarterly increments of 25, and to date 54 homeless individuals/families have been housed and 20 homeless individuals/families are currently searching for housing. After discussion with community partners, the final increment of 25 vouchers was set aside for Project Based Vouchers (PBVs). As of the date of this memorandum, HACSC has allocated 15 PBVs to three different projects throughout the County of Santa Clara and expects to allocate the ten remaining PBVs in the near future.

## ANALYSIS

As part of the 2015 MTW Annual Plan, the HACSC is proposing the following activities: 1) elimination of earned income exclusion for full-time students, 2) increased tenant contribution – up to 35% of gross income (public housing units), 3) alternate standards for inspections, 4) Project Based Voucher inspection self-certification, and 5) modified elderly definition for Project Based Vouchers.

***Elimination of Earned Income Exclusion for Full-Time Students*** -- Under current federal law, earnings in excess of \$480 for each eligible full-time student 18-years or older are excluded in the calculation of a family's annual income. In order for a full-time student's earned income to be excluded in a family's income calculation, the family must submit proof of full-time student status from the learning/educational institution where the student currently attends. Obtaining proof of enrollment as full-time student can be burdensome for the family and student. After receiving the proof of school enrollment, HACSC has to verify whether a student is attending school full-time or part-time, and document, calculate and report the annual earned income for the student and then exclude all but \$480.

HACSC proposes this activity to eliminate the partial earned income exclusion for eligible full-time students and instead will fully exclude 100% of earned income for all adults between the ages of 18 and 22. The earned income of adults aged 23 and older will be included in the income calculation. Providing a 100% earned income exclusion for all adults between the ages of 18 and 22 will offset the impact of the elimination of the earned income exclusion for full-time students, while eliminating the administrative requirements for HACSC. This activity will reduce the administrative responsibility of determining whether a student is attending school full-time or part-time, and will allow all young adults time to attend school, join job training programs or internships and begin their careers before their income is counted towards the tenant rent portion.

***Increased Tenant Contribution – Up to 35% of Gross Income***-- In FY2014, HACSC proposed a new method of rent calculation, which eliminated all allowances (including utility allowances) and increased the tenant contribution towards the rent. Instead of setting the Total Tenant Payment (TTP) at 30 percent of monthly adjusted income, the TTP is a percentage (set between 30 and 35 percent) of the household's gross monthly income, or a minimum rent of \$50, whichever is greater. The activity was created to address the immediate and urgent need to reduce program costs as a result of reduced program funding. HUD approved the activity on June 21, 2013. At this time, HACSC is proposing to amend this activity by including its four public housing units under the new calculation method for those tenants who choose the income-based (not flat-rent) calculation.

***Alternate Standards for Inspections*** -- HUD mandates that all housing receiving federal assistance be "safe, decent and sanitary." In the Section 8 program, the Housing Quality Standards (HQS) regulations determine the guidelines for whether a dwelling unit meets this threshold.

In addition to HQS inspections in the Section 8 program, all Low Income Housing Tax Credit (LIHTC) developments, as well as most Home Investment Partnership Program (HOME) use the uniform Physical Condition Standards (UPCS) as its physical inspections standards. Unlike the pass/fail system used in HQS inspection, UPCS inspections use a more in-depth and complicated system in which a score is calculated from the values of severity, criticality, and weight of 61 assessed items, divided into five areas of inspection.

This activity allows a recently passed (within the last twelve months) Uniform Property Conditions Standard (UPCS) inspection or a passed inspection using comparable local codes, to serve as proof that a dwelling unit is "safe, decent and sanitary" under HQS regulations for regularly scheduled inspections (will not apply to initial inspections).

***Project Based Voucher Inspection Self-Certification--*** When a Project Based Voucher (PBV) unit fails an HQS inspection, housing authorities must conduct a re-check inspection of the unit to verify that the deficiencies have been corrected. This activity will waive that regulatory requirement for only non-life threatening deficiencies.

HACSC is proposing this activity to relieve the administrative burden and associated labor costs of requiring a recheck inspection for a unit when it fails the HQS annual inspection for non-life threatening deficiencies. Upon HUD's approval, owners and tenants will be allowed to self-certify the correction of reported HQS deficiencies within the 30-day timeframe. This activity will create administrative efficiencies by eliminating the need for a second inspection.

***Modified Definition of 'Elderly' for Project Based Vouchers--*** HUD currently defines 'elderly' to be persons aged 62 years or older and 'elderly families' to those whose head, spouse or co-head are 62 years of age or older. HACSC proposes to modify the age for the Project Based Voucher program, at which a person or family is considered elderly from persons aged 62 or older to persons aged 55 or older. PBV sites which define 'elderly' as 55 years of age and older will be considered an "elderly property."

In addition to the new activities listed above, the HACSC is proposing to amend a previously approved activity. In 2009, HUD approved an HACSC approval that reduced the frequency of participant reexaminations in the voucher program. Participants with a fixed income are reexamined every three years and participants with non-fixed income are reexamined biennially. In FY2015, HACSC is proposing to amend this activity to include its four public housing projects under the new reexamination schedule.

Staff supports the activities proposed in the HACSC MTW Plan. The modifications will allow HACSC to decrease costs and increase cost effectiveness in housing program operations. Further, the new activities may strengthen the relationship between the tenant and landlord because the HACSC will not be required to mediate every situation when a housing unit fails the HQS annual inspection.

### **Sponsor Based Voucher Program**

During the MTW outreach process, Housing Department staff reaffirmed the City's position that the City Housing Authority and HACSC should work in partnership to house additional homeless residents. Department staff recommended that HACSC seek HUD approval to implement a future Sponsor Based Voucher (SBV) program. SBV programs have been used by other housing authorities throughout the nation and combine comprehensive supportive services with permanent housing using MTW flexibility. The local housing authority provides the homeless vouchers to sponsor (nonprofit) organizations that provide the necessary services.

Sponsor-Based Vouchers differ from traditional Section-8 vouchers by allowing the assistance to be attached to a sponsoring agency rather than the unit or development. In the SBV program, sponsoring agencies have the option to use their own units to house participants or may locate units to be master-leased. Sponsors are required to have a program plan that defines eligibility, leasing requirements, and termination policies and procedures. Further, sponsors are charged with developing written service protocols and define how they will conduct client management. The HACSC would provide program oversight and evaluation and monitor the sponsor for compliance with program requirements.

HACSC elected not to include a proposal for SBVs in the MTW plan. The Housing Department urges the Board of Commissioners for the City Housing Authority to request that the HACSC reconsider this decision.

### **Future Policy Considerations**

The HACSC will be considering several major policy actions in the coming year, including a voucher allocation policy that will outline how future housing subsidies will be allocated if funding becomes available. This discussion will include decisions about the use of traditional Section 8 vouchers (where the voucher belongs with the person and is mobile) and Project Based Vouchers (where the subsidy is tied to the unit, not the tenant). Additionally, we anticipate that the HACSC will be considering a Multifamily Housing Revenue Bond program and a reserve policy, among other actions. City staff will work closely with the HACSC on these policy issues.

### **EVALUATION AND FOLLOW-UP**

City Housing Authority staff will continue to work with the HACSC to ensure that City priorities are considered throughout the MTW process. As appropriate, staff will return to the City Council if action is needed to provide formal City comments and direction.

### **PUBLIC OUTREACH/INTEREST**

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater.  
**(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

The proposed action meets Criterion 2 for public outreach. The HACSC has used E-mail to notify stakeholders of the pending program modifications and the City will post this memorandum to the City's website for the March 18, 2014, San José Housing Authority Board of Commissioners meeting. Additionally, on February 13, 2014, HACSC posted the draft MTW Plan on its website and held numerous stakeholder meetings throughout the County. Moreover, HACSC is scheduled to hold a Public Hearing on March 21, 2014, where the community and stakeholders can comment on the 2014 MTW Plan. Finally, the proposed 2014 MTW Plan will be presented to the HACSC Board of Commissioners at their meeting on April 8, 2014, and due to HUD by April 15, 2013.

### **COORDINATION**

This Memorandum has been coordinated with the Office of the City Attorney.

### **CEQA**

Not a Project, File No. PP10-068, General Procedure & Policy Making.

/s/

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For questions, please contact Leslye Corsiglia, Executive Director, San José Housing Authority at (408) 535-3851.