



Memorandum

TO: SAN JOSE HOUSING AUTHORITY
BOARD OF COMMISSIONERS

FROM: Jacky Morales-Ferrand

SUBJECT: SEE BELOW

DATE: March 3, 2017

Approved

J. D. Syl

Date

3/8/17

SUBJECT: SUPPORT FOR THE 2018 MOVING TO WORK ANNUAL PLAN

RECOMMENDATION

Board of Commissioners for the Housing Authority of the City of San José (City Housing Authority) authorize the City Housing Authority's Executive Director to submit a letter to the Housing Authority of the County of Santa Clara (HACSC) to support the 2018 Moving to Work (MTW) Annual Plan.

OUTCOME

HACSC's MTW Annual Plan will be considered by the U.S. Department of Housing and Urban Development (HUD). If HUD approves the HACSC's 2018 MTW Annual Plan, and the companion City Housing Authority's 2018 MTW Plan, the HACSC will be positioned to serve a greater number of low-income residents while encouraging more families to reach self-sufficiency.

BACKGROUND

Among other activities, the HACSC administers and manages public housing and approximately 17,000 Housing Choice Vouchers (Section 8) on behalf of the Department of Housing and Urban Development (HUD) to provide rental assistance programs for lower-income families, seniors, and persons with disabilities for the Housing Authority of the County of Santa Clara. The HACSC also administers and manages the public housing and rental voucher program programs issued for the City Housing Authority pursuant to an assignment agreement ("Agreement") with the HACSC. Sixty percent (60%) of the vouchers managed by HACSC are allocated by HUD to HACSC under its own name Forty percent (40%) of the vouchers managed by HACSC are allocated by HUD to the City Housing Authority's name (City Program).

Included in the Agreement between the City Housing Authority and the HACSC is a requirement that the HACSC consult with the City Housing Authority and obtain approval of any significant policy decisions regarding administration of the City Program.

Moving to Work (MTW) Annual Plan FY 2018

Established by Congress in 1996, MTW is a federal demonstration program 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 in which 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 policies and guidelines impacting the use, administration management, and oversight of the HACSC and City Housing Authority rental voucher programs. Each year, the HACSC releases the MTW Plan for the HACSC and the City Housing Authority, describing new policies that may be implemented as part of its MTW Program. Once HUD approves the proposed policies, the HACSC can implement those policies through programs that meet the housing needs of the local community.

ANALYSIS

The HACSC proposes to modify three previously approved activities and two new activities in the 2018 MTW Plan:

- Modification 1 – Focus Forward Program Part I – Case Management, Incentives, and Escrow;
- Modification 2 – Restriction on Head of Household Change;
- Modification Activity 3 – Landlord Initiatives;
- New Activity 1 – Focus Forward Program Part II, Time Limit and Rent Structure; and
- New Activity 2 – Strengthen Community Partnerships through Capacity Building;

Modification I. Focus Forward Part I – Case Management, Incentives, and Escrow

Previously approved in 2014, HACSC re-proposes the Focus Forward Program (FFP) to support Housing Choice Voucher (HCV) recipients by waiving several specific requirements related to the Family Self-Sufficiency (FSS) Program regulations. The re-proposed activity emphasizes increased self-sufficiency through comprehensive services, incentives, and accelerated timelines that promote accountability and motivate program participants to increase their earned income potential.

The HACSC decided to divide the FFP into two MTW activities: Part I – encompassing case management, incentives, and escrow (re-proposed, MTW Activity 2014-1); and Part II – encompassing time limits and rent structure (newly proposed, MTW Activity 2018-1).

Enhanced Case Management Services

One major concern voiced by numerous housing authorities regarding the traditional FSS Program is the lack of internal capacity and expertise to administer the program. Upon approval and implementation of the FFP, HACSC will solicit an outside case management provider to deliver assistance centered around building supportive relationships, engaging in proactive problem solving to remove barriers to self-sufficiency, and taking a comprehensive approach to supporting HCV recipients and their families. Throughout the program, case managers will have an ongoing responsibility to support participants as they set and achieve program goals.

In a recent random survey of 1,500 current MTW program participants regarding their need for job training, education, child care, finance/life skills classes and other resources, HACSC received more than 500 responses. Using the results of the survey, HACSC will enhance relationships with its established partners and seek new partners to collaborate in addressing identified needs. Case managers will provide linkages to essential services, in an effort to connect participants to services that will increase self-sufficiency. The FFP will enroll up to 200 participants, with an approximate 1:30 case manager to participant ratio.

Case managers' tasks will include, but not be limited to:

1. Promoting skill development, such as job training or education;
2. Removing barriers to self-sufficiency, such as lack of child care, limited English proficiency, and lack of reliable transportation;
3. Providing referrals to resources, such as: workshops, classes, and services that will promote skill development in areas such as budgeting, credit repair, and family care; and
4. Scheduling routine check-in meetings to track and promote accountability in a participant's progress towards achieving their self-sufficiency goals.

Participation Incentives

HACSC is requesting exemption from HUD FSS Account regulations regarding the calculation, distribution, and forfeiture of escrow account funds to provide participation incentives and graduation bonuses. HACSC's pilot FFP program design extends the awards a participant can receive past the traditional "end goal" of escrow, a structure that has presented challenges to long-term engagement of participants. Many of HACSC's families are experiencing great financial need, have limited financial education, and may not feel capable of reaching a long-term savings goal that increases their expenses in the short term. Smaller, earlier, and more frequent incentives will give families the opportunity to experience successes and rewards while still on the path toward self-sufficiency. These "early wins" also encourage continued engagement. The FFP

incentives will relate to the level of effort, growing as the FFP participant achieves self-sufficiency goals during the program. Examples of interim incentives the FFP would offer participants include: awards for completing a General Equivalency Diploma, promotive opportunities in employment, or improved credit scores.

HACSC proposes to use MTW funds to develop a scholarship program that provides educational financial assistance for FFP and other Section 8 participants who are enrolling in higher education. HACSC also seeks HUD approval to use small amounts of MTW funds to help fund cost barriers for FFP participants to reach their self-sufficiency goals when there are no similar resources available in the community. Examples of expenses that can be covered may include: the cost of an employment uniform and transportation passes.

FFP Escrow Calculation

During the engagement process HACSC found that participants of FSS generally do not understand the current calculation method for accumulating funds in their escrow accounts. To remedy this issue, HACSC is proposing to revise and simplify the escrow calculation for the pilot FFP. At the successful completion of each program year, the participant will receive \$2,000 in his/her escrow account. Because FFP will also provide smaller, earlier, and more frequent incentives, as well as access to additional monetary assistance through the scholarship program, HACSC will cap the maximum escrow at \$20,000. HUD research states that FSS graduates have an average escrow balance at the time of graduation of approximately \$4,000. The FFP escrow is nearly five times the average award granted through the traditional FSS program and would provide a compelling incentive to households to graduate from the program.

Modification 2. Restriction on Head of Household Change

Previously approved in 2016, HACSC is re-proposing an MTW activity which will allow the Head of Household (HOH) to leave the program and transfer his/her voucher to a remaining non-elderly, non-disabled family member, only if that family member joins HACSC's FFP.

HUD regulations do not place any limitations on the length of the voucher term for families. Each family member is entitled to remain in the HCV program under the voucher unless the voucher is terminated for non-compliance or the family's income is sustained for 180 days at a zero Housing Assistance Payment (HAP) level. HACSC believes that this re-proposed MTW activity will encourage more families to become economically self-sufficient and break the cycle of generational dependence upon the HCV program.

This activity is designed to encourage self-sufficiency. The new HOH who enrolls in the FFP will have the opportunity to work with assigned case managers and establish personal economic self-sufficiency goals.

Modification 3. Landlord Initiatives

The rental housing market in Santa Clara County ranks as one of the most expensive in the nation and is characterized by record low vacancy rates. HACSC has implemented a renewed focus on property owner recruitment and retention to increase and preserve the number of affordable housing options for its voucher holders throughout the County. To this purpose, HACSC re-proposes a landlord initiative activity that provides property owners who participate in the HCV program with vacancy payments. Through this activity, HACSC hopes to provide incentives to retain owners in the HCV program, preserve units available for Section 8 families, and possibly attract new owners into the program.

To streamline program administration, HACSC proposes a revision to the originally proposed vacancy payment structure (80 percent of the previous contract rent for up to 30 days), in favor of a flat rate within the range of \$500 and \$1500, based upon program-wide contract rent averages. The vacancy payment amount will be set annually, and HACSC staff will evaluate several factors prior to determining the annual vacancy payment amount, including: County vacancy rates, open market rental costs, and the number of participants shopping for housing. HACSC proposes to administer the same vacancy payment amount to each owner, regardless of the unit size or length of unit vacancy.

New Activity 1. Focus Forward Part II – Time Limit and Rent Structure

As noted earlier, the HACSC proposes a division of the FFP into two MTW activities: Part I – encompassing case management, incentives, and escrow (re-proposed, MTW Activity 2014-1); and Part II – encompassing time limits and rent structure (newly proposed, MTW Activity 2018-1).

In this activity, the HACSC requests approval for participation in the FFP to be made voluntary and limited to a 10-year duration, open to HOH applicants on the HACSC waiting list. Applicants who volunteer to participate in the FFP will move to the top of the waiting list and receive housing assistance only during their 10-year participation in the program. The ten-year window provides participants with an opportunity to achieve their goals with the highest degree of available services, while allowing HACSC to assist more qualified families in the County's tight housing market.

In addition, HACSC proposes the implementation of a Stepped Subsidy rent calculation that will require participants to take on more fiscal responsibility for their rental payments as they progress through the FFP. The increase in responsibility for the rental payment is intended to prepare participants for graduation from the program and from housing assistance as they re-enter the open rental market.

The Stepped Subsidy rent calculation will be presented to applicants prior to entering the FFP and will be part of the terms of the program contract. However, the Stepped Subsidy schedule will not be applied to a participating family's rent calculation until the sixth year of their program standing. Upon entering the FFP (years 1-5), a standard rent calculation based on 32 percent of the participant's actual gross monthly income will be applied. Case managers will provide

participating households with financial counseling (i.e. budgeting, credit repair) to prepare families for the increases in rent that may be experienced after the completion of the program.

The Stepped Subsidy rent calculation in years 6-10 will be based on a fixed amount which is calculated by a percentage of the determined Santa Clara County Area Median Income (AMI). HACSC will re-determine the FFP participants' family size to be used for the Stepped Subsidy calculation, based upon the number of adult "work-able" family members. A "work-able" family member is defined as an adult who is non-elderly, non-disabled. Participants whose standard income-based rent calculation would be higher than the set Stepped Subsidy amount will then benefit from an increase in savings due to this activity.

New Activity 2. Strengthen Community Partnerships through Capacity Building

The average HACSC participant has an annual income of about \$18,000, compared to the Santa Clara County annual median income of \$107,100. Therefore, in addition to housing support, participants seek additional services, such as: affordable child-care, food access, educational/job opportunities, and health-care resources.

In an effort to maximize and streamline community resources available to Section 8 participants, HACSC works in partnership with a variety of stakeholders in Santa Clara County, including local service providers (i.e. non-profit organizations), advocacy organizations, and other government agencies. Due to the high-cost of living in Santa Clara County, safety net services are in high-demand and local service-providers are at capacity. This makes it difficult for providers to serve additional clients, especially if new funding streams are not made available.

HACSC is proposing to provide funds that may be utilized to support local service providers in building capacity, specifically offering family self-sufficiency services (i.e. job readiness programs, educational resources, etc.) to the community. The fund would allocate resources to designated partner agencies that make a commitment to providing services to individuals and families enrolled in HACSC's FFP.

EVALUATION AND FOLLOW-UP

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

PUBLIC OUTREACH

From October 2016 to February 2017, the HACSC hosted several meetings with the community and other stakeholders regarding the 2018 MTW Plan. Additionally, on February 15, 2017, the HACSC will post the draft MTW Plan on its website for an additional 30-day public review

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period. On February 27, 2017, the HACSC held a public hearing to provide the opportunity for the community and stakeholders to comment on the 2018 MTW Plan. Finally, the proposed 2018 MTW Plan will be presented to the HACSC Board of Commissioners at their meeting on March 28, 2017. The approved Plan, will be submitted to HUD by April 15, 2017. This memorandum will be posted to the City's website for the March 21, 2017, City Council meeting.

COORDINATION

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

COMMISSION RECOMMENDATION/INPUT

This item was not heard by the Housing and Community Development Commission, as it does not fall under the functions, powers and duties of the Commission delineated in Section 2.08.2840 of the San José Municipal Code.

CEQA

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

/s/

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For questions, please contact Patrick Heisinger, Senior Development Officer at (408) 975-2647.