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CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Leanna Bieganski

SUBJECT: **Early Council Packet**

DATE: March 6, 2012

Approved

Date 3-6-12

EARLY DISTRIBUTION COUNCIL PACKET FOR MARCH 20, 2012

Please find attached the Early Distribution Council Packet for the March 20, 2012 Council Meeting.

HOUSING AUTHORITY

Moving to Work Fiscal Year 2013 Annual Plan.

Recommendation: Submit a letter to the Housing Authority of the County of Santa Clara supporting the Moving to Work Fiscal Year 2013 Annual Plan with regards to the following issues:

(a) Recommend an amendment to the Annual Plan to reflect that one out of three turn-over vouchers be set aside for chronically homeless persons in FY 2013, with quarterly reporting on progress to City staff.

(b) Recommend the Housing Authority of the County of Santa Clara adopt the federal definition of 'chronically homeless' which includes a disabling condition.

(c) Recommend the Annual Plan include the implementation of programs that will promote Section 8 participants' economic self-sufficiency.

(d) Recommend implementation of the "Graduated Housing Assistance" schedule in a way that will not result in a significant rent increase for tenants, and administer the hardship policy in a fair and equitable manner that does not result in an increased rent burden for tenants.

(e) Recommend that the Housing Authority of the County of Santa Clara's competitively award the majority of project-based vouchers to third-party affordable housing developers in order to increase the overall supply of affordable rental units in the County.

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

This item will also be included in the Council Agenda Packet with an item number.

L. Bieganski

LEANNA BIEGANSKI
Council Liaison

COUNCIL AGENDA: 3-20-12
ITEM:

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: SAN JOSE HOUSING AUTHORITY BOARD OF COMMISSIONERS

FROM: Leslye Corsiglia

SUBJECT: SEE BELOW

DATE: February 27, 2012

Approved

Date 2/6/12

COUNCIL DISTRICT: Citywide
SNI AREA: N/A

SUBJECT: RECOMMENDED CHANGES TO THE 2013 DRAFT MOVING TO WORK PLAN FOR THE HOUSING AUTHORITIES OF THE COUNTY OF SANTA CLARA AND THE CITY OF SAN JOSE

RECOMMENDATION

It is recommended that the Board of Commissioners for the Housing Authority of the City of San José submit a letter to the Housing Authority of the County of Santa Clara supporting the Moving to Work Fiscal Year 2013 Annual Plan with the following changes:

1. Amend the Annual Plan to set aside one out of three turn-over vouchers for chronically homeless persons in FY 2013, with quarterly reporting on progress to City staff.
2. Adopt the federal definition of "chronically homeless," which requires that in addition to homelessness, individuals or families have a disabling condition.
3. Include programs and program linkages that promote Section 8 participants' economic self-sufficiency.
4. Implement the proposed "Graduated Housing Assistance" schedule in a way that does not result in significant rent increases for tenants
5. Competitively award the majority of project-based vouchers to third-party affordable housing developers in order to increase the overall supply of affordable rental units in the County.
6. Limit the number of project-based vouchers used in existing affordable housing projects, including those owned and operated by the Housing Authority and its subsidiaries.
7. Consider opportunities to promote supportive housing developments in conjunction with Destination:Home.

OUTCOME

If the Housing Authority of the County of Santa Clara adopted these changes, it would support the City's goal of ending chronic homelessness, would enhance San José's residents' economic self-sufficiency, and would support the City's goal of maximizing the supply of affordable housing units in San José.

BACKGROUND

The Housing Authority of the County of Santa Clara (HACSC) manages affordable housing developments and various rental assistance programs for seniors and persons with disabilities in throughout the County. HACSC also administers and manages rental voucher programs on behalf of the City of San José Housing Authority (City Program) through a contract executed in 1996. HACSC has an allocation of approximately 16,000 Section 8 vouchers from the U.S. Department of Housing and Urban Development (HUD), of which an estimated 40% are allocated to the City Housing Authority.

In 2008, both the HACSC and the City's Housing Authority were designated as Moving to Work (MTW) jurisdictions. This designation is important, as it provides a housing authority more administrative authority and flexibility to make and implement policy (and only 33 out of more than 3,000 housing authorities were selected under this pilot project). The goals of the MTW program are to: decrease costs and increase cost effectiveness in housing program operations; promote participants' economic self-sufficiency; and, expand participants' housing choices.

Included in the Agreement between the City of San José Housing Authority and HACSC is a requirement that the HACSC consult with the City Housing Authority and receive City Housing Authority Board approval of decisions regarding administration of the City Program. The Moving to Work (MTW) Plan is the HACSC's blueprint for its operations, and therefore a major policy document. The MTW Plan, which is updated each year, includes numerous policies impacting the use, management, and oversight of the rental voucher program.

In past years, the City Council has asked HACSC to use this programmatic flexibility to designate Section 8 vouchers for the chronically homeless. As a result, according to HACSC, more than 1,150 formerly homeless persons were housed. In April 2011, the City Council made the request to the HACSC to set aside 200 housing vouchers for the chronically homeless, include City staff on selection panels for project-based housing voucher awards, and demonstrate that project-based vouchers are necessary for feasibility if vouchers were awarded without competition to HACSC's own projects. HACSC did not comply with the City Council's 2011 recommendations.

ANALYSIS

Section 8 Vouchers for the Chronically Homeless

Ending homelessness remains a top priority for the City and for other stakeholders throughout Santa Clara County. The need for vouchers is particularly crucial at this time given the local Housing 1000 Campaign, which aims to permanently house and provide support to 1,000 chronically homeless vulnerable individuals by July 2013. Regional partners have generated a great deal of support and momentum in aligning resources to end homelessness. The County Board of Supervisors recently took the noteworthy step of approving the use of County General Funds for a rental assistance program for chronically homeless individuals and families. Securing additional Section 8 vouchers from the Housing Authority would provide the Housing 1000 Campaign with an important tool to house persons who are at a high risk of dying on the street.

While HACSC set aside Section 8 rental vouchers for homeless persons from 2006 to 2011, its current draft of the MTW Plan does not include vouchers or programs for the chronically homeless. Staff recommends that language in the Plan be amended to designate one of every three vouchers that free up at the time a resident exits the program for a chronically homeless household. In this way, HACSC can prioritize this important population without disrupting its overall program management.

A related change that staff recommends is for HACSC to adopt the definition used by HUD for a "chronically homeless" person, who must possess a disabling condition as well as lack a permanent residence. Those possessing this combination of conditions are the neediest in our society to serve. Staff recommends that HACSC change its definition and focus its efforts on this most vulnerable population.

Housing the chronically homeless has been shown to be an effective cost savings tool for local public emergency systems that are frequently used by this population. It is estimated that the cost of supporting one homeless person on the street is $60,000 per year—two to three times greater than if they were in permanent housing. Further, the use of rental vouchers to house the homeless is a recommended strategy endorsed by the federal government, and HUD has encouraged that MTW jurisdictions include strategies for ending chronic homelessness in their plans.

Promoting Programs that Promote Self-Sufficiency

One of the goals of the Moving to Work program is to promote residents' economic self-sufficiency. Since HACSC was granted its MTW designation in 2008, only two out of 23 of its MTW activities have met the federal statutory objective of providing incentives to families that lead to economic self-sufficiency. The MTW designation provides HACSC with an opportunity both to provide job training services and to partner with agencies that have an expertise in providing these types of services.

The Draft 2013 MTW Plan contains non-specific language about developing tenant self-sufficiency programs. Staff recommends that this section of the Plan contain more concrete language describing its goals and strategies to be employed. This may include identification of

potential partners, such as: Work2Future, local community colleges, and Step Up Silicon Valley. It may also include investigating future opportunities, such as the federal Administration's Jobs Plus program, proposed in the FY13 Federal budget. Based on a successful demonstration program and similar to the goals of MTW, Jobs Plus seeks to increase earnings and help clients gain employment. If approved, competitive grants will be available to public housing authorities that wish to implement this program.

Graduated Housing Assistance Schedule

As part of its 2013 Annual Plan, HACSC has proposed to establish a "Graduated Housing Subsidy Assistance" program. The intention of the program is to enable Section 8 clients to take greater responsibility and decision-making control over their housing choices. This new program will also result in administrative savings for the HACSC because it will reduce the staff costs spent on processing new Housing Assistance Payment contracts, which is a goal of the MTW program. This activity is similar to rent reform programs that have been successfully implemented in other MTW locations.

Staff is generally supportive of this rent reform concept, and of HACSC's attempts to streamline its operations. However, the MTW Plan notes that this policy change may result in a rent increase for some clients. Staff wants to ensure that this new MTW Activity does not result in a significant rent increase for tenants. While the Plan outlines a hardship policy to be implemented if there is a rent increase of at least $50, it is unclear in the Plan how the appeal process for rent increases will be implemented.

Allocating Project-Based Vouchers without Competition

As with portable rental vouchers, project-based vouchers allow project owners to collect a healthy stream of project income, even for units serving extremely low-income households. Private lenders also can underwrite against the stream of expected incremental income off of the vouchered units, thereby decreasing the need for public subsidy. Project-based vouchers, therefore, are an extremely valuable commodity for producing affordable housing units. A housing authority can choose to use its pool of vouchers for project-basing or for portable vouchers.

HACSC owns and operates very few units of true "public housing"—its housing properties are almost all privately owned and financed, and most were built or restructured to use low income housing tax credits and local subsidy. The City has lent over $40,000,000 to 12 HACSC-owned projects.

As part of the 2011 MTW annual planning process, HACSC proposed to use up to 600 project-based vouchers to benefit its own projects without competition. The project-based vouchers (PBVs) would be freed up by the conversion of portable rental vouchers. The 2013 Annual Plan continues this practice. Last year, the City Council, in its capacity as the Board of the San José Housing Authority requested that HACSC demonstrate that project-based vouchers were necessary for feasibility if allocated to HACSC-owned properties without competition. Despite this direction, the HACSC did not integrate the City's requested change to its MTW activities. For several reasons, staff continues to find this practice of allocating project-based vouchers to

HACSC-owned properties troublesome and contradictory to HACSC's stated long-term objective of increasing the supply of affordable rental housing.

First, project-basing a significant number of vouchers for HACSC projects results in the over-subsidization of affordable rental units. The City already lent $22,700,000 to the four existing projects listed in the Plan as the target for new PBVs, and all of these units are currently rent restricted. While it is important for HACSC to be financially sustainable, and PBVs are an important tool to help preserve existing affordable units, HACSC's projects already possess ongoing replacement reserves. In general, HACSC should have been maintaining its units in good enough condition so that additional rental income is not required to assure their physical soundness.

Second, it appears that the HACSC is planning that 100% of the units in these projects will have Section 8 vouchers. This is contrary to the nationwide effort to provide mixed housing opportunities to voucher holders, and essentially recreates public housing. Recent data from HACSC indicated that 88% of its Section 8 tenants were extremely low-income (ELI), with an average income of $15,500. Distributing vouchers more widely results in more dispersion of these ELI tenants throughout the community. It is also important to point out that this action limits tenant choice, as there are fewer vouchers available for tenants to use for rentals in the open marketplace.

Third, this also means that fewer affordable units are available, as units that are already rent restricted are receiving a voucher. Limited vouchers should be used to expand housing opportunities-- providing portable tenant-based vouchers and enabling tenant choice—or to help create new affordable homes by providing the subsidy needed to fill financing gaps of those projects on hold due to the elimination of redevelopment funding.

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. Staff will send an e-mail to stakeholders advising them of the proposed policy change, and this Memorandum will be posted on the City's website for the City Housing Authority Board meeting for March 20, 2012. HACSC posted the draft Plan on its website and held a stakeholder meeting on February 16,

2012, where its staff shared a brief summary of the Plan. HACSC's website indicates it will hold a public hearing on the Plan on March 21, 2012 at 3pm in the HACSC main office, and that its Board will take action on this Plan at a special public meeting on April 9, 2012.

FISCAL/POLICY ALIGNMENT

The recommendations presented in this Memorandum are in alignment with the City's *Ten-Year Plan to End Homelessness*, the *2005 Ten-Year Plan to End Homelessness*, and the Blue Ribbon Commission report on homeless strategies. This action is also consistent with the City's *2007-2012 Five-Year Housing Investment Plan*, adopted by Council on June 12, 2007, to increase the City's supply of affordable housing, and with the City's *Consolidated Plan 2010-2015* to provide housing units for very low- and extremely low-income residents. Further, promoting Section 8 clients' access to job training programs also aligns with HUD's Moving to Work goal of promoting participants' economic self-sufficiency.

COORDINATION

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

CEQA

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

/s/
LESLYE CORSIGLIA
Executive Director, San José Housing Authority

For questions, please contact Leslye Corsiglia, Director of Housing at (408) 535-3851

Attachment: Moving To Work 2013 Annual Plan

Moving to Work (MTW) 2013 Annual Plan

for the Housing Authorities of the County of Santa Clara and the City of San José

Draft
February 23, 2012

Housing Authority of the County of Santa Clara (HACSC)

Board of Commissioners

Bill Anderson, Chair

Kathy Espinoza-Howard, Vice Chair

Verna Hayden

John Scrempos

Denis O'Neal

Executive Director

Alex Sanchez

Senior Management Team

Louise Hofmeister, Director of Housing Programs

Vanessa Cooper, Director of Real Estate Services

Bakulesh Patel, CFO/Director of Finance

Julie Moss, Director of Administrative Services

HACSC's mission is to provide and inspire affordable housing solutions to enable low-income people in Santa Clara County to achieve financial stability and self-reliance.

TABLE OF CONTENTS

Section I:	Introduction and Overview	Page	4
Section II:	General HACSC Operating Information	Page	11
Section III:	Non-MTW Related HACSC Information	Page	16
Section IV:	Long-term MTW Plan	Page	18
Section V:	Proposed MTW Activities	Page	19
Section VI:	Ongoing MTW Activities	Page	25
Section VII:	Sources and Uses of Funding	Page	28
Section VIII:	Administrative	Page	31
Appendix One:	Board Resolution - MTW FY2012 Plan Submission *(*to be included w/ HUD submission)*	Page	32
Appendix Two:	Documentation of Public Review Process *(*to be updated prior to HUD submission)*	Page	33
Appendix Three:	HACSC Moving-to-Work Agreement *(*to be included w/ HUD submission)*	Page	34
Appendix Four:	Graduated Housing Assistance Schedule	Page	35
Appendix Five:	Proposed Third Amendment to the Moving-to-Work Agreement	Page	41

I. INTRODUCTION AND OVERVIEW

Purpose of this Plan

This MTW Annual Plan describes how the Housing Authority of the County of Santa Clara and the Housing Authority of the City of San José (jointly operated agencies and hereafter referred to as HACSC) propose to carry out its Moving to Work (MTW) program in fiscal year 2013 (July 1, 2012 through June 30, 2013). This plan is required by the U.S. Department of Housing and Urban Development (HUD), and is the fifth plan prepared since HACSC signed a 10-year MTW Agreement with HUD in early 2008.

What is HACSC and What Does it Provide?

Established as an independent local government agency in 1967 by the Santa Clara County Board of Supervisors, HACSC is one of over 3,000 public housing authorities nationwide. Its jurisdiction encompasses the heart of Silicon Valley and includes the county's estimated 1.8 million residents.

HACSC administers federal rental housing voucher programs and develops, controls, and manages affordable rental housing properties. These programs and properties are targeted to assist low, very low, and extremely low income households. Currently, HACSC directly or indirectly assists over 18,000 households across the county, about half of which are made up of senior citizens on fixed incomes.

What is MTW?

MTW is a federal demonstration program, established by Congress in 1996, that links broad federal goals with locally-designed initiatives. It 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 the following three broad federal goals:

- Decrease administrative costs and increase cost effectiveness in housing program operations,
- Promote participants' economic self-sufficiency, and
- Expand participants' housing choices.

MTW requires HACSC to strive for these goals while ensuring that the Agency continues to serve substantially the same mix of tenants (in terms of income level and family size) and at least as many households as before it had MTW status.

HACSC's MTW Achievements

In its first four years in the MTW demonstration, HACSC has focused on exploring programmatic reform opportunities and on designing and implementing activities to reduce administrative costs in its largest program, the Housing Choice Voucher (HCV) program. This reduction in administrative costs provides the flexibility to create activities that increase the potential self-sufficiency of current participants as well as improving the overall effectiveness of the agency.

Thirteen (13) of HACSC's twenty-three (23) HUD-approved and "ongoing" MTW activities involve streamlining of routine processes in the HCV program. As described in HACSC's 2010 and 2011 MTW Reports, these efficiencies have produced and sustained a fifty percent reduction in key HCV program work tasks since the FY2008 baseline year. With the successful implementation of these new business processes, HACSC was able to address training needs and focus on customer service, generating positive feedback (and virtually no complaints) from both tenants and property owners.

Another significant MTW activity is the locally-designed direct voucher referral program, which serves the chronically homeless. Launched in October 2010, the "Chronically Homeless Direct Referral Program" (CHDR) introduced an unprecedented collaboration between HACSC, local government, and local service providers. CHDR initiated a County-wide process for timely direct referrals of homeless families and individual with case management provided along with a permanent housing voucher subsidy. Through the ongoing coordination of partner agencies the CHDR program was fully utilized with 371 chronically homeless individuals finding and maintaining secure and stable housing. As of the writing of this plan HACSC's voucher program is over 100% leased up and no vouchers are available for this set aside in the 2013 Plan. HACSC continues to participate in Destination:Home and the Santa Clara County Collaborative on Housing and Homeless Issues (The Collaborative) with an eye out for opportunities to direct funds or services toward the Chronically Homeless. HACSC will continue to administer our VASH and Shelter plus Care programs which exclusively address homeless families and individuals, including veterans and the severely mentally ill.

During the past three years, as a result of several MTW activities, HACSC's Real Estate Services has preserved and upgraded 555 units of affordable housing by converting former public housing into tax credit housing. In doing so, HACSC has leveraged over $120 million dollars in private and public funds to complete structural, mechanical, and interior upgrades, including energy efficiency measures and has thus extended affordability an additional 55 years. These units remain accessible to extremely low income households thanks to project based vouchers allocated under MTW activities 2009-10 and 2009-11. Each of these projects was successfully preleased prior to the end of construction, as a result of MTW activity 2009-9 which enabled tenants to be income certified just once. Residency at these properties is stable and is expected to remain so, in part due to MTW activity 2012-2.

In FY2012, the agency's real estate services completed a change of property management agent. HACSC now uses external property management companies and this has led to

significantly improved cash flow at the properties. In most cases this cash flow is enough to pay for new resident services contracted to all sites in FY2012. These services which include after school programs, economic self sufficiency classes, and health and welfare classes for our seniors, are particularly important during these tough economic times. At some sites these services are also funded, in part, by MTW activity 2012-5.

In 2012 HACSC issued an RFP for investment in affordable housing and has selected a project that, if successful in applying for tax credits will bring 78 new units of affordable housing to San José, including units for extremely low income families and the homeless/mentally ill. This project was made possible through MTW activity 2012-3 and HACSC's revised Attachment D, which includes Non-Traditional Use of Funds authorities.

Additional information on the current implementation status of each of HACSC's ongoing MTW activities is provided briefly in Section VI of this annual plan; significant technical details about each activity's purpose and status through June 2011 can be found in the 2011 MTW Annual Report, which was approved by HUD in January 2012.

HACSC's Proposed MTW Activities for Fiscal Year 2013

Now, due to the progress achieved in Santa Clara County as a result of the MTW Activities implemented to date, HACSC is poised to support the increased self-sufficiency of program participants through broad-based rent reform. HACSC's rent reform program is designed to transform the current HUD-regulated process to a user-friendly system that will empower program participants to make informed housing choices while providing HACSC with additional budgetary stability.

HACSC proposes to launch two new MTW activities in FY2013. These activities, as well as the innovative use of the Acquisition and Development fund, will allow real progress towards the achievement of key MTW goals. HACSC's Real Estate Services department will launch a significant redevelopment project that will expand housing choice in the downtown area and will be funded in part with Replacement Housing Factor/Moving to Work funds. The new activities will build upon the program innovations implemented to date and include the following:

1. HACSC's "Graduated Housing Assistance" Schedule, and
2. Elimination of the Earned Income Disallowance calculation

If approved, these two activities will impact a significant range of the Agency's operations, will benefit current and future program participants and the community at large, and will better position HACSC for continued progress.

Proposed Activity 1 – HACSC's "Graduated Housing Subsidy" Schedule, the new rent reform program will provide greater program transparency to participants and at the same time remove several of the overly problematic calculation processes required to determine each participant's rent portion.

Proposed Activity 2 – Elimination of the earned income disallowance (EID) calculation will further increase HACSC's ability to clarify program policies for current participants and concurrently generate additional efficiency in the HCV program. Due to other MTW activities already implemented, program participants who may be eligible for the EID calculation are already realizing the savings potential thereby rendering the EID calculation redundant.

Concurrent with this Annual Plan, HACSC is submitting a request to HUD to allow us to incorporate VASH and Mainstream programs under our MTW umbrella, thus extending the advantages of streamlined processing to those participants.

Section V of this report describes in more detail these exciting new activities proposed for FY2013. The table at the end of this overview lists all of HACSC's approved and proposed MTW activities, indicates whether the activity is now being proposed or has already been implemented, and identifies the MTW statutory objective(s) (federal goal) each activity addresses.

HACSC's Long-term Vision and Non-MTW Initiatives

HACSC's long-term goals under MTW are outlined in Section IV. They focus on running a financially sound agency with cost-effective, data-driven programs; addressing the challenges of a high-cost housing market by preserving and increasing the supply of affordable housing; serving more needy households; and, where appropriate, helping current participants to reduce their dependency on housing subsidy. In all its operations, HACSC is working toward being a model for the innovative use of leveraged funds and community partnerships.

To advance these goals over the next several years, HACSC intends to use its MTW funds to acquire, construct and rehabilitate housing properties, and to allocate project-based vouchers to properties as appropriate and necessary to ensure the properties' long-term viability. Data from the Needs Assessment commissioned by HACSC shows a need for almost 31,000 affordable units for extremely low income households in Santa Clara County. Because of the notably low vacancy rates currently experienced in the county (about 3.3% in September 2011), providing housing vouchers can address only some of the need; more housing must be built, older affordable properties must be renovated and at-risk properties must be preserved.

Due to the fact that HACSC's vouchers are 100% leased up, HACSC is also using the results of the Needs Assessment, along with current and on-going analysis of the Santa Clara rental market, employment and population trends, to inform the agency as to how to best position itself to respond to future community needs. The preliminary results of needs assessment have been useful in framing the possibilities for targeted tenant self-sufficiency programs that recognize the characteristically high-cost housing market of Silicon Valley. Continued monitoring and updating of these data and trends will inform future self-sufficiency activities as they have the new graduated schedule for determining participant's rent described in this 2013 MTW Plan.

Section III of this report provides some highlights of HACSC initiatives that do not require MTW waivers from HUD or are administered outside the MTW umbrella. While implementing major MTW activities in the HCV program over the past three years, HACSC also successfully launched several special-purpose federal voucher programs, including those that serve veterans, foster youth, and the disabled. Each of these programs requires significant inter-agency coordination and planning; HACSC expects to continue administering these programs in FY2013 dependent upon funding availability.

HACSC is continuing to improve its Section 8 program administration and data tracking through the replacement of its Section 8 program software. The new software program was implemented in February 2012 in concert with a business process review and the completion of a data recovery process.

Finally, HACSC expects to complete the final phase of public housing disposition, a total of 555 units, by the end of FY2012 and has transitioned the day-to-day management of its properties to third-party property management.

OVERVIEW OF HACSC'S MTW ACTIVITIES

		MTW Statutory Objectives		
Activity # (Plan year proposed + Activity #)	*Activity*	*Reduce cost and achieve greater cost effectiveness in federal expenditures*	*Provide incentives to families ... leading toward economic self-sufficiency*	*Increase housing choices for low-income families*
IMPLEMENTED ACTIVITIES				
2009-1	Reduced Frequency of Tenant Reexaminations	X		
2009-2	Expediting the Initial Eligibility Income Verification Process	X		
2009-3	Reduced Frequency of Inspections	X		
2009-4	Timeline to Correct Housing Quality Standards (HQS) Deficiencies	X		
2009-5	Exploring New Housing Opportunities for the Chronically Homeless			X
2009-8	Streamlining the Project-Based Voucher Referral Process			X
2009-9	Utilization of Low Income Housing Tax Credit (LIHTC) Tenant Income Certification (TIC) for Income and Asset Verification	X		
2009-10	Selection of HACSC-owned Public Housing Projects for PBV without Competition	X		
2009-11	Project-Base 100% of Units in Family Projects	X		X
2009-13	Combined Waiting Lists for the County of Santa Clara and the City of San Jose	X		
2009-14	Payment Standard Changes Between Regular Reexaminations	X		
2010-1	Eliminating 100% Excluded Income from the Income Calculation Process	X		
2010-2	Excluding Asset Income from Income Calculations for Families with Assets Under $50,000	X	X	
2010-3	Applying Current Increased Payment Standards at Interim Reexaminations	X		X
2010-4	Allocating Project-Based Vouchers to HACSC-owned Projects Without Competition	X		
2010-5	Assisting Over-Income Families Residing at HACSC-owned Project-Based Voucher Properties			X
2011-1	Streamlined approval process for exception payment standard for reasonable accommodation – HCV			X

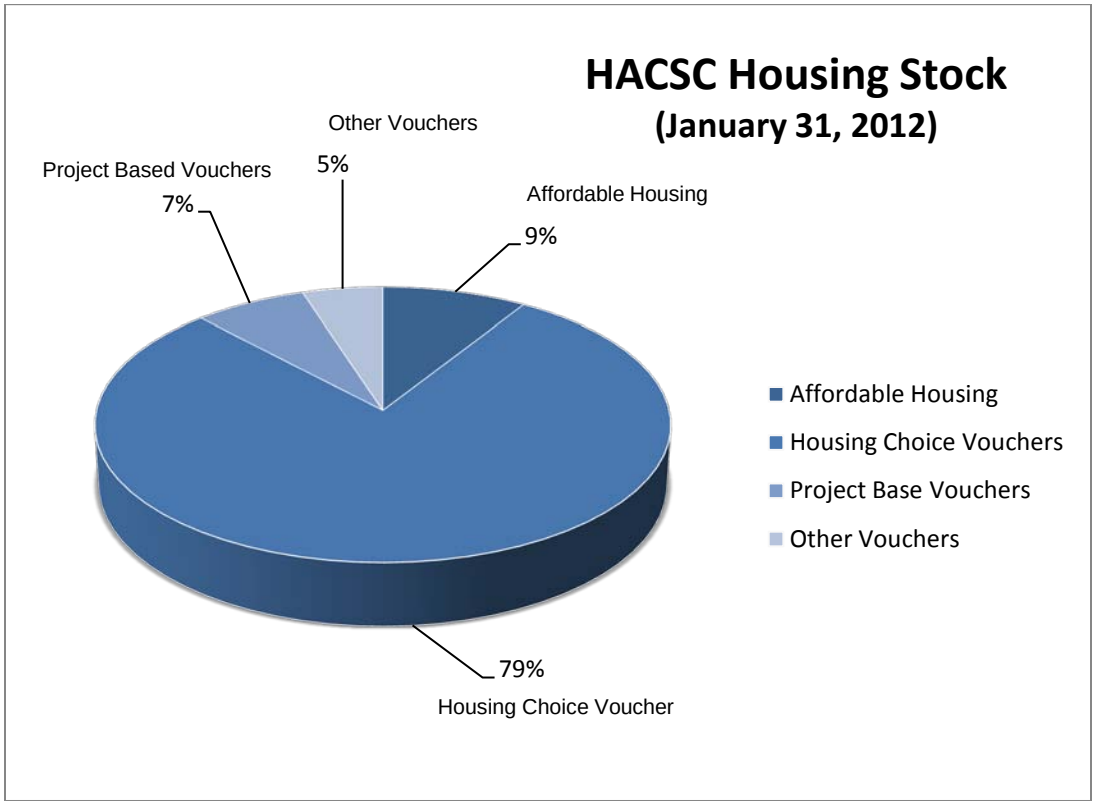
		MTW Statutory Objectives		
Activity # (Plan year proposed + Activity #)	*Activity*	*Reduce cost and achieve greater cost effectiveness in federal expenditures*	*Provide incentives to families ... leading toward economic self-sufficiency*	*Increase housing choices for low-income families*
2011-2	Simplify requirements regarding third-party inspections and rent services	X		
2012-1	Standard utility allowance – HCV	X		
2012-2	Two-year minimum PBV stay	X		X
2012-3	Affordable housing acquisition development fund			X
2012-4	Affordable housing preservation fund for HACSC-and affiliate –owned properties			X
2012-5	Expand tenant services at HACSC- and affiliate-owned affordable housing properties		X	
PROPOSED ACTIVITES				
2013-1	HACSC's Graduated Housing Subsidy Program	X	X	
2013-2	Elimination of the Earned Income Disregard (EID) calculation	X		

Note: Obsolete activities 2009-6, 2009-7, and 2009-12 are not shown.

II. GENERAL HACSC OPERATING INFORMATION

This section provides information about the types and number of HACSC's housing units and vouchers, the anticipated number of units to be leased in FY2013, and any changes anticipated for the Agency's waiting lists.

HACSC provides over 17,000 low-income families with rental assistance through the Housing Choice Voucher (HCV), Project Based Voucher (PBV), Mainstream, Veterans Affairs Supportive Housing (VASH), Moderate Rehabilitation, Family Unification Program (FUP), Non-Elderly Disabled Vouchers (NED), and Shelter Plus Care (S+C) programs. The 20 public housing units that remain in HACSC's portfolio are expected to have disposition completed by the end of 2012.



A. HOUSING STOCK INFORMATION

Public Housing Units and Planned Capital Expenditures:

HACSC was granted HUD approval on September 26, 2007, for the disposition of its 555 public housing units, and HUD's final approval for disposition of the last 20 public housing units is

expected to be completed in FY2012. Through the disposition, HACSC has improved supportive services for the residents of all of the 555 rehabilitated units.

In FY2009, 200 public housing units were transferred to a tax-credit limited partnership managed by a HACSC affiliate. In FY2011 HACSC transferred ownership of an additional 335 public housing units to a tax-credit limited partnership managed by an HACSC affiliate and a $48 million dollar renovation was completed in FY2012. Properties previously developed as tax credit or other types of units will be substantially rehabilitated as warranted based on Comprehensive Needs Assessments.

MTW Housing Choice Voucher Units Authorized: 16,613

PROGRAM	AUTHORIZED UNITS
Tenant-Based HCV	15,331
Project Based Voucher	1,282
Total	**16,613**

Non-MTW Housing Choice Voucher Units Authorized: 887

PROGRAM	AUTHORIZED UNITS
Mainstream	53
FUP	100
NED	10
VASH	435
Moderate Rehabilitation	93
S+C	196
Total	**887**

Non-MTW / Non-Voucher Local Housing Program: 15

PROGRAM	AUTHORIZED UNITS
TBRA	15
Total	**15**

Number of HCV Units to be Project-Based:

During FY2012, HACSC anticipates that it will have completed project-basing 208 of its previously committed tenant-based vouchers: 93 vouchers to Fair Oaks Senior Housing; 25 vouchers to Kings Crossing Apartments; 87 project based vouchers conditionally awarded in FY2011 to house special needs populations, such as the elderly, the homeless and persons with disabilities; and 3 vouchers to a HACSC-controlled project, Seifert House.

HACSC expects that the three remaining public housing properties, Deborah Drive, Eklund I, and Eklund II will be project-based in FY2013.

In accordance with MTW Activity 2010-4, 565 of HACSC's tenant-based vouchers are expected to be project-based starting FY2013 through FY2016 for preservation of HACSC and affiliate-owned affordable housing projects. Below is a list of the projects and their locations:

1. Huff Gardens, San Jose
2. Helzer Courts Apartments, San Jose
3. Blossom River Apartments, San Jose
4. Poco Way Apartments, San Jose
5. Park Ave, San Jose

Other Housing Owned by HACSC and Affiliates

Tables 1 through 3 list affordable housing properties that are currently owned by HACSC or a partnership, which includes HACSC as an affiliated party. All are managed by a third-party property management firm.

Table 1: Senior Tax Credit Housing

Name of Project	Location of Project	Number of Units
Avenida Espana Gardens	San Jose	84
Bracher Senior Apartments	Santa Clara	72
Cypress Gardens*†	San Jose	125
DeRose Gardens	San Jose	76
John Burns Gardens	Santa Clara	100
Lenzen Gardens*†	San Jose	94
Morrone Gardens	San Jose	102
Rincon Gardens*†	Campbell	200
Sunset Gardens*†	Gilroy	75
Villa Hermosa	San Jose	100
	TOTAL:	**1,028**

***These properties also include non-elderly disabled.**
†These properties include Project Based Vouchers or Project Based Assistance

Table 2: Family Tax Credit Housing

Name of Project	Location of Project	Number of Units
Blossom River Apts.	San Jose	144
El Parador	San Jose	125
Helzer Courts	San Jose	155
Huff Gardens	San Jose	72
Julian Gardens†	San Jose	9

Klamath Gardens	Santa Clara	17
Lucretia Gardens†	San Jose	16
Miramar†	Santa Clara	16
Opportunity Center†	Palo Alto	89
Pinmore Gardens	San Jose	51
Poco Way Apartments†	San Jose	129
RiverTown Apartments	Santa Clara	100
San Pedro Gardens	Morgan Hill	20
The Willows	San Jose	47
	TOTAL	**990**

†These properties include Project-Based Vouchers or Project Based Assistance

Table 3: Public and Other HUD Assisted Housing

Name of Project	Location of Project	Number of Units
Arturo Ochoa Migrant Center	Gilroy	100
Villa Garcia Apartments (HUD 236, Section 8 PBA)	San Jose	80
Villa San Pedro (HUD 221(d)3, CHRP, Section 8 PBA)	San Jose	100
Seifert House†	San Jose	3
Deborah Drive**	Santa Clara	4
Eklund I Apartments**	Santa Clara	10
Eklund II Apartments**	Santa Clara	6
	Total	**303**

†These properties include Project Based Vouchers or Project Based Assistance
****These properties are Public Housing units until final disposition and will then have Project Based Vouchers**

B. PLANNED LEASING INFORMATION

HACSC will continue to meet or exceed 100% lease up of its Housing Choice Voucher program in FY2013. HACSC anticipates no difficulties in maintaining full lease-up of its vouchers. However, due to historically low voucher turnover rates in FY2010 - FY2011 that are predicted to continue through FY2012, the Agency expects continued over-leasing during FY2013.

Over leasing has allowed HACSC to meet multiple program commitments including vouchers for the chronically homeless, for project-basing HACSC-owned and other units, and for the thousands of applicants on the HCV waiting-list. Given the uncertainties of funding, HACSC will

be closely monitoring all the variables affecting our lease-up rate along with evaluating other factors related to realizing Housing Assistance Payment (HAP) savings.

In FY2013, due to prior commitments for Project-based vouchers and continued projections for low turnover, HACSC anticipates leasing approximately 102% of its baseline of 16,613 MTW vouchers The Agency plans to fund this activity through its accumulated MTW reserve fund while continuing to evaluate the sustainability of this position. While HACSC is mindful of the extreme needs for housing assistance in Santa Clara County, given the current financial constraints and in order to maintain the viability of the program overall, HACSC does not have the ability to allocate vouchers to special programs at this time.

HACSC does not plan on over-leasing its Non-MTW vouchers and anticipates 100% lease-up of these 887 vouchers.

C. WAITING LIST INFORMATION

With its MTW authority in Activity 2009-13, HACSC maintains combined waiting lists between the Housing Authority of the County of Santa Clara (CA059) and the Housing Authority of the City of San José (CA056). As part of the transition from Public Housing to Project Based Voucher and tax-credit properties, the Public Housing Waiting List has been nearly fully absorbed. HACSC currently has six additional waiting lists: site-based waiting lists for its three formerly senior public housing properties and waiting lists for its HCV, PBV, and Moderate Rehabilitation programs.

The Agency does not anticipate any major changes in the number of families served from the HCV and PBV waiting lists compared to previous years. HACSC updated its Housing Choice Voucher waiting list to ensure current information and interest. The waiting lists are currently closed and HACSC does not anticipate opening or making any additional changes to how it manages its waiting lists during FY2013.

III. NON-MTW RELATED HACSC INFORMATION

HACSC will continue in FY2013 to carry out several initiatives that do not require MTW waivers but that complement and support the Agency's overall MTW approach: striving to run a cost-effective, data-driven organization that meets the varied needs of low-income households in the community. Notable among these ongoing initiatives are:

Finding ways to serve traditionally under-served populations in the Section 8 and Section 9 programs, often through partnerships. To achieve this, HACSC has:

1. Developed a successful collaboration with the Veterans Administration in administering the Veterans Affairs Supportive Housing (VASH) program. As of February 2012:
   - 343 homeless veterans were housed with VASH vouchers
   - 83 homeless veterans were issued vouchers (pending lease-up)

2. Allocated vouchers in past years to support the housing needs of chronically homeless families in Santa Clara County:
   - From 2008-2011, a total of 732 chronically homes families have been assisted through the voucher program
   - In FY2011, 200 families from the chronically homeless direct referral program (MTW activity 2009-5) were housed
   - 1,150 chronically homeless *individuals* from these families are now in secure and stable housing

3. Partnered with the County Department of Family and Children's Services in implementing the 100 voucher Family Unification Program. As of February 2012:
   - 99 families were housed; 1 family is pending lease-up
   - 117 children were reunited with their families
   - 87 children had been at risk of removal when the family received a voucher

4. Contracted with the City of Sunnyvale to administer their Tenant Based Rental Assistance Program (TBRA) for low-income residents of the city. As of February 2012:
   - 9 families were housed and attending job training programs
   - 2 families have been issued vouchers (pending lease up)

5. Partnered with the Silicon Valley Independent Living Center to implement the 10 vouchers awarded to HACSC for non-elderly disabled individuals transitioning out of institutional care. As of February 2012:
   - 7 families were housed
   - 1 family has been issued a voucher and is pending lease up
   - 2 families pending initial eligibility

6. Contracted with LifeSTEPS, a third-party non-profit organization, to provide a variety of life skills and educational programs for residents at more than half of HACSC's affordable housing properties.

Improving Section 8 program administration and data tracking. To meet the Agency's continued needs for a more robust means of storing and accessing program information, HACSC has:

1. Implemented a new software system, February 2012, that will lend itself to streamlining processes and supporting the research required for each MTW initiative

2. Conducted a business process review that is streamlining processes in conjunction with the new software implementation

3. Completed the process to recover and secure data lost in a technology failure in FY2010.

Preserving and managing housing sites. HACSC is in the midst of taking several planned steps to strengthen the financial position of its properties for the long-term, including:

1. Property management transition – shifting the day-to-day management of all HACSC and affiliate properties to third-party property management, thereby reducing costs and improving cash flow at the sites and allowing for better preservation of affordable housing for the long term. As of January, 2012, 1773 units (76% of the portfolio) have transitioned to third-party management. By June 2012, all HACSC or affiliate-owned properties are anticipated to be managed by third-party providers. In FY2012, all properties were able to operate with a positive cash flow due to reduced costs, which indicates significantly improved efficiency. Further analysis will continue as the transition is complete.

2. Public housing disposition – nearing completion of the conversion of HACSC's public housing sites to tax credit limited partnerships (all but 20 units) and project-based vouchers, and providing resident services at these sites.

3. Asset management of tax credit sites – beginning a long range study of the capital and operating needs of HACSC's tax credit portfolio in an effort to preserve this housing for the long term and to plan for property buy-outs, refinancing, and rehabilitation. To date, three properties have been bought out from the tax-credit limited partnership. Over the next two years, it is intended to acquire five more properties. Additionally, tax credit syndication is expected to allow for the substantial rehabilitation of two other properties that were originally developed without tax credits.

IV. LONG-TERM MTW PLAN

HACSC's long-term plans under MTW involve initiatives that will address one or more of the following strategic goals:

1. Preserving affordable rental housing for the long-term.

2. Increasing the supply of affordable rental housing for the long-term.

3. Serving more needy households over time by continuing to implement cost efficiencies in voucher program administration and by exploring ways to create self-sufficiency incentives through simplification and restructuring of rent policies.

4. Exploring, expanding, and linking to services that can help tenants in various ways, and cultivating effective partnerships with local service providers to make this possible.

5. Understanding and addressing the special needs for housing assistance of different types of households, including the veterans, the chronically homeless, fixed-income seniors and disabled persons, victims of domestic violence, etc.

6. Being a data-driven organization: Using data and program experience to inform strategic decisions about program design and re-design, as well as about spending and investment priorities.

7. Ensuring the long-term fiscal health of the Agency and of its properties.

To advance these goals in FY2013 and beyond, HACSC intends to acquire and develop or rehabilitate affordable housing properties throughout the county, and anticipates allocating project-based vouchers to some properties to better ensure their long-term viability. HACSC will also be expanding the range and types of services it provides, either directly or indirectly, to tenants.

HACSC will use the results of a Needs Assessment conducted in FY2012 along with current and on-going community research to inform its future MTW and non-MTW initiatives. As discussed previously, a major focus of upcoming FY2013 will be the implementation of a rent reform program that will also incentivize tenant self-sufficiency.

V. PROPOSED MTW ACTIVITIES (HUD Approval Requested)

This section describes the two new MTW activities that HACSC is proposing to implement in FY2013.

1. Establish HACSC's "Graduated Housing Assistance" Schedule – Housing Choice Voucher (HCV)
2. Eliminate the Earned Income Disallowance (EID) – Housing Choice Voucher (HCV)

HACSC's Graduated Housing Assistance (GHA) Schedule (Proposed Activity #2013-1)

DESCRIPTION OF THE ACTIVITY

HACSC is proposing to establish its newly designed Graduated Housing Assistance (GHA) Schedule, a rent reform program that will change the face of the Section 8 rent calculation process in Santa Clara County.

The GHA Schedule will provide the information necessary to empower participants to take greater responsibility and decision-making control for their personal housing choices, while at the same time giving HACSC the tools needed for overall budgetary control and monitoring.

The GHA Schedule is based on two factors, a participant's eligible voucher size and their household's annual adjusted income. The annual adjusted income for the participants household continues to be determined from the calculation of all annual income and all deductions, exclusions, and allowances for which the family is eligible i.e.: dependant deductions, medical expense allowances, child care expense allowances and more. Building on the Fair Market Rent values as determined by HUD, and based on the participant's annual adjusted income and eligible voucher size, HACSC will inform the participant at the time of eligibility determination (voucher issuance) the maximum subsidy that HACSC will contribute to the participant's total housing costs (rent and utilities). The utility cost to participants has been factored into the subsidy amount per bedroom size. (See Appendix Four, for HACSC's analysis of the current participant's utility costs and rent burden in relation to the GHA Schedule).

The GHA Schedule has been designed to be user friendly for HACSC participants, giving them the information needed to make informed choices as they seek the best housing solution for their household, for example housing located near public transportation, their employer, a specific school district, etc.

As a result of this proposed MTW activity, HACSC will no longer be utilizing Payment Standards, but will use the Fair Market Rent (FMR) schedule and utility usage analysis, to establish the subsidy amounts.

This activity will also require HACSC to create an alternate Request for Tenancy (RFTA) form, Housing Assistance Payment (HAP) contract, and Voucher.

Upon approval, HACSC will conduct an extensive education campaign before beginning to transition current participants to the GHA Schedule during their regularly scheduled reexamination appointment, or at the time of relocation (transfer), whichever comes first. HACSC will also make the GHA Schedule immediately effective for all new participants, upon voucher issuance and lease up.

A sample of the GHA Schedule and initial impact analysis can be found in Appendix IV. The proposed GHA schedule in this Plan is for informational purposes only. HACSC is rigorously researching operating costs, fair market rents, utility costs based on local usage, current participant housing costs, and the resulting housing cost burden for existing participants in order to determine the exact levels to be applied to ensure the most streamlined and equitable conversion. The final GHA schedule determination will be made prior to implementation, July 1, 2012.

RELATION TO STATUTORY OBJECTIVES

This activity addresses the statutory objective of achieving greater cost effectiveness in federal expenditures by reducing Agency costs and staff time spent on processing new HAP contracts. Implementation of this activity will also increase participants' housing options by reducing their confusion in determining their rent portion while looking for a unit. Armed with this knowledge, renters can look for a home that meets their family's needs and is within their means.

ANTICIPATED IMPACT OF THE ACTIVITY

HACSC anticipates that this activity will contribute to the overall stability of the HCV program.

The current calculation of a participant's annual adjusted income and subsequent portion of rent is highly complicated, confusing for participants, prone to unintentional error and potential fraud, extremely time-consuming, and often a hindrance for participants when securing a rental unit. HACSC anticipates that the GHA Program will increase productivity, decrease errors in the calculations, remove significant barriers for participants securing a new home, and increasing participant's ability to take personal responsibility in their housing choices. HACSC is alternately aware that the implementation of the GHA Program could result in an increase in some current participant's monthly housing costs. To address this potential negative impact, HACSC is developing a hardship policy to address cases of significant increased rent burden. Additional information on HACSC's hardship policy can be found in Appendix 4 of this plan.

Due to HACSC's extensive analysis in preparation for this proposed activity, HACSC expects that the initial implementation of this program should be cost neutral in relation to the HAP budget.

PROPOSED BASELINES, BENCHMARKS, METRICS and DATA COLLECTION

Data related to this activity will be collected and retrieved at least annually from the Agency's software database. As this activity is implemented, HACSC may revise the activity's metrics and further quantify and refine its performance baselines and benchmarks.

Activity 2013-2: Graduated Housing Subsidy (GHA) Program		
Metrics	**Baselines (FY2011)***	**Benchmarks**
The average number of days from voucher issuance to receipt of an Request for Tenancy Approval (RFTA)	On average, HACSC participants require 35 days from voucher issuance to HACSC's receipt of RFTA	HACSC expects a 5% reduction (2 less days) in the number of days required for participants to find a unit and submit a RFTA to HACSC.
The average percentage of monthly adjusted income (MAI) that participants pay towards their total housing costs (rent+utilities) at lease up	On average, HACSC participants pay 27% of their MAI towards their rent	HACSC expects no more than a 3% change in the % of MAI participants pay towards their rent at initial lease up
The staff time spent to complete the initial lease up process	TBD	TBD

AUTHORIZATION FOR THE ACTIVITY

This proposed activity is authorized in HACSC's Moving To Work Agreement, Attachment C, Paragraphs D (1)(a) and D (2)(a), and waives certain provisions of Section 8 (o)(1), 8(o)(2), 8(o)(3), 8(o)(7), 8(o)(10), and 8(o)(13)(H)-(I) of the US Housing Act of 1937 Act and 24 CFR 982.162, 982.508, 982.503, and 982.518 as necessary to implement HACSC's MTW Plan.

RENT REFORM IMPACT ANALYSIS

Because this activity potentially changes the way the participant's portion of rent is calculated, it qualifies as a rent reform initiative. To transition participants to the new GHA Program, HACSC will provide advance notice to affected families and advise them of their right to request a hardship claim. The new GHA Program schedule will be used in the rent calculation at a family's next re-examination, or move after adequate advance notice has been provided.

Families who experience more than a $50 increase in their rent portion as a result of the implementation of this activity will qualify for a hardship exemption. For those families who request and qualify for the hardship exemption, their total rent portion will be calculated based on HACSC's current method until their next move, or reexamination, whichever comes first. Multiple factors were considered when determining the hardship policy amount such as administrative burden, internal cost to process the hardship review, current HACSC minimum rent, and impact to tenant payment.

Following the end of the Hardship period, the GHA Schedule will be applied at the next regular reexamination or the next change in unit (move), whichever comes first. HACSC will use Agency software to track households who are receiving the hardship exemption. HACSC projects roughly 50% of the participants with a rent increase of $50 or more will request a hardship exemption.

This activity is being made available for public review and included as a proposed activity in all stakeholder meetings as well as the public hearing held for the FY2013 MTW Annual Plan. The impact of this activity will be evaluated annually in HACSC's MTW Report.

Eliminate the Earned Income Disallowance (EID) Calculation – Housing Choice Voucher (HCV) Program (Proposed Activity #2013-2)

DESCRIPTION OF MTW ACTIVITY

HUD regulations specify that an assisted family is eligible for an Earned Income Disallowance (EID) when an unemployed or under-employed family member with disabilities obtains a job or increases their wages. Any income increases attributable to the employment of the person with disabilities are fully excluded from the family's HCV income calculations for a 12 month period and are 50% excluded from calculations for the following 12 months. All earned income increases are then fully included in rent calculations following the 24-month phase-in period. EID also allows that if there are periods of unemployment after EID has started, the full or partial exclusion of wages may be allowed for a maximum time limit of 48 consecutive months.

HACSC is proposing to eliminate the HUD- mandated Earned Income Disallowance (EID) calculation. HACSC currently has a policy to not calculate income increases between regular reexaminations (which occur biennially or triennially for MTW families). This policy allows all families to benefit from increases in income that occur between their regular reexaminations, which can be up to three years away in some cases. In addition, the requirements for EID are very specific and significantly limit those persons with disabilities who may be eligible for the allowance. The infrequent application of the EID calculation becomes negligible when applied under HACSC's current guidelines which exclude calculation of increases from income between re-exams which, for EID-eligible households are usually conducted once every three years. Once eligible, the tracking of EID and the process to exclude all or half of the earned income increases for a specific period of time can be very complicated, time-consuming to administer and prone to error.

RELATION TO STATUTORY OBJECTIVES

This activity addresses the statutory objective of achieving greater cost effectiveness in federal expenditures by:

- Eliminating an additional calculation and tracking system; and
- Reducing staff time needed to calculate an individual participant's income and EID exclusions

ANTICIPATED IMPACT OF THE ACTIVITY

This activity will decrease the staff time required to calculate a family's rent portion and will reduce the likelihood of errors associated with calculating potential income exclusions. These time savings will allow staff to provide higher quality, one-on-one service to families. The policy will also be easier for program participants to understand. HACSC does not anticipate any participants to be adversely affected by this activity as most eligible individuals are already realizing any potential savings through HACSC's alternate reexamination schedule and interim

policies.

PROPOSED BASELINES, BENCHMARKS, METRICS and DATA COLLECTION

Data related to this activity will be collected and retrieved at least annually from the Agency's software database. As this activity is implemented, HACSC may revise the activity's metrics and further quantify and refine its performance baselines and benchmarks.

Activity 2013-1: Elimination of the Earned Income Disregard (EID)		
Metrics	**Baselines (FY2011)***	**Benchmarks (annual)**
The number of participants eligible to receive the EID calculation	10 households received the EID calculation	0 households will receive the EID calculation
Staff time spend calculating and tracking EID calculation	TBD	TBD

AUTHORIZATION FOR THE ACTIVITY

The proposed activity is authorized in HACSM's MTW Agreement, Attachment C, Paragraph D (1) (a) and D (2) (a) and waives certain provisions of Section 8(o)(I), 8(o)2, 8(o)3, 8 (o)(7), 8(o)10 and 8(o)(13)(H)-(I) of the US Housing Act of 1937 and 24CFR 982.508, 982.503, and 982.518 as necessary to implement HACSC's MTW Plan.

RENT REFORM IMPACT ANALYSIS

Because this activity potentially changes the way rent is calculated for a participant's household, it qualifies as a rent reform initiative. However, no participants will be adversely affected by the implementation of this activity as they are already receiving any potential savings as a result of HACSC alternate recertification schedules. Hardship requests will be handled on a case-by-case basis.

This activity is being made available for public review and included as a proposed activity in the public hearing held for the FY2013 MTW Annual Plan. The impact of this activity will be evaluated annually in HACSC's MTW Report.

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VI. ONGOING MTW ACTIVITIES (HUD Approval Previously Granted)

To date, HACSC has had twenty-six (26) activities approved by HUD. Of these, three (3) were dropped as obsolete. HACSC's MTW activities thus far have focused primarily on administrative streamlining and increasing housing choices for program participants.

The table that follows lists the previously approved activities, indicates when they were approved, and briefly describes their implementation status as of April 2012. Detailed descriptions of these activities can be found in the Annual Plan for the corresponding year in which they were proposed. The impacts of implemented activities are described in detail in HACSC's FY2009, FY2010, and FY2011 MTW Annual Reports.

HACSC has not used outside evaluators to review the impact of its MTW activities, but may elect to do so in the future.

Activity #	***Activity Name***	***Implementation Status***
2009-1	Reduced Frequency of Tenant Reexaminations	Implemented in FY2009 and continuing.
2009-2	Expediting Initial Eligibility Income Verification Process	Implemented in FY2009 and continuing.
2009-3	Reduced Frequency of Inspections	Implemented in FY2009 and continuing.
2009-4	Timeline to Correct Housing Quality Standards (HQS) Deficiencies	Fully implemented in FY2011and continuing, including companion policy of allowing owner self-certification (non-MTW activity).
2009-5	Exploring New Housing Opportunities for the Chronically Homeless	Implemented in FY2010 and continuing.
2009-8	30-Day Referral Process for Project-Based Vacancies	Policy implemented in FY2010. The Activity was fully implemented in FY2011.
2009-9	Utilization of Low Income Housing Tax Credit (LIHTC) Tenant Income Certification (TIC) for Income and Asset Verification	Implemented in early FY2010.
2009-10	Selection of HACSC-owned Public Housing Projects for PBV without Competition	Implemented for seven former public housing projects that were disposed of and entered a PBV HAP contract as existing housing inFY2009 and FY2011. The activity will also be used in the disposition of HACSC's remaining three public housing projects planned for FY2012.
2009-11	Project-Base 100% of Units in Family Projects	Implementation started in FY2010 and continuing.

Activity #	*Activity Name*	*Implementation Status*
2009-13	Combined Waiting Lists for the County of Santa Clara and the City of San Jose	Implemented in FY2009 and continuing.
2009-14	Payment Standard Changes Between Regular Reexaminations	Implemented in March 2010 and continuing.
2010-1	Eliminating 100% Excluded Income from the Income Calculation Process	Implemented in March 2010 and continuing.
2010-2	Excluding Asset Income from Income Calculations for Families with Assets Under $50,000	Implemented in March 2010 and continuing.
2010-3	Applying Current Increased Payment Standards at Interim Reexaminations	Implemented in March 2010 and continuing.
2010-4	Allocating Project-Based Vouchers to HACSC-owned Projects Without Competition	Policy implemented in FY2010. To date there has not been a need to use this waiver. This activity covers properties owned directly by HACSC or indirectly (through HACSC affiliates) as allowable by Section D.7. of Attachment C of HACSC's MTW Agreement.
2010-5	Assisting Over-Income Families Residing at HACSC-owned Project-Based Voucher Properties	Policy implemented in FY2010. To date there has not been a need to use this waiver – no families have exceeded the income threshold.
2011-1	Streamlined approval process for exception payment standard for reasonable accommodation – HCV	Policy implemented in the third quarter of FY2011 and continuing.
2011-2	Simplify requirements regarding third-party inspections and rent services	Policy implemented in FY2011. To date there has not been a need to use this waiver.
2012-1	Create standard utility allowance schedule – Housing Choice Voucher Program	HACSC is continuing to analyze the implementation of this activity and whether or not it will require modification due to the proposed rent reform program (MTW proposed activity #2013-2).
2012-2	Two-year occupancy in project-based unit before eligible to receive voucher	Policy implemented in FY2012.

Activity #	*Activity Name*	*Implementation Status*
2012-3	Create affordable housing acquisition and development fund	Affordable Housing Acquisition and Development Fund of up to $15,000,000 was approved by Board of Commissioners action on March 22, 2011. A Request for Proposals was issued in April , 2011 and 10 responses were received. Four proposals were short listed for further consideration. One proposal was approved by the Board to receive a loan of up to $6.5 million dollars to develop 75 housing units. This project is now in the pre-development phase.
2012-4	Create affordable housing preservation fund for HACSC- and affiliate-owned properties	No specific action to date.
2012-5	Expand tenant services at HACSC- or affiliate-owned affordable housing properties	In FY 2012 expanded Resident/Tenant services were made available at HACSC and affiliate-owned properties.

Note: Obsolete activities are not shown. These were approved as activities 6, 7, and 12 in FY2009; final reporting on these activities was provided in the FY2009 MTW Annual Report.

VII. SOURCES AND USES OF FUNDING

A. SOURCES AND USES OF MTW FUNDS

FY 2012 Planned Sources	Public Housing	Section 8 - MTW	MTW Consolidated
Rental Revenue	19,863		19,863
Section 8 HAP Funding		240,128,108	240,128,108
Operating Subsidy	11,426		11,426
Administrative Fee		15,673,522	15,673,522
FSS Coordinator Fee		270,150	270,150
Other Revenue (Laundry)	110		110
Other Revenue (Compliance Fee, Note Interest)*		119,664	119,664
Operating Revenue Sources:	31,399	256,191,444	256,222,843
Non Operating Revenue (Land Lease)		130,039	130,039
Total Sources (Before Transfers)	31,399	256,321,483	256,352,882
Transfer from Operating Reserves	2,491		2,491
Transfers From MTW Reserves - Shortfall in Admin Fee		3,941,620	3,941,620
Transfers From MTW Reserves - Shortfall in Planned Expenditures		40,473,327	40,473,327
Total Sources	**$33,890**	**$300,736,430**	**$300,770,320**
*Includes BM			

DRAFT. To be updated once funding is finalized.

FY 2012 Pl			
Administrative and Operating Expenses*	$15,605	$19,243,689	$19,259,294
Tenant Services	3,399		3,399
Utilities	3,808		3,808
Maintenance & Operations	2,471		2,471
Contract Costs & Protective Services	8,607		8,607
Facilities Consolidation Expenditures Fund		7,000,000	7,000,000
Capital Expenditures**		660,300	660,300
Subtotal	$33,890	$26,903,989	$26,937,879
Housing Assistance Payments (HAP)		250,935,000	250,935,000
Total Planned Expenditures, before Transfers	$33,890	$ 277,838,989	$ 277,872,879
Transfers to MTW Admin Reserves - Shortfall in Admin Fee		3,941,620	3,941,620
Asset Management- Propotionate Costs re: PH, former PH & PB Section 8		761,064	761,064
Inter Program Transfers-NED, FUP & Mainstream Exps. (see below)		(205,243)	(205,243)
Activity 2012-4 Transfer to Development Fund		15,000,000	15,000,000
Activity Fund 2012-5 Transfer to Preservation Fund		3,000,000	3,000,000
Activity Fund 2012-6 Expanded Tenant Services		400,000	400,000
Total Planned Expenditures	**$ 33,890**	**$ 300,736,430**	**$ 300,770,320**

Public Housing = 20 units at 3 sites for 3 months - expected disposition by 9/30/2011.

*Includes needs assessment consultant fees, Sec 8 program administration improvements, Sec 8 data recovery costs.

**Includes purchase of new Sec 8 software and related hardware costs.

B. SOURCES AND USES OF NON-MTW FUNDS

B.1. Sources and Uses of Federal Non-MTW Funds

FY 2012 Planned Sources	Section 8 Mod Rehab	Shelter Plus Care	Section 8, Non-Elderly & Disabled (N.E.D.)	Section 8, VASH	Section 8, Mainstream	Section 8, FUP	Total
Section 8 Subsidy	1,136,700		143,160	3,832,567	651,820	1,954,950	7,719,197
Administrative Fee	117,103	267,836	12,592	421,819	66,735	125,916	1,012,001
Other Rev							
Total Sou							

DRAFT. To be updated once funding is finalized.

FY 2012 Planned Expenditures	Section 8 Mod Rehab	Shelter Plus Care	& Disabled (N.E.D.)	Section 8, VASH	Section 8, Mainstream	Section 8, FUP	Total
Administrative Expenses	196,770	94,949		121,802			413,521
Other Operating and General Expenses	218,541	111,947	-	169,356	-		499,844
Subtotal (Before HAPS and Transfers)	415,311	206,896	-	291,158	-	-	913,365
Housing Assistance Payments (HAP)	1,136,700	3,080,088	143,160	3,832,567	651,820	1,954,950	10,799,285
Interprogram Transfers- Vouchers	-	-	12,592	-	66,735	125,916	205,243
Transfer in/Out - Operating Reserves	(297,078)	60,940	-	136,661			(99,477)
Total Planned Expenditures	**1,254,933**	**3,347,924**	**155,752**	**4,260,386**	**718,555**	**2,080,866**	**11,818,416**

B.2. Sources and Uses of State and Local Funds

FY 2012 Planned Sources	Migrant Center	TBRA (City of Sunnyvale)	Total
Rental Assistance		154,000	154,000
Admini			
Other R			
Total So			

DRAFT. To be updated once funding is finalized.

FY 2012 Planned Expenditures	Migrant Center	TBRA (City of Sunnyvale)	Total
Administrative Expenses	30,125	14,548	44,673
Utilities	32,333		32,333
Maintenance & Operations	61,598		61,598
Other Operating and General Expenses	13,155	6,452	19,607
Subtotal	137,211	21,000	158,211
Housing Assistance Payments (HAP)		154,000	154,000
Total Expenditures	**137,211**	**175,000**	**312,211**

C. SOURCES AND USES OF COCC

All Public Housing COCC net revenue will be used during FY2012 for low income housing and related operating expenses.

D. ALLOCATION METHOD FOR CENTRAL OFFICE COSTS

The Housing Authorities of the County of Santa Clara and the City of San Jose have elected to use an overhead allocation method that is consistent with the methodology of OMB Circular A-87 for the Housing Choice Voucher Program, while for PHCOCC the agencies are using the Operating Fund Rule for the Public Housing Program.

E. USE OF SINGLE FUND FLEXIBILITY

Funding flexibility for block grant MTW programs allows agencies to combine resources they previously could not combine in order to better use their funding streams to address local program, administrative, and operational needs.

In FY2012 and beyond, HACSC plans to use MTW funds to support and leverage the development and preservation of rental housing that is affordable to low-, very low and extremely low income households. MTW funds will also be used to bring services and programs to residents of HACSC's non-Section 8/9 properties where property income cannot otherwise cover the costs of such services.

HACSC anticipates entering into Housing Assistance Payments (HAP) contracts for up to 600 project-based vouchers for HACSC-owned and HACSC-affiliated affordable housing properties. HACSC will use its approved MTW Activity #2010-4 to make these PBV commitments without competition. These actions will help to ensure that properties remain affordable to extremely low income households.

HACSC may use its block grant flexibility to cover the costs of over-leasing in the Housing Choice Voucher (HCV) program. Over-leasing is necessary due to the combined effect of low turnover rates in Section 8, a long Section 8 waiting list, past allocations of vouchers to serve the chronically homeless, and current and anticipated PBV commitments.

Finally, to ensure that HACSC is able to properly serve its program participants, and to improve the cost-effectiveness and day-to-day efficiency of staff activities, HACSC may also use its funding flexibility to consolidate HACSC office space. Options include expanding current office and parking facilities at HACSC's main administrative office, relocating staff into a single building, and/or making improvements to current HACSC offices. HACSC will make any required allocation among funding programs.

VIII. ADMINISTRATIVE

A. BOARD RESOLUTION ADOPTING THE 2013 ANNUAL MTW PLAN CERTIFICATION OF COMPLIANCE

This resolution is provided in Appendix One.

B. PLANNED OR ONGOING AGENCY-DIRECTED EVALUATIONS OF HACSC'S MTW DEMONSTRATION

In FY2013, HACSC will continue to refine its approach to data gathering and monitoring of MTW activities and their impacts on stated goals and objectives. HACSC's launch of the new voucher program software in February 2012 will support this effort.

Appendix One

Board Resolution #_____approving the submission of the FY2013 Annual MTW Plan to HUD and certifying compliance with regulations.

***This appendix will be finalized prior to HACSC submission to HUD in April 2012.

Appendix Two

This appendix documents the public review process and summarizes the comments received related to the draft MTW Annual Plan for FY 2013.

***This appendix will be finalized prior to HACSC submission to HUD in April 2012.

Appendix Three

Moving to Work Agreements between the Housing Authority of the County of Santa Clara and the U.S. Department of Housing and Urban Development and the Housing Authority of the City of San José and the U.S. Department of Housing and Urban Development.

Appendix Four

HACSC's Rent Reform Program

Graduated Housing Assistance – The Advantages

HACSC's proposed rent reform program is designed to provide participants with the information necessary to make informed decisions regarding their personal housing choices from the outset, voucher issuance, and to determine the best housing solution for their family. The housing assistance is based on an annual *adjusted* income ranges and voucher (subsidy) size for their family and represents HACSC contribution to their total housing costs. The result is a system that is much more stable, transparent, and "user friendly".

Because the program is designed on annual adjusted income bands, participant's now have an incentive for increasing income, or even securing employment, without the negative consequences of possible rent increases. And, from the program perspective, this also creates administrative efficiencies as multiple reexamination calculations do not need to take place due to minor changes.

- Reduces the perceived "Red Tape" for participant's and owners
- Increases program transparency
- Empowers participants by providing them with the information they need to make informed housing choices
- Supports participant's increased economic self-sufficiency by building in incentives for increasing income

Graduated Housing Assistance - The Draft *Subsidy* Schedule

The following schedule represents HACSC's monthly contribution to a participant's total housing costs. A participant's rent portion would be the difference between the subsidy stated here and the negotiated contract rent for the unit.

HACSC Graduated Housing Assistance Program

AAI Range		0 Bdrm	1 Bdrm	2 Bdrm	3 Bdrm	4 Bdrm	5 Bdrm	6 Bdrm
0	1,999	998	1165	1410	2050	2262	2608	2956
2,000	4,999	924	1128	1373	2013	2225	2571	2919
5,000	7,999	849	1053	1298	1938	2150	2496	2844
8,000	10,999	774	978	1223	1863	2075	2421	2769
11,000	13,999	699	903	1148	1788	2000	2346	2694
14,000	16,999	624	828	1073	1713	1925	2271	2619
17,000	19,999	549	753	998	1638	1850	2196	2544
20,000	22,999	474	678	923	1563	1775	2121	2469
23,000	25,999	399	603	848	1488	1700	2046	2394
26,000	28,999	324	528	773	1413	1625	1971	2319
29,000	31,999	249	453	698	1338	1550	1896	2244
32,000	34,999	174	378	623	1263	1475	1821	2169
35,000	37,999	99	303	548	1188	1400	1746	2094
38,000	40,999	24	228	473	1113	1325	1671	2019
41,000	43,999	0	153	398	1038	1250	1596	1944
44,000	46,999	0	78	323	963	1175	1521	1869
47,000	49,999	0	3	4	888	100	1446	1794
50,000	52,999	0	173	[illegible]	[illegible]	025	1371	1719
53,000	55,999	0	0	98	738	950	1296	1644
56,000	58,999	0	0	23	663	875	1221	1569
59,000	61,999	0	0	0	588	800	1146	1494
62,000	64,999	0	0	0	513	725	1071	1419
65,000	67,999	0	0	0	438	650	996	1344
68,000	70,999	0	0	0	363	575	921	1269
71,000	73,999	0	0	0	288	500	846	1194
74,000	76,999	0	0	0	213	425	771	1119
77,000	79,999	0	0	0	138	350	696	1044
80,000	82,999	0	0	0	63	275	621	969
83,000	85,999	0	0	0	0	200	546	894
86,000	88,999	0	0	0	0	125	471	819
89,000	91,999	0	0	0	0	50	396	744
92,000	94,999	0	0	0	0	0	321	669
95,000	97,999	0	0	0	0	0	246	594
98,000	100,999	0	0	0	0	0	171	519
101,000	103,999	0	0	0	0	0	96	444
104,000	106,999	0	0	0	0	0	21	369
107,000	109,999	0	0	0	0	0	0	294
110,000	112,999	0	0	0	0	0	0	219
113,000	115,999	0	0	0	0	0	0	144

DRAFT

Graduated Housing Assistance – Case Studies

The following case studies represent an essential part of HACSC's impact analysis of the proposed GHA schedule. The boxes on the left depict the current calculation process for determining each participant's monthly rent portion. The boxes on the right represent the new process for that same participant. The information contained in each study is current participant information.

Example #1

Current Calculation Process

Tenant Rent Calculation			PS	
Tenant Name:	Family 1		0	1135
Total No. in Family	1		1	1315
No. of Eligible Member(s)	1		2	1581
Most current TTP From File:	$417		3	2274
Minimum TTP	$50		4	2503
TTP for Calculation	$417		5	2878
Unit Size:	1		6	3253
Voucher Size:	1			
Contract Rent:	$1,214		1	1315
Utility Allowance:	$34			
Max Subsidy Before Proration	$831			
Prorated HAP	N/A			
Max Subsidy	$831			
HAP To Owner	$831			
Tenant Rent To Owner	$383	%MAI		28%
UAP	$0			

Proposed Calculation Process

Tenant Rent Calculation	
Tenant Name	Family 1
Voucher Size	1
Unit size	1
Contract Rent:	$1,214
HAP:	$828
Tenant Rent:	$386

Voucher Size	
1	0

Maximum Housing Assistance	
$828	$624

Subsidy Used in Rent Cal
$828

Annual Adj Income	16686
Monthly Adj Income	1391
%MAI:	28%

Example #2

Current Calculation Process

Tenant Rent Calculation			PS	
Tenant Name:	Family 2		0	1135
Total No. in Family	1		1	1315
No. of Eligible Member(s)	1		2	1581
Most current TTP From File:	$344		3	2274
Minimum TTP	$50		4	2503
TTP for Calculation	$344		5	2878
Unit Size:	3		6	3253
Voucher Size:	2			
Contract Rent:	$1,500		2	1581
Utility Allowance:	$53			
Max Subsidy Before Proration	$1,209			
Prorated HAP	N/A			
Max Subsidy	$1,209			
HAP To Owner	$1,209			
Tenant Rent To Owner	$291	%MAI		33%
UAP	$0			

Proposed Calculation Process

Tenant Rent Calculation	
Tenant Name	Family 2
Voucher Size	2
Unit size	3
Contract Rent:	$1,500
HAP:	$1,223
Tenant Rent:	$277

Voucher Size	
2	1

Maximum Housing Assistance	
$1,223	$978

Subsidy Used in Rent Cal
$1,223

Annual Adj Income	10484
Monthly Adj Income	874
%MAI:	32%

Graduated Housing Assistance - Impact Analysis Example

HACSC will continue to refine the proposed GHA Schedule prior to implementation. In reviewing the following it's important to keep in mind that HACSC is proposing a soft implementation as participant's move or are seen at their regular reexamination appointments every two – three years. The transition will require two-three years before all current participants will be on the GHA schedule and thus, the cost savings for HACSC depicted here will not be realized in FY2013. Additionally, any participant who will experience an increase in their rent portion more than $50 due to this calculation change will be eligible for a hardship waiver for a period of time, thereby further decreasing the cost savings shown in this example.

Elderly/Disabled Families

BR Size	Total #	↑ in TRO	Avg $ ↑	↓ in TRO	Avg ↓	# No Change in TRO	Range of TRO Change	# w.UAP	Avg UAP	Total HAP (monthly) Change	Total Annual HAP Change
SRO	37	1	$23	36	($143)	0	($251) - $23	0	N/A	$5,125	$61,500
Studio	146	47	$93	98	($93)	1	($372) - $21	0	N/A	$4,749	$56,988
1	5,290	3,131	$65	2,135	($104)	24	($508) - $240	8	$9	$18,519	$222,228
2	2,510	1,342	$70	1,154	($103)	14	($648) - $975	7	$18	$24,727	$296,724
3	959	519	$102	437	($177)	3	($596) - $207 to	20	$47	$23,654	$283,848
4	158	107	$135	51	($168)	0	($774) - $508	0	N/A	($5,872)	($70,464)
5	10	10	$166	0	N/A	0	$37 to $265	1	$24	($1,660)	($19,920)
6	2	2	$178	0	N/A	0	$93 to $263	0	N/A	($356)	($4,272)

Work-able Families

BR Size	Total #	↑ in TRO	Avg $ ↑	↓ in TRO	Avg ↓	# No Change in TRO	Range of TRO Change	# w.UAP	Avg UAP	Total Mo. HAP Change	Total Annual HAP Change
SRO	5	2	$13	3	($157)	0	($372) - $21	0	N/A	$447	$5,364
Studio	49	22	$41	20	($63)	7	($220) - $112	0	N/A	$364	$4,368
1	1,166	928	$75	216	($87)	22	($493) - $1,068	24	$22	($50,928)	($611,136)
2	2,671	1,878	$73	781	($96)	12	($712) - $808	74	$31	($63,764)	($765,168)
3	3,254	2,130	$101	1,114	($177)	10	($1,188) - $336	320	$50	($20,953)	($251,436)
4	764	590	$119	171	($162)	3	($791) - $342	85	$61	($43,031)	($516,372)
5	71	62	$197	9	($150)	0	($400) - $875	0	N/A	($10,882)	($130,584)
6	3	3	$209	0	N/A	0	$50 to $310	1	$93	($626)	($7,512)

Combined Table

BR Size	Total #	↑ in TRO	Avg $ ↑	↓ in TRO	Avg ↓	# No Change in TRO	Range of TRO Change	# w.UAP	Avg UAP	Total Mo. HAP Change	Total Annual HAP Change
SRO	42	3	$16	39	($144)	0	($372) - $21	0	N/A	$5,572	$66,864
Studio	195	69	$77	118	($88)	8	($372) - $21	0	N/A	$5,113	$61,356
1	6,456	4,059	$67	2,351	($102)	46	($508) - $1,068	32	$31	($32,409)	($388,908)
2	5,181	3,220	$72	1,935	($100)	26	($712) - $975	81	$49	($39,037)	($468,444)
3	4,213	2,649	$101	1,551	($177)	13	($1,188) - $336	340	$97	$2,701	$32,412
4	922	697	$122	222	($164)	3	($774) - $508	85	$61	($48,903)	($586,836)
5	81	72	$193	9	($150)	0	($400) - $875	1	$24	($12,542)	($150,504)
6	5	5	$196	0	N/A	0	($310) - $93	1	$93	($982)	($11,784)
Totals	17,095	10,774	$81	6,225	($122)	96	($1,188) - $21	540	$80	($120,487)	($1,445,844)

Graduated Housing Assistance – Draft Hardship Process

HACSC recognizes that a participant may experience an increase in their rent portion due to HACSC's Graduated Housing Assistance activity. In such cases, the participant may apply to HACSC for a hardship review. The hardship request must be based solely on a substantial increase (no less than $50.00) in the participant's monthly rent portion, directly resulting from the Graduated Housing Assistance calculation method. This hardship policy will not apply to seasonal-income fluctuations, minor or temporary reductions of income, rent increases that are the result of an increase in family's income, or reduction in subsidy level due to the decrease in family size.

All hardship requests must be made in writing, stating both the reason for the hardship and the expected duration.

Each request will be reviewed and weighed against other local resources available to the participant. The result of the review may consist in referral to other local resources, or an adjustment in the portion of the participant's rent.

HACSC Hardship Policy – Rent Reform

Qualification Criteria:

In order to qualify for hardship exemptions, participants must meet all of the criteria listed below:

- The household is in compliance with all program rules and regulations
- The household does not owe HACSC any money or is current with a re-payment agreement
- The household must be admitted to the program prior to July 1, 2012 (date of implementation)
- The household has not relocated on or after July 1, 2012 (date of implementation)
- The household must experience an increase of $50.00 or more in rent as a direct result of the MTW rent reform initiatives
- The household requested the hardship waiver within the deadline set by HACSC

The Approval Process:

- Households who meet the criteria listed above may mail or fax their written request to HACSC
- HACSC's Housing Specialist will review the request promptly, calculating the participant's rent via both methods and forward the result along with the tenant file to the supervisor
- HACSC's Supervisor will approve the new rent if there are no other issues. If there are other issues, the supervisor will conduct further review and consult with the Housing Programs Manager prior to making the final decision.

Hardship Relief

Households who qualify and receive hardship exemption may pay their portion of rent based on the traditional HUD HAP calculation method until their next reexamination or relocation, whichever comes first. At the next regular reexamination, or relocation, whichever comes first, the household will automatically be transitioned to the rent reform initiatives.

Appendix Five

Proposed Third Amendment to Moving to Work Agreement between

U.S. Department of Housing and Urban Development and Housing Authority of the County of Santa Clara

The Housing Authority of the County of Santa Clara (HACSC) is posting for public comment the proposed Third Amendment to Moving to Work Agreement between U.S. Department of Housing and Urban Development (HUD) and Housing Authority of the County of Santa Clara (the Third Amendment). The Third Amendment would allow HACSC to use Replacement Housing Factor (RHF) funds, which it receives as a result of the disposition of public housing units, for the development of affordable housing other than public housing that will serve households with incomes not exceeding 80% of the HUD-established Area Median Income. The RHF funds would be available for up to a ten-year period.

HUD is making this amendment available to all public housing agencies participating in the Moving to Work (MTW) demonstration. Without adoption of this amendment, such agencies may receive RHF funds for up to ten years only if they use those funds solely for the replacement of public housing. Such agencies also may use RHF funds for other eligible uses under the rules of the MTW demonstration, but may receive RHF funds only for five years if they do so.

The form of the proposed Third Amendment, and the protocol required by HUD to use RHF funds for the development of low-income housing as authorized by the Third Amendment, are attached. For additional information regarding HACSC's receipt and planned use of RHF funds, please see "Use of Replacement Housing Factor Funds."

Proposed Contract Amendment Language

<<NUMBER>> AMENDMENT

TO

AMENDED AND RESTATED MOVING TO WORK AGREEMENT
BETWEEN
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
AND
<<PHA>>

This <<**NUMBER**>> Amendment to the Moving to Work ("MTW") Agreement ("Agreement") is entered into by and between the United States of America through the U.S. Department of Housing and Urban Development ("HUD") and the <<**PHA**>> ("Agency") and is effective on the date of execution by HUD. Unless otherwise defined, all capitalized terms used herein shall have the same meanings ascribed to them in the Agreement.

Attachment D is amended as follows:
The following language is added to <<**PHA**>>'s Attachment D:

Use of Replacement Housing Factor Funds for Development

The Agency and HUD acknowledge that Section B(1)(a) of Attachment C of this Agreement regarding the ability to combine funds awarded annually pursuant to Section 8(o), 9(d) and 9(e) of the U.S. Housing Act of 1937 ("1937 Act") into a single, authority-wide funding source ("MTW Funds") is inclusive of replacement housing factor ("RHF") funds provided for at 24 CFR 905.10(i) provided the conditions detailed below are met. The Agency may exercise one of the following options in the administration of RHF funds.

1) Option 1: The Agency may administer its RHF awards outside of its MTW Funds. These funds must be used in accordance with RHF requirements and may accumulate under an approved RHF Plan or be subject to the two-year obligation and four year expenditure deadlines. The Agency would be eligible for second increment RHF funds, which would be administered outside of the agency's MTW Funds.

2) Option 2: The Agency may combine its first increment RHF funds in its MTW Funds and use the funds for any purpose allowable in this Agreement and approved in an MTW Plan, as detailed in Section B(1)(e) of Attachment C of this Agreement. Obligation and expenditure requirements of Section 9(j) of the 1937 Act still apply to these funds. If administering first increment RHF funds in this way, the Agency forgoes eligibility for second increment RHF funds.

3) Option 3: If the Agency combines its first increment RHF funds in its MTW Funds pursuant to Option 2, but wants to receive a second increment of RHF funds, while the Agency may use the funds for any purpose allowable in this Agreement and approved in an MTW Plan, the Agency must spend a portion of its MTW Funds for construction of new public and/or affordable housing. The amount of MTW Funds the Agency must spend on construction of new public and/or affordable units must be equal to or greater than the total amount of RHF funds included in the MTW Funds. In addition, the number of new public and/or affordable

units it constructs must be equal to or greater than the number of public housing units the Agency would have developed if it had not included its RHF funds in its MTW Funds. This is referred to as the "Proportionality Test." [For example, if an Agency deposits $500,000 of RHF funds in its MTW Block Grant, the Agency must spend at least $500,000 of its MTW Block Grant funds on the construction of new public and/or affordable housing. The specific number of new public and/or affordable housing units that must be constructed is determined by dividing $500,000 by the Total Development Cost (TDC) limit applicable to the type of new units being developed. For example, if the Agency is developing 2-bedroom townhomes and the TDC for these types of units is $220,000, the Agency must construct a minimum of three new 2-bedroom townhomes ($500,000 divided by $220,000 = 2.7.) This calculation must be done for each year that RHF funds are received by the PHA and included in the MTW Block Grant.]

i) The applicable TDC will be either the HUD TDC limit for the year in which construction of the units commences or an alternate TDC approved by HUD as part of the MTW approval process.

ii) The new public and/or affordable units required to be developed may be developed directly by the Agency or developed through a Mixed-Finance transaction.

iii) Any project which includes construction of public housing units must be approved by HUD following either the Development process (units owned by the Agency) or the Mixed-Finance process (units owned by an entity other than the Agency).

iv) The Agency must show significant progress on construction of the new public and/or affordable units required during the first increment of RHF funds in order to receive the second increment of RHF funds.

v) If an Agency chooses to include second increment RHF funds in its MTW Block Grant, then second increment RHF funds will be subject to the Proportionality Test and the same requirements as first increment funds regarding the amount of MTW Block Grant funds that must be spent on the construction of new public and/or affordable housing and the number of units which must be constructed.

vi) Leveraging requirements still apply to the second increment RHF funds.

vii) The 2-year obligation and 4-year expenditure deadlines are still applicable to both the first and second increment RHF funds deposited into the MTW Block Grant.

viii) The new units constructed must be consistent with the MTW Statute and Agreement. In order to develop affordable (non-public housing) units, an Agency must have received prior HUD authority to implement local, non-traditional activities.

.

ix) Prior to implementing Option 3, an Agency must amend their MTW Agreements to allow for deposit of RHF Funds in the MTW Block Grant and the receipt of second increment RHF Funds (a standard HUD Amendment must be used).

x) Prior to implementing Option 3, an Agency must include the development of the new public and/or affordable units in their MTW Plan and include RHF funds in Section 7, the Sources and Uses Chart.

xi) As long as the Agency has included in its MTW Plan the construction of the new public and/or affordable units and its intention to combine RHF funds in the MTW Block Grant and receive second increment RHF funds, the Agency does not need to submit an RHF Plan to HUD. However, the MTW Plan must include the information required in an RHF Plan, as prescribed by HUD.

xii) The Agency must include in its annual MTW Report an update on the amount of RHF funds included in the MTW Block Grant, the amount of funds spent on construction of new public and/or affordable housing, the number of units being constructed, and the status of construction. The Agency must show significant progress on construction of units during the first increment of RHF funds in order to receive second increment RHF funds.

Notwithstanding the above, such funds remain Federal funds, and are subject to any and all other Federal requirements outside of the 1937 Act (e.g., including but not limited to Appropriations Acts, competitive HUD notices of funding availability under which the Agency has received an award, state and local laws, Federal statutes other than the 1937 Act, and OMB Circulars and requirements), as modified from time to time.

IN WITNESS WHEREOF, the parties have caused this <<**NUMBER**>> Amendment to be executed by their duly authorized representatives.

<<**PHA**>>

By: _____
Name: <<**NAME**>>
Its: <<**TITLE**>>
Date: _____

UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

By: _____
Name: Sandra B. Henriquez
Its: Assistant Secretary, Public and Indian Housing
Date: _____

Use of Replacement Housing Factor Funds

The Housing Authority of the County of Santa Clara (HACSC) has received or expects to receive the following Replacement Housing Factor (RHF) grants:

Grant	Fiscal Year	Amount	Notes
CA39R05950109	2009	$314,556	Obligated for MTW activities
CA39R05950110	2010	$313,875	
CA39R05950111	2011	$269,077	
CA39R05950112	2012	$635,310	
CA39R05950113	2013	$658,098	Expected Amount
CA39R05950214	2014	$658,098	Expected Amount
CA39R05950215	2015	$658,098	Expected Amount
CA39R05950216	2016	$658,098	Expected Amount
CA39R05950217	2017	$658,098	Expected Amount
CA39R05950218	2018	$658,098	Expected Amount

First Increment RHF

HACSC obligated the FY09 RHF grant for Moving to Work (MTW) activities, prior to HUD making available the option to commit the full ten years of RHF funds for the development of affordable housing other than public housing that will serve households with incomes not exceeding 80% of the HUD-established Area Median Income. Now that HUD has made that option available, HACSC intends to use all RHF funds that become available after fiscal 2009 for the development of low-income housing other than public housing. HACSC tentatively intends to commit RHF funds as necessary for the development of its Park Avenue site, which also will include project-based vouchers.

HACSC intends to accumulate the fiscal 2010-2013 first-increment RHF grants, and wishes to be eligible for the second-increment RHF. The grant number and amount or estimated amount for each grant are listed in the chart above, with all grants commencing with the fiscal 2010 grant to be combined into the MTW block grant for the development of affordable housing. HACSC will develop at least the requisite number of affordable/low-income units required under HUD's "Proportionality Test," so that the number of new affordable units are equal to or greater than

the number of public housing units HACSC would have developed had it not included the RHF funds in its MTW funds.

Second Increment RHF

With respect to second-increment RHF funds, consisting of fiscal 2014-2018 capital funds, HACSC plans to combine RHF funds into the block grant for the development of low-income housing. HACSC intends to accumulate the RHF grants. The grant number and estimated amount for each grant to be combined into the MTW block grant for this purpose are listed in the chart above. HACSC will secure a firm commitment for the required 1/3 leverage prior to disbursing any of the second-increment RHF funds. HACSC will develop at least the requisite number of affordable/low-income units required under HUD's "Proportionality Test," so that the number of new affordable units are equal to or greater than the number of public housing units HACSC would have developed had it not included the RHF funds in its MTW funds.