

## STAFF REPORT

**SECTION 8 SUBSIDIZED HOUSING PROGRAM**

1/11/2011

**Background:**

At its November 23, 2010, meeting, the City Council received an updated staff report on the service level and financial status of the City's Section 8 Housing Choice Voucher Program being administered by the City of Ames as the local Housing Authority (HA). In that report, the following conclusions were discussed:

**Service Levels:**

The conclusions from the service level research are as follows:

- The mandatory requirements, such as processing annual and interim re-certifications, conducting inspections, compliance with mandatory lease-up rates, and submittal of monthly and quarterly reports, cannot be reduced.
- Making changes in program administration, such as closing the waiting list and only accepting applications (for a limited time period) when there is not a sufficient number on the list to fill turn-over slots, is at the discretion of the Housing Authority. Closing the waiting list back in 2009 has made it possible to meet other mandatory day-to-day program operations when there has been only two temporary part-time staff members, and still stay within the administrative allowance. However, it is not likely that this option is sustainable since we will not meet HUD's mandatory lease-up requirements (95%) and staff cannot remain "temporary" and without benefits on a permanent basis.
- Staff has also reduced service levels by closing the Section 8 Program on Fridays. However, with the Planning and Housing office still open, support staff and/or the Housing Coordinator ended up covering the telephone calls and the counter traffic, resulting in a minimal true reduction in cost.
- Staff has reduced the amount of "extended supportive care and attention" given to customers, which has freed up time, and is also working on administrative processes recommended by HUD, which should also reduce some staff time.

It has been difficult to equate service reductions to a specific financial savings because we are only reducing procedures/services versus eliminating the procedures/services, and still need to maintain a level of compliance.

## **Financial:**

**As reported to the City Council during the FY 2010/11 budget process, the level of administrative funding provided by HUD for Section 8 is not adequate to cover the cost of administering the program for the City of Ames.** HUD has allowed Section 8 HAs to accumulate and maintain an administrative fund balance. However, we expect that the City's Section 8 administrative fund balance will be exhausted in the upcoming fiscal year and that alternative (local) funding will be required if the City plans to continue administering the program.

Our current adopted budget for FY 2010/11 anticipates expenses to exceed the revenues provided by HUD to administer the program by approximately \$75,000. We have made significant reductions to this shortfall by service adjustments and **using 2 part-time temporary FTE's**, but have not been able to maintain the lease-up rate required by HUD.

Given the trend in funding for administration over the past several years, we expect this funding shortfall to increase each year if we continue to administer the Section 8 program. Due to difficulty in meeting all the Section 8 administrative requirements within the funding levels provided by HUD, this situation puts the City at risk for program non-compliance. **City staff estimates that fully funding the administrative costs to operate the Section 8 program at 2.6 FTE's will result in an administrative funding shortfall of approximately \$147,000 for FY 2011/12.**

The conclusions from the **financial implementations** research are as follows:

- There will continue to be a shortfall between the amount of funds received from HUD and the cost to hire the adequate number of staff to administer the program in full compliance with the program regulations. Currently the program is **not** in compliance regarding the lease-up percentage requirements. The lease-up percentage requirement is **95%** of the contract allocation of Vouchers (218 out of 229 Vouchers), and we are currently at **65%** lease-up (149 out of 229 Vouchers). This is a major compliance area that is reviewed by HUD.

***Overall, staff concluded that the service level and financial analyses both indicate that it is not possible to (1) reduce the service level to administer this program and remain in compliance with HUD requirements or (2) remain within the financial allocation provided by HUD for program administration.***

At the November 23 meeting, staff reiterated the following four possible options that exist for continued operation of the mandated Section 8 program in Ames:

### **Option 1 – Return Section 8 Program Administration to HUD for Reassignment to Another Housing Authority**

Under this option, the City would relinquish the Annual Contributions Contract back to HUD for them to designate another program administrator for the City of Ames. Once HUD selected the Housing Authority (HA) of their choosing, they

would then contact that HA to determine their interest in administering the program for the Ames jurisdiction.

HUD has stated that they will identify another Housing Authority to administer the program and will retain the allocated vouchers in the “Ames jurisdiction.” The Housing Authority selected by HUD would have sole discretion on how the program would be administered based on their HA’s program guidelines and priorities.

This option will result in the City Council no longer being able to establish more stringent program eligibility guidelines in our community than those required by HUD (e.g., background checks, and giving local eligibility preference to Ames residents, the elderly, and families).

#### Option 2 – Subcontract with Another Public Housing Authority to Administer Section 8

Under this option, the City would contract with a neighboring HA to administer the Ames program in accordance with policies established by the City of Ames.

This alternative was attempted in 2000, when the City Council approved contracting out program administration to another area Public Housing Authority. However, due to problems inherent with subcontracting a grant program, the contract was terminated by mutual agreement after two months.

Staff has spoken with two other housing directors in the area (Central Iowa Regional Housing Authority in Grimes and Marshalltown Housing Authority). Both stated that they would not be interested in being a subcontractor to the City of Ames. This is due both to differences in administration and to complications of staffing two separate boards.

#### Option 3 – Create a Local, Non-profit Entity to Administer Section 8

Under this option, the City would create a separate legal entity under Chapter 28E of the Code of Iowa between the City of Ames and a new Ames Housing Authority to administer the Section 8 Housing Choice Voucher Program. Similar arrangements of this type have been implemented by Mason City and Des Moines in past years. Under Iowa Code Section 403A.5, this new Housing Authority would be governed by a board of commissioners appointed by the Mayor. The administration and policy-making for that Authority will be exercised by the commissioners, and not by the City Council.

Under this option, the City of Ames would still be liable for any financial shortfalls generated by this entity. In addition, there is no indication that this entity would be able to operate the Section 8 program at a lower cost than the City.

#### Option 4 – Have the City of Ames Continue to Administer Section 8

A final option is for the City itself to continue to administer the Section 8 Housing Program. This would require the City to use local tax dollars to cover the administrative funding gap so we can hire sufficient staff to operate the program. The magnitude of the annual financial shortfall will make it very challenging to cover each year.

Given the relatively small number of vouchers for which we are responsible, it is no longer possible for the City to administer this program as efficiently as larger housing authorities.

Long-term funding to locally subsidize this program would need to come from increased property taxes, from the existing pool of human services funding, from an expanded pool of human services funding (which would reduce the availability of local option sales tax funds for other “community betterment” projects), or, in the short-term, from the existing balance in the Housing Assistance Fund.

As stated in the November 23 report, **it is important to note that the City’s relinquishment of the Section 8 Housing Program does not mean that the assistance would no longer be made available in Ames.** Rather, HUD would decide which Housing Authority would assume administration of the program in our city.

***In conclusion, at the November 23, 2010, meeting staff reluctantly supported Option #1. Under this option, the program can still be provided to those who need these services without local subsidy. Staff recognizes that this option does come with a major drawback in that the City will lose control over the eligibility requirements for program participants and other discretionary policies.***

#### Council Discussion and Response from November 23 Meeting

After lengthy discussion on November 23, Council directed staff to research the following additional information and report back:

- 1.) What entities (neighboring housing authorities) are most likely to absorb the City’s vouchers?
- 2.) What are their priorities (preferences) and notable procedures (e.g., background checks)?
- 3.) Are any HAs interested in subcontracting with the City?
- 4.) Have any local non-profits ever done this in a similar scale?
- 5.) It is to be determined how important it is to ASSET agencies for Ames to have local control over the Section 8 Program.

Staff has prepared the attached spreadsheet (Attachment I) that addresses questions 1 through 4. As noted on the spreadsheet:

- All four housing authorities have a larger number of vouchers, all have more staff, some administer in both counties and cities, all, except one, have the same or higher level criminal background checks as the City of Ames.
- Each authority has varying local preferences for selection off of their waiting lists.
- None are interested in contracting with the Ames to administer the program.
- All have standard or high performance ratings for Section 8 Management Assessment Program (SEMAP). SEMAP is a HUD-mandated 15-indicator performance rating system for Housing Authorities administering a Section 8 Housing Program.

The City Council should be aware that, at any time, each of these housing authorities could change its policies and procedures as part of its administrative discretion. However, these agencies are the most experienced in administering the program to meet the needs of citizens and HUD requirements.

With regard to questions 4 and 5, there are no local non-profit organizations in the area that have experience in administering a Section 8 Housing Choice Voucher Program. In speaking with the ASSET agencies, none were interested in administering the program, but some did express their preference to have the program administered locally.

Additionally, the Kansas City HUD Field Office has expressed the following comments and concerns:

- Any interested local, non-profit organizations would need to meet HUD criteria for experience, capacity, and sustainability.
- There is no guarantee from HUD that any of the area housing authorities discussed would be the HUD-selected housing authority for the area.
- They also feel that if the City were to increase the lease-up percentage, the income generated should be sufficient to maintain staffing needs. They will be conducting a financial review of the program's revenues and expenses.

***Again, because of the financial challenges related to this program, City Council direction is being sought as we finalize the FY 2011/12 budget. We are again reluctantly supporting Option #1. Under this option, the Section 8 housing voucher program can still be provided to those who need these services in our community without local subsidy. Staff recognizes that this option does come with the major drawback that the City will lose control over the eligibility requirements for program participants and other discretionary policies.***

Possible Housing Authorities for consideration	Current Number of Vouchers	Operating Jurisdiction	Number of Housing Staff for Section 8 Program	Currently Conducts Background Checks:	Sources of Background Checks	Policies and Procedures on background checks similar or higher than City of Ames	Local Preferences	Interested in Sub-Contracting with the City of Ames	Current SEMAP** SCORE
City of Ames	229	City limits	2.6*	Yes	Iowa Courts Online, Ames PD, Story County	Three (3) year check for violent and drug related activities.	1. Families with dependent children, elderly, and disabled households over all others.	N/A	93%-High Performer (1999)
Central Iowa Regional Housing Authority	779	Boone, Dallas, Jasper, Madison, Marion, Story Counties	5	Yes	Iowa Courts Online (with extra fee)	Seven (7) year check for felonies, violent and drug related activities	1. Waiting list is closed to households outside of their service area. 2. Elderly and Disabled households over all other households.	No	100%-High Performer (1999)
City of Marshalltown	449	Hardin, Marshall, Tama Counties (including City of Marshalltown)	3	Yes	Iowa Courts Online only	Three (3) year check on drug & violent activities	1. Other admissions will be assigned according to date and time of application. 2. Persons living in the jurisdiction of the HA will be given preference over those persons living outside the jurisdiction. 3. Persons living in the state of Iowa will be given preference over persons living outside the state of Iowa	No	85%-Standard Performer (2010)
City of Des Moines Housing Authority	3,183	Polk County (including City of Des Moines)	18	Yes	Iowa Courts Online, DSM Police	Full history no time limit, zero tolerance for murder, homicide, sexual attacks, drug & violent with one year if completed rehabilitation	1. Families will be selected from the Housing Choice Voucher waiting list in numerical order based on the numbers that were assigned to each application, by lottery, at the time the applications were placed on the waiting list. 2. Does not offer any preferences for the Section 8 Housing Choice Voucher Program. 3. Persons who are eligible for family unification program.	No	103%-High Performer (2010)
Fort Dodge Housing Authority	627	City of Ft. Dodge	3.5	Yes	Iowa Courts Online, Low level Federal Criminal check System, working on agreement with local Police	One (1) year check on violent and drug activities, (currently reviewing policies for changes)	1. State residency.	No	100%-High Performer (2010)

\*Projected FTE needed to administer the program.

\*\*Section 8 Management Assessment Program for Housing Authorities required by HUD to rate performance on 15 indicators