



Federal Sequestration Impact on Santa Clara County's Most Fragile Population

As the largest provider of affordable housing assistance in Santa Clara County, the Housing Authority of the County of Santa Clara (HACSC) helps make rental housing safe and affordable for 17,000 low-income families through the federal Housing Choice Voucher (Section 8) program.

On March 1, the \$85 billion across-the-board reduction in discretionary federal spending cut an additional \$16 million from HACSC's 100% federally funded Section 8 program.

Any funding cut to the federal Section 8 program has a direct and immediate impact on the fragile population it serves. Why? HACSC is a pass-through agency: Any decrease in this federal housing funding means needy Santa Clara County households will have to be terminated from the program, or receive less subsidy. Over half of our program participants are elderly and/or disabled who do not have the capacity to earn income. The impact of this funding cut is compounded by the fact that Santa Clara County is one of the most expensive housing markets in the country. Apartments here are virtually 100% leased and rents continue to rise.

Program Changes to Keep Families Housed

While our long-term goal is to have Congress restore Section 8 program funding to full eligibility, in the short term HUD must assist us, and the 3,500 housing authorities like us, *in approving additional program changes to significantly reduce costs as soon as possible. The sooner that program changes can be implemented, the more time our program participants will have to adjust to their increased rent burdens.*

After carefully considering all options and carefully studying how each would impact tenants, HACSC is proposing multiple changes that will immediately reduce costs and avoid termination of 1,000 households from the program. HACSC will use almost all reserve funds available to continue funding rent subsidies pending HUD's review and approval of our program changes, and to provide some limited funds to assist the hardest hit households in adjusting to their new rent burden.

Swift implementation of these program changes is key: HACSC is losing approximately \$2.6 million per month. Considering that 1,000 families represent an annual Section 8 program cost of about \$15 million, we are acutely aware of acting both prudently and quickly.

Section 8 Program Changes

For detailed reports and the MTW 2014 Annual Plan Amendment describing these cost reductions and program changes go to www.hacsc.org and click **The Budget Sequester – What does it mean to you?**

Freeze on Issuing New Vouchers Beyond Current Commitments

Due to ongoing federal budget cuts, HACSC has not opened its Section 8 voucher wait list since 2006, nor has it provided turnover vouchers (*vouchers that become available when households go off the program*) to anyone on the wait list. HACSC already has committed 100 turnover vouchers to the chronically homeless and has additional, limited turnover voucher commitments. The Board has frozen issuance of turnover vouchers beyond this current commitment. *Board approved.*

HACSC Actions Already Taken to Reduce Program Costs

HACSC understands that the goal is not to conduct business as usual. In the face of five years of inadequate and declining program funding, HACSC has reduced costs and improved service in our Section 8 program.

Since becoming a Moving To Work (MTW) demonstration agency in 2008, through our MTW flexibility we have assisted - during a time of declining federal and state funding for affordable housing - an additional 1,247 households. We have streamlined administration of the voucher program, reduced staff by nearly 50% and significantly reduced operating costs.

We are a lean agency of 140 employees with 17,000 clients. More than 90% of the federal funds we receive directly assist low-income households with their monthly rent. We've proven HACSC's financial health by our record of 11 consecutive years of clean audits. Our record demonstrates that MTW works.



Section 8 Program Changes continued

Limit to Additions to Household Size

HACSC will allow additions to household size only in the case of birth, adoption, court-awarded custody, foster parenting, or marriage/registered domestic partnership to the head of household. Minors of the spouse/partner, live-in aides, and elderly and/or disabled family members also will be allowed.

Implemented with Administrative Plan change.

Proposed Section 8 Program Changes

Freeze on Contract Rent Increases

Pending HUD approval, HACSC will impose a one-year moratorium on contract rent increases. Any extension of the moratorium would be limited to one year, and would be considered by the Board in response to unexpected or unbudgeted reductions in program funds only after it considers other ways to manage budget cuts.

This policy change is subject to HUD approval via an amendment to the FY2014 MTW Plan.

Early Implementation of Housing Size Subsidy Standards (Payment Standard Changes Between Regular Reexaminations)

Pending HUD approval, HACSC will adopt HUD's minimum standards of housing size: one room for the head of household (*including spouse/partner*) and one additional room for every two people regardless of age or gender. This change is effective immediately for all new admissions, households moving into the Agency's jurisdiction and those participants who are moving into a new unit. Pending HUD approval, this change will be effective for all households who are in units under active Housing Assistance Payment contracts. The households will receive a minimum of 30 days notice (*likely in August, pending HUD approval*). Those requiring an extra room for a reasonable accommodation would not be affected.

This policy change is subject to HUD approval via an amendment to the FY2014 MTW Plan.

Across-the-board Increase in Tenant Rent Contribution

Pending HUD approval, HACSC will implement a new, simpler method of rent calculation that eliminates all allowances (including utilities), deductions and expenses, and increases the tenant contribution toward the rent to between 30% and 35% of monthly gross income (*capped at 35%*), or a \$50 minimum rent, whichever is greater. HACSC households currently pay, on average (*after accounting for all expenses, allowances and deductions*), approximately 27% of their gross income toward rent. Having the ability to adjust the percentage will allow HACSC to fine-tune the necessary balance between the Agency's fiscal stability and resulting financial impact to households.

Once HUD approves this change, it will be effective immediately for all new admissions, households moving into Santa Clara County and participants moving to new units. For all other households, HACSC will implement the new rent calculation immediately and give at least a 30-day notification to tenants of their new rent portion (*or advise tenants of their right to request a 90-day transition hardship claim*).

This policy change is subject to HUD approval via an amendment to the FY2014 MTW Plan.

Who to Contact

If you are concerned about the 2013 sequester's impact on HACSC's Section 8 program, please to do not call HUD which contracts with HACSC for the operation of the Section 8 program. Unfortunately, this issue is outside of HUD's control, just as it is outside of our control. Any fixes must be decided by Congress and signed by the President. If you have questions, or would like Congress to understand how this issue affects you, we urge you to contact California's congressional delegation.

HACSC's mission is keeping families housed and enabling low-income people in Santa Clara County to achieve financial stability and self-reliance. We will continue working to ensure that we are able to provide both service and rental assistance to as many eligible families as possible.

For more information, please refer to www.hacsc.org.



HACSC is the largest provider of affordable housing assistance in Santa Clara County, helping make rental housing safe and affordable for low-income families through Section 8 voucher programs and below-market rental properties. Designated a Moving to Work agency, HACSC assists approximately 18,000 households.

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