Moving to Work (MTW)
2016 Annual Report

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

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Revised March 7, 2018

Leaders in *Making a Difference.*

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA (HACSC)

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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.

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I. INTRODUCTION

Purpose of This Report

The Housing Authority of the County of Santa Clara (HACSC) was established by the Santa Clara County Board of Supervisors in 1967. HACSC is an independent local government agency whose 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.

HACSC, for itself and on behalf of the Housing Authority of the City of San José (HACSJ), entered into a ten-year agreement with the Department of Housing and Urban Development (HUD) in the beginning of 2008 to become a Moving to Work (MTW) agency. In Fiscal Year (FY) 2016, this agreement was extended until 2028. This report demonstrates the status of HACSC's seventh full year as an MTW agency during FY2016 (July 1, 2015 through June 30, 2016).

What is MTW?

The MTW program, established by Congress in 1996, is a federal demonstration program that links federal goals with locally-designed actions. Through the MTW program, select housing authorities are encouraged to propose and implement innovative changes to the way housing programs are administered in order to meet three broad federal goals:

- To decrease costs and increase cost effectiveness in housing program operations;
- To promote participants' economic self-sufficiency; and
- To expand housing choices for low-income households.

HACSC strives to achieve these goals while assisting at least as many households and as diverse households (in terms of income level and family size) as before receiving MTW designation.

HACSC's Short-Term MTW Goals

HACSC made progress on a number of the short-term goals identified in the FY2016 MTW Annual Plan. In August 2015, HACSC completed the community engagement and information gathering portion of the Housing Resources and Voucher Allocation Policy (HRVAP) process. The objective of the HRVAP process is to develop a set of policies, in partnership with community stakeholders that will guide the Agency in how to effectively allocate its scarce resources in the coming years.

During the HRVAP outreach, 669 individuals were engaged to obtain their feedback and thoughts on draft policies related to how the agency should allocate its vouchers and MTW funding. Meeting attendees included: voucher holders, waitlist registrants, general community members, landlords, developers, city and County staff and community-based organizations. As noted in the FY2017 MTW Annual Plan, thirty-seven percent of meeting participants engaged in the HRVAP process were current voucher holders.

The HRVAP process produced both short and long term initiatives that HACSC began working on immediately.

First, HACSC created a landlord recruitment and retention strategy that emphasizes the importance of quality customer service, efficient policies and processes and monetary incentives. The initial step was to create a Training and Outreach team that, among its other duties, plans and facilitates regular HCV and PBV Owner Information Sessions. The Owner Information Session is designed to ensure that landlords understand the Section 8 program, and have an ongoing opportunity to ask questions and network with other landlords. The Owner Information Sessions have been well attended, and the feedback from landlords has been positive.

In addition to enhancing the level of customer service, as it relates to landlords—HACSC is also utilizing its MTW flexibility to retain current, and attract new landlords. HACSC drafted an MTW activity that will allow the agency to develop landlord incentives, including vacancy payments to landlords, willing to re-rent their units to new Section 8 tenants. HACSC hopes that these incentives will make the Section 8 program a more viable and attractive rental option for landlords in Santa Clara County. Also through the HRVAP process, HACSC received approval from its Board of Commissioners to pursue an MTW activity that will allow the agency to increase its payment standards to up to 130% of the HUD Fair Market Rents without seeking HUD approval.

Another outcome of the HRVAP outreach process was that the community supported the creation of a direct referral program through HACSC's MTW designation that serves a broader range of Special Needs Populations (SNPs) than the Chronically Homeless Direct Referral program (MTW Activity 2009-5). During the HRVAP process, stakeholders asked several important questions related to developing a program that serves individuals and families with special needs, including, but not limited to:

- How will the SNPs be selected?
- Who will provide supportive services?
- What form of assistance (i.e. HCVs or PBVs) is most efficient for this type of program?

On May 31, 2016, HACSC launched the public planning process for the Special Needs Population Direct Referral Program to begin answering the aforementioned questions, and representatives from 18 local government and non-profit agencies were in attendance to guide the direction of the program. HACSC will continue to work with community partners to develop and implement the Special Needs Population Direct Referral Program. All of the MTW activities described above were proposed in the agency's FY2017 MTW Plan.

Furthermore, HACSC continues work on the development of the Park Avenue property, which was purchased with MTW funds. The agency will construct two new affordable housing projects: Laurel Grove Apartments and Park Avenue Senior Apartments. The agency commenced construction of Laurel Grove Family Apartments, an 82 unit apartment building, in June 2016. Laurel Grove includes 81 affordable PBV units, and one unit is designated for an on-site Manager. The agency leveraged its MTW resources (project-based vouchers and gap financing) to secure approximately $52 million in public and private funds. Park Avenue Apartments will provide 99 units of senior housing and the agency anticipates it will commence construction in December 2016. The agency will also use its MTW resources to leverage public and private funds, which will be reported in the FY2017 MTW Report. Additionally, HACSC completed the 15 year acquisition of Villa Hermosa Apartments on August 3, 2015 and Huff Gardens Apartments on December 11, 2015. These two properties are part of HACSC's managed affordable housing portfolio. The agency acquires the properties at the end of the tax credit period. Through these acquisitions, HACSC preserves the long term affordability of the property, and has the opportunity in the future to raise capital to rehabilitate and upgrade the property to better serve the residents.

Lastly, HACSC knows focusing on staff training provides exponential gains in job performance levels, confidence, communication skills, and business relationships. A well-trained staff ensures federal dollars are spent wisely. To further staff development, in FY2016 the agency created a Training and Outreach team and a Compliance team. These two teams support the operation of the agency's many Federal housing programs by providing staff with technical training and identifying training needs and measuring training gains through implementation of a comprehensive quality control plan.

HACSC's Long-Term Vision

HACSC received notice in FY2016 that HUD was finalizing cash management procedures first instituted in FY2013 by transitioning all agency-held Housing Assistance Payment reserves to HUD. The re-capture of Public Housing Agency (including MTW agencies) reserves would begin in August, 2016. All excess budget authority is now held on behalf of HACSC by HUD in the program reserves. HACSC must now contact HUD to request an additional disbursement amount if our needs for the month will exceed the HUD calculated amount of disbursement. HACSC has always been a good steward of its public resources. However, with the transition of its cash reserves to HUD, HACSC now must be even more vigilant in planning and following its budget to ensure the agency does not have more expenses than the amount disbursed by HUD.

In FY2016, HACSC continued to implement its five-year strategic plan adopted in FY2014. The identification of goals and core values in HACSC's multi-year strategic plan has allowed the Agency to better respond to the needs of the community while remaining focused on its goals and objectives through the mindful allocation of resources.

HACSC endeavors to achieve its mission through the following long-term goals:

1. Optimizing Moving to Work (MTW) flexibility;

2. Maintaining a leadership role in improving existing housing and expanding the availability of new affordable housing to meet community needs, both directly and through mutually beneficial partnerships;

3. Maintaining a leadership role in using Housing Choice Vouchers (HCV) to optimize the affordable housing options;

4. Promoting client financial stability and self-reliance, as appropriate to their specific needs;

5. Operating in an innovative, financially responsible manner; and

6. Providing leadership for, collaboration with, and sharing information related to HACSC's mission with community organizations, public agencies, and the public.

HACSC launched a long-term initiative to increase the number of affordable housing units in Santa Clara County by soliciting development proposals for up to 1,000 Project-Based Vouchers (PBVs). On October 20, 2015, HACSC began the process by releasing a Request for Proposals (RFP) from qualified developers with eligible projects for the award of up to 1,000 Section 8 PBVs and 200 Veterans Affairs Supportive Housing (VASH) program vouchers that will serve eligible low income individuals and families, particularly special needs populations and homeless veterans. HACSC received a total of 19 proposals requesting 901 Section 8 PBVs and 74 VASH PBVs. HACSC staff, in partnership with staff of the City of San Jose's Housing Department and Santa Clara County Office of Supportive Housing evaluated the proposals and selected nine proposals for the conditional award of 523 Section 8 PBVs and 74 VASH PBVs.

Continuing with the focus of increasing affordable housing in Santa Clara County--HACSC, the City of San Jose Housing Department and the Santa Clara County Office of Supportive Housing released a joint RFP and Notice of Funding Availability (NOFA) on July 21, 2016. The joint issuance is to collectively make available capital and rental assistance through PBVs to potential project developers through a single application and evaluation process. While each agency has its own individual priorities, it is a shared objective to create affordable housing for extremely low-income and very low-income households, particularly those experiencing homelessness—including veterans—and those with other special needs.

In addition to developing new affordable housing, HACSC is participating in another collaborative effort to preserve Buena Vista Mobile Home Park in Palo Alto, California, an upper income area of the County, where rental units are extremely expensive and affordable housing is almost non-existent. The park is home to about 117 mostly low-income Latino families. The owner of Buena Vista Mobile Home Park announced plans to close the Park in 2012, and the Park closure was approved in May of 2015. However, community leaders commenced an effort to save Buena Vista Mobile Home Park, and prevent the eviction of the 117 families. Santa Clara County set aside $14.5 million dollars in affordable housing fees to jumpstart the effort, and the City of Palo Alto matched the $14.5 million commitment. In addition to the $29 million dollar commitment from Santa Clara County and the City of Palo Alto, HACSC's expected role in the partnership is to acquire, improve and manage the property as affordable housing. Community support to save Buena Vista Mobile Home Park has become widespread—including support from many former and current state and local politicians.

Finally, as the agency struggles to increase its leasing with the program and policy initiatives described above, its MTW reserves are steadily increasing. Agency staff is developing a plan for strategic use of these reserves, including policy initiatives that will increase our lease rate and promote self sufficiency, facility assessment and improvements that will allow us to better serve our clients and program objectives, and development and preservation initiatives that will increase housing choices for all low income individuals and families in the County. This effort will no doubt lead to new MTW activities for FY 2018.

II. GENERAL HACSC OPERATING INFORMATION

Annual MTW Report

II.4.Report.HousingStock

A. MTW Report: Housing Stock Information

New Housing Choice Vouchers that were Project-Based During the Fiscal Year

Property Name	Anticipated Number of New Vouchers to be Project-Based *	Actual Number of New Vouchers that were Project-Based	Description of Project
Donner Lofts	5	5	Family, new construction project, consisting of 102 units (92 studios, 9 1-bedrooms, and 1 2-bedroom. PBV units are for chronically homeless.)
Onizuka Crossing Apartments	13	13	Family, new construction project, consisting of 58 units (27 1-bedrooms, 11 2-bedrooms, and 20 3-bedrooms. PBV units are for chronically homeless.)

Anticipated Total Number of New Vouchers to be Project-Based *	Actual Total Number of New Vouchers that were Project-Based
18	18

Anticipated Total Number of Project-Based Vouchers Committed at the End of the Fiscal Year *	Anticipated Total Number of Project-Based Vouchers Leased Up or Issued to a Potential Tenant at the End of the Fiscal Year *
1,326	1,308

Actual Total Number of Project-Based Vouchers Committed at the End of the Fiscal Year	Actual Total Number of Project-Based Vouchers Leased Up or Issued to a Potential Tenant at the End of the Fiscal Year
1,307	1,307

* From the Plan

Other Changes to the Housing Stock that Occurred During the Fiscal Year

One Project-Based Voucher (PBV) Housing Assistance Payment (HAP) contract with three vacant units was terminated. In addition, 16 PBV units were converted into Senior Preservation Rental Assistance Contracts (SPRAC) as requested by the owner.

Onizuka Crossing Apartments and Donner Lofts were completed towards the end of FY2016. Eight PBVs were leased up at Onizuka Crossing Apartments during the fiscal year. Five PBVs each for Onizuka Crossing Apartments and Donner Lofts were issued to potential tenants at the end of the fiscal year.

Examples of the types of other changes can include but are not limited to units that are held off-line due to the relocation of residents, units that are off-line due to substantial rehabilitation and potential plans for acquiring units.

General Description of Actual Capital Fund Expenditures During the Plan Year

No MTW funds were used for capital fund expenditures for public housing units during the fiscal year.

Overview of Other Housing Owned and/or Managed by the PHA at Fiscal Year End

Housing Program *	Total Units	Overview of the Program
Tax Credit	1,153	Senior Tax Credit Housing. This program includes non-elderly disabled and Project Based Vouchers or Project Based Assistance.
Tax Credit	1,045	Family Tax Credit Housing. This program includes Project Based Vouchers or Project Based Assistance.
Other	23	Public and Other HUD Assisted Housing. This program includes Project Based Vouchers or Project Based Assistance.
Total Other Housing Owned and/or Managed	2,221	

* **Select Housing Program from:** Tax-Credit, State Funded, Locally Funded, Market-Rate, Non-MTW HUD Funded, Managing Developments for other non-MTW Public Housing Authorities, or Other.

If Other, please describe: Public and Other HUD Assisted Housing. This program includes Project Based Vouchers or Project Based Assistance.

II.5.Report.Leasing

B. MTW Report: Leasing Information

Actual Number of Households Served at the End of the Fiscal Year

Housing Program:	Number of Households Served* Planned	Number of Households Served* Actual
Number of Units that were Occupied/Leased through Local Non-Traditional MTW Funded Property-Based Assistance Programs **	178	252
Number of Units that were Occupied/Leased through Local Non-Traditional MTW Funded Tenant-Based Assistance Programs **	0	0
Port-In Vouchers (not absorbed)	0	0
Total Projected and Actual Households Served	178	252

* Calculated by dividing the planned/actual number of unit months occupied/leased by 12.

** In instances when a Local, Non-Traditional program provides a certain subsidy level but does not specify a number of units/Households Served, the PHA should estimate the number of Households served.

Housing Program:	Unit Months Occupied/Leased**** Planned	Unit Months Occupied/Leased**** Actual
Number of Units that were Occupied/Leased through Local Non-Traditional MTW Funded Property-Based Assistance Programs ***	2,136	3,024
Number of Units that were Occupied/Leased through Local Non-Traditional MTW Funded Tenant-Based Assistance Programs ***	0	0
Port-In Vouchers (not absorbed)	0	0
Total Projected and Annual Unit Months Occupied/Leased	2,136	3,024

The number of actual units was more than the planned units to be occupied/leased through Local Non-Traditional MTW Funded Property-Based Assistance Programs because the 74 units at Ford and Monterey Apartments, where MTW funds were used, were inadvertently excluded in the FY2016 MTW Annual Plan. Beginning September 2014, HACSC absorbed all port-ins.

*** In instances when a local, non-traditional program provides a certain subsidy level but does not specify a number of units/Households Served, the PHA should estimate the number of households served.

**** Unit Months Occupied/Leased is the total number of months the housing PHA has occupied/leased units, according to unit category during the year.

	Average Number of Households Served Per Month	Total Number of Households Served During the Year
Households Served through Local Non-Traditional Services Only	N/A	N/A

Reporting Compliance with Statutory MTW Requirements: 75% of Families Assisted are Very Low-Income

HUD will verify compliance with the statutory objective of "assuring that at least 75 percent of the families assisted by the Agency are very low-income families" is being achieved by examining public housing and Housing Choice Voucher family characteristics as submitted into the PIC or its successor system utilizing current resident data at the end of the agency's fiscal year. The PHA will provide information on local, non-traditional families provided with housing assistance at the end of the PHA fiscal year, not reported in PIC or its successor system, in the following format:

Fiscal Year:	2011	2012	2013	2014	2015	2016	2017	2018
Total Number of Local, Non-Traditional MTW Households Assisted	N/A	N/A	279	425	252	252		
Number of Local, Non-Traditional MTW Households with Incomes Below 50% of Area Median Income	N/A	N/A	238	372	242	235		
Percentage of Local, Non-Traditional MTW Households with Incomes Below 50% of Area Median Income	N/A	N/A	85%	88%	96%	93%		

Reporting Compliance with Statutory MTW Requirements: Maintain Comparable Mix

In order to demonstrate that the statutory objective of "maintaining a comparable mix of families (by family size) are served, as would have been provided had the amounts not been used under the demonstration" is being achieved, the PHA will provide information in the following formats:

Baseline for the Mix of Family Sizes Served

Family Size:	Occupied Number of Public Housing units by Household Size when PHA Entered MTW	Utilized Number of Section 8 Vouchers by Household Size when PHA Entered MTW	Non-MTW Adjustments to the Distribution of Household Sizes *	Baseline Number of Household Sizes to be Maintained	Baseline Percentages of Family Sizes to be Maintained
1 Person	418	5,109	N/A	5,527	33%
2 Person	107	3,767	N/A	3,874	23%
3 Person	12	2,919	N/A	2,931	18%
4 Person	13	2,152	N/A	2,165	13%
5 Person	3	1,181	N/A	1,184	7%
6+ Person	2	914	N/A	916	6%
Totals	555	16,042	N/A	16,597	100%

Explanation for Baseline Adjustments to the Distribution of Household Sizes Utilized	Non-Applicable

Mix of Family Sizes Served

	1 Person	2 Person	3 Person	4 Person	5 Person	6+ Person	Totals
Baseline Percentages of Household Sizes to be Maintained **	33%	23%	18%	13%	7%	6%	100%
Number of Households Served by Family Size this Fiscal Year ***	6,740	3,957	2,011	1,599	956	730	15,993
Percentages of Households Served by Household Size this Fiscal Year ****	42%	25%	13%	10%	6%	5%	100%
Percentage Change	9%	1%	-5%	-3%	-1%	-1%	0%

Justification and Explanation for Family Size Variations of Over 5% from the Baseline Percentages	During FY2016, most of the new families admitted to the program have been selected from the Project Based Voucher (PBV) waiting list to fill PBV vacancies and for targeted and pre-committed voucher programs, such as Veterans Affairs Supportive Housing and the Chronically Homeless Direct Referral Program. 83% of HACSC's PBV units are SRO's, Studios and 1 Bedrooms (most are for senior housing projects) and the CHDR/VASH programs assist homeless and chronically homeless individuals who typically have a family size of one.

* "Non-MTW adjustments to the distribution of family sizes" are defined as factors that are outside the control of the PHA. Acceptable "non-MTW adjustments" include, but are not limited to, demographic changes in the community's population. If the PHA includes non-MTW adjustments, HUD expects the explanations of the factors to be thorough and to include information substantiating the numbers used.

** The numbers in this row will be the same numbers in the chart above listed under the column "Baseline percentages of family sizes to be maintained."

*** The methodology used to obtain these figures will be the same methodology used to determine the "Occupied number of Public Housing units by family size when PHA entered MTW" and "Utilized number of Section 8 Vouchers by family size when PHA entered MTW" in the table immediately above.

**** The "Percentages of families served by family size this fiscal year" will reflect adjustments to the mix of families served that are directly due to decisions the PHA has made. HUD expects that in the course of the demonstration, PHAs will make decisions that may alter the number of families served.

Description of any Issues Related to Leasing of Public Housing, Housing Choice Vouchers or Local, Non-Traditional Units and Solutions at Fiscal Year End	
Housing Program	**Description of Leasing Issues and Solutions**
Federal MTW Public Housing Units	HACSC did not have any issues related to the leasing of these units.
Federal MTW Housing Choice Voucher Program	The rental market in Santa Clara County continues to be one of the most expensive in the nation. In FY2016, the average open market contract rent in Santa Clara County was $2,654 (a 3% increase from last year) and vacancy rates were less than 4%. This has resulted in continuing issues in voucher holders ability to find a rental unit that will accept Section 8. HACSC took alleviating steps by increasing its payment standards, owner outreach and other solutions. However, the long-term solution is to increase the affordable housing stock in the county. In FY2016, as part of its strategic action to increase the supply of affordable housing in the county, HACSC selected 9 projects for the conditional award of 443 PBVs out of the 1,000 PBVs approved for issuance in FY2015 through a competitive slection process. Additionally, HACSC utilized the recently approved MTW Activity 2016-2 in project basing 80 additional units for one of the 9 projects previously considered for an award of PBVs. The remaining 477 PBVs will be awarded through a competitive selection process in FY2017.
Federal MTW Non-Traditional Activities	HACSC did not have any issues related to the leasing of these units.

Number of Households Transitioned To Self-Sufficiency by Fiscal Year End		
Activity Name/#	**Number of Households Transitioned ***	**Agency Definition of Self Sufficiency**
Reduced Frequency of Tenants Reexaminations/2009-1	237	Households who leave assistance voluntarily, or after 180 days of zero Housing Assistance Payments.
Expand Tenant Services at HACSC- or Affilate-owned Affordable Housing Properties/ Activity 2012-5	0	HACSC did not utilize this activity during FY2016
Households Duplicated Across Activities/Definitions	0	* The number provided here should match the outcome reported where metric SS #8 is used.
ANNUAL TOTAL NUMBER OF HOUSEHOLDS TRANSITIONED TO SELF SUFFICIENCY	237	

II.6.Report.Leasing

C. MTW Report: Wait List Information

Wait List Information at Fiscal Year End

Housing Program(s) *	Wait List Type **	Number of Households on Wait List	Wait List Open, Partially Open or Closed ***	Was the Wait List Opened During the Fiscal Year
Federal MTW Public Housing Units	Community-Wide	708	Closed	No
Federal MTW Housing Choice Voucher Program	Program Specific	17,692	Closed	No
Federal MTW Non-Traditional Activities	Site Based	4,346	Closed	Yes

More can be added if needed.

* *Select Housing Program* : Federal MTW Public Housing Units; Federal MTW Housing Choice Voucher Program; Federal non-MTW Housing Choice Voucher Units; Tenant-Based Local, Non-Traditional MTW Housing Assistance Program; Project-Based Local, Non-Traditional MTW Housing Assistance Program; and Combined Tenant-Based and Project-Based Local, Non-Traditional MTW Housing Assistance Program.

** *Select Wait List Types:* Community-Wide, Site-Based, Merged (Combined Public Housing or Voucher Wait List), Program Specific (Limited by HUD or Local PHA Rules to Certain Categories of Households which are Described in the Rules for Program Participation), None (If the Program is a New Wait List, Not an Existing Wait List), or Other (Please Provide a Brief Description of this Wait List Type).

*** For Partially Open Wait Lists, provide a description of the populations for which the waiting list is open.

N/A

If Local, Non-Traditional Program, please describe:

In FY2016, the wait list for Bendorf Apartments was unexpectedly opened due to tax credits requirements, which resulted in an increase in the number of households on the wait list from 400 to 918. The number of households on the wait list for Clarendon Apartments decreased from 300 to 198. In addition, the total number of households on the wait list for Ford and Monterey Apartments was incorrectly reported as 3,000 instead of 3,300 in the FY2016 MTW Annual Plan. There are a total of 4,346 households on the wait lists, which currently are closed.

If Other Wait List Type, please describe:

The total number of households on the wait list for HACSC's four public housing units was incorrectly reported as 143 instead of 743 in the FY2016 MTW Annual Plan. The total number of households on the waitlist has decreased to 708.

If there are any changes to the organizational structure of the wait list or policy changes regarding the wait list, provide a narrative detailing these changes.

In February 2015, HACSC's Board of Commissioners authorized the issuance of 500 vouchers to households on the wait list. HACSC reached out to over 5,000 households on the wait list, of which 500 households were determined eligible and issued vouchers by the end of FY2016. Close to 3,100 households were withdrawn from the wait list due to various reasons such as ineligibility, non-responsiveness, or per applicant's request.

III. PROPOSED MTW ACTIVITIES

All proposed activities that are granted approval by HUD are reported on in Section IV as "Approved Activities."

IV. APPROVED MTW ACTIVITIES: HUD APPROVAL PREVIOUSLY GRANTED

To date, HACSC has had 36 activities approved by HUD. Of these, nine were closed out. HACSC closed out two activities (Activity 2009-3: Reduced Frequency of Inspections and Activity 2009-10: Selection of HACSC-owned Public Housing Projects for PBV without Competition) during FY2016, as indicated in the activity status summaries. Except where indicated in the activity status explanation, HACSC did not revise the activities' metrics, baselines, or benchmarks, nor make any changes or modifications to the activities during the Plan year.

A. IMPLEMENTED ACTIVITIES

ACTIVITY 2009-1: REDUCED FREQUENCY OF TENANT REEXAMINATIONS

DESCRIPTION OF MTW ACTIVITY

In 2009, this activity was implemented to reduce the frequency of reexaminations of family income and composition from annually to once every three years for households with only fixed income sources and once every two years for all other households. HACSC amended and re-proposed Activity 2009-1 in FY2015 to include its remaining four public housing units under the activity and again in FY2016 to discontinue the use of the HUD 9886 form. HACSC created its own Authorization to Release Information Form that expires 42 months from the date it was signed.

IMPACT OF ACTIVITY

The cost savings from this activity allows HACSC to implement initiatives that further enhance program efficiencies. New initiatives include the creation of two new units within the Housing Department: Training and Outreach and Compliance units. The Training and Outreach unit was designed to increase training opportunities for staff to develop interpersonal, technical, and leadership skills; and provide outreach to agency stakeholders and informational workshops and classes to applicants, participants, and owners. The Compliance unit was created to implement an ongoing comprehensive quality control plan for all work processes in the agency's subsidized housing programs.

This activity can also promote economic self-sufficiency by creating an incentive for families to seek and retain employment. HACSC's current interim reexamination policy allows families to retain the savings resulting from income increases between regular reexaminations. HACSC will not apply the higher income, resulting in an increased tenant rent portion, until the next scheduled reexamination. Therefore, families have a longer period of time between regular reexaminations to enjoy the benefits of higher income.

IMPACT OF RENT REFORM ACTIVITY

This activity qualifies as a Rent Reform Initiative because it involves a change in the rent calculation method. In FY2016, no participants requested a hardship exemption from this activity. However, if a hardship request is received it will be handled on a case by case basis.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, 7,114 biennial and triennial reexaminations were completed. HACSC exceeded its cost and time savings benchmarks with a total cost of $741,308 and 28,495 labor hours in completing the reexaminations. If this activity was removed, HACSC would have spent a minimum of $1,640,509 in total cost and 61,930 labor hours completing the required annual reexaminations for all participants. Through this activity, HACSC realized a cost savings of at least $795,789 and labor of at least 33,434 hours and $795,789 in total labor cost savings.

Some of the benchmarks were not achieved because the benchmarks are affected by several MTW activities and/or economic factors unrelated to MTW. For instance, the benchmark on tenant rent share (Metric CE #5) decreased to a total of $5,602,832. However, the tenant rent portion did not decrease due to Activity #2009-1. The decrease in tenant rent share can be attributed to Activity #2014-4, which allows HACSC to raise the raise the Tenant's Rent Portion up to the 35% percent of their gross income, currently set at 32% of the tenant's gross income. The deduction of total tenant rent share can also be attributed to HACSC's lower voucher utilization rates by an overall reduction of participants housed in units.

Additionally, HACSC did not anticipate that this activity would increase positive outcomes in employment status and would lead to households transitioning to self-sufficiency and that is borne out based on the results for this fiscal year.

Activity 2009-1: Reduced Frequency of Tenant Reexaminations				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$1,640,509	$820,254	$741,308	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	61,930	30,965	28,495	Yes
CE #5: Increase in Tenant Rent Share				
Tenant rent share in dollars (increase).	$8,065,166	$8,065,166*	$5,602,832	No
SS #1: Increase in Household Income				
Average earned income of households affected by this policy in	$23,021	$23,021**	$17,527	No

dollars (increase).				
SS # 3: Increase in Positive Outcomes in Employment Status				
Number of Head of Households employed.	4,317	4,317*	2,833	No
Number of Head of Households employed full-time.	N/A***			
Number of Head of Households employed part-time.				
Number of Head of Households enrolled in an educational program.	N/A****			
Number of Head of Households enrolled in job training program.	N/A****			
Number of Head of Households unemployed.	436	436*	172	Yes
Number of Head of Households in Other Category (ex: receiving TANF, SSI, Child Support, General Assistance, etc.).	15,211	15,211*	8,598	Yes
SS # 4: Households Removed from Temporary Assistance for Needy Families (TANF)				
Number of households receiving TANF assistance (decrease).	1,955	1,955*	603	Yes
SS #8: Households Transitioned to Self-Sufficiency				
Number of households transitioned to self-sufficiency (increase).*****	322	322**	237	No

*HACSC does not anticipate that this activity will increase the Agency's rental revenue, increase positive outcomes in employment status, or decrease the number of households on TANF assistance. The "tenant rent share in dollars" baseline amount is the total amount that households pay toward rent per month as of the beginning of FY2015.

**HACSC does not expect that this activity will lead to households transitioning to self-sufficiency.

***HACSC does not track whether employment is full-time or part-time.

****HACSC does not track whether a Head of Household is enrolled in an educational program and/or a job training program.

*****Self-sufficiency is defined as households who leave assistance voluntarily, or after 180 days of zero Housing Assistance Payments.

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-2: EXPEDITING INITIAL ELIGIBILITY INCOME VERIFICATION PROCESS

DESCRIPTION OF MTW ACTIVITY

In FY2009, this activity was implemented to extend the time period in which application documents are valid, from 60 days to 120 days.

IMPACT OF ACTIVITY

Extending the documentation timeframe provides labor savings, both to applicants and to HACSC. With this activity, applicants do not need to repeatedly provide updated income and asset documentation if the previously provided information becomes too old (dated older than 60 days from voucher issuance). This activity was initially proposed to allow HACSC to transfer residents affected by the public housing disposition (which occurred between 2007 and 2011) to the Project Based Voucher program with no lapse in assistance, but has been helpful in saving time during other times of increased workload when there might be delays between determining initial eligibility and voucher issuance.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

During FY2016, HACSC utilized the extended 120-day document submission window for the voucher issuance of 27 applicants. If this activity was removed, the labor time related to requesting updated income verification for dated documents would cost the Agency a minimum of $810 annually. HACSC met all the benchmarks in this activity.

Activity 2009-2: Expediting the Initial Eligibility Income Verification Process				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$810	$0	0	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	30	0	0	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity’s metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-5: EXPLORING NEW HOUSING OPPORTUNITIES FOR THE CHRONICALLY HOMELESS

DESCRIPTION OF MTW ACTIVITY

The Chronically Homeless Direct Referral (CHDR) program is a locally-designed program launched in FY2009 that serves the chronically homeless population in Santa Clara County. Following a housing-first model, chronically homeless individuals and families not on the voucher waiting list are referred for tenant-based housing assistance and connected to case management services. These services can include assistance with the initial process of securing housing, as well as various referrals and services to help the families maintain housing stability and achieve reintegration into the community. Since the program's inception, HACSC has worked closely with community partners and service providers to continually adapt the program design to address ongoing local needs.

IMPACT OF ACTIVITY

This activity increases housing choices and mobility by assisting the homeless population through a more targeted and efficient process than the standard voucher waiting list system. CHDR program participants are directly referred from the streets and connected to supportive services. Since its inception, HACSC has committed a total of 300 vouchers to the chronically homeless population in Santa Clara County.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

During FY2016, 15 families were housed through the CHDR program at Project-Based Voucher (PBV) units, seven at Parkside Studios and eight at Onizuka Crossing Apartments. Parkside Studios was completed towards the end of FY2015, but leased in FY2016. A net total of 277 households received assistance and experienced an increase in residential mobility since the program's inception. Those households did not need to wait for an average of 87 months to be housed because this activity allows them to be identified directly from the streets and receive assistance rather than through the standard voucher waiting list system.

HACSC expects that it will assist another ten chronically homeless individuals in FY2017 through this activity. However, HACSC will not meet the current benchmarks for Metrics HC #5 and HC #7 because 13 households who received vouchers let the terms, including extensions of their vouchers expire without finding housing units.

Activity 2009-5: Exploring New Housing Opportunities for the Chronically Homeless				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
HC #3: Decrease in Wait List Time				
Average applicant time on wait list in months (decrease).	87	0	0	Yes
HC #5: Increase in Resident Mobility				
Number of households able to move to a better unit and/or neighborhood of opportunity as a result of the activity (increase).	0	300 (with an annual 3% attrition rate)	277	No
HC #7: Households Assisted by Services that Increase Housing Choice				
Number of households receiving services aimed to increase housing choice (increase).	0	300 once fully leased up (with an annual 3% attrition rate)	277	No

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-8: 30-DAY REFERRAL PROCESS FOR PROJECT-BASED VACANCIES

DESCRIPTION OF MTW ACTIVITY

This activity was implemented in FY2010, and allows owners to directly refer applicants after 30 days of unsuccessful attempts to fill the unit using referrals from the HACSC waiting list. This activity reduces the unit vacancy time for owners and the resultant loss in money, thus ensuring the continuation of the PBV contract and the affordability of the units for low-income households.

IMPACT OF ACTIVITY

This activity was designed to reduce the necessary outreach to fill a vacant PBV unit from the HACSC waiting list, thus supporting program cost effectiveness. It also has the added benefit of increasing owner satisfaction with the PBV program by filling vacancies more expeditiously. In the first three years of implementation, the activity was highly successful, reducing the average number of days a PBV unit is vacant by 25 days.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

There were 100 PBV vacancies that occurred in FY2016. HACSC saved approximately 15 minutes per vacancy by allowing owner referrals after 30 days of unsuccessful attempts by owners to fill their vacancies through HACSC's referrals. This amounted to a total labor savings of 25 hours this year resulting in labor cost savings of $1,700. The total cost of task in dollars decreased to $18 per transaction because the task (sending waiting list referrals for a vacant PBV unit) was reassigned from a manager's responsibility to a housing compliance analyst function. HACSC met the benchmarks for this activity.

Activity 2009-8: 30-Day Referral Process for Project-Based Vacancies				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$3,500	$2,300	$1,800	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	75 Hours	50 Hours	50 Hours	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-9: UTILIZATION OF LOW INCOME HOUSING TAX CREDIT (LIHTC) TENANT INCOME CERTIFICATION (TIC) FOR INCOME AND ASSET VERIFICATION

DESCRIPTION OF MTW ACTIVITY

This activity, first implemented in FY2010, allows HACSC to use the Tenant Income Certification (TIC) form required under the LIHTC Program as verification of the family's income and assets, thereby streamlining the process. HACSC staff currently uses property-owner TIC documentation to verify applicant income and assets, saving staff time to gather and calculate annual household income.

IMPACT OF ACTIVITY

Using TIC documentation alleviates cost and labor hours in verifying applicant and participant income and assets and expedites income eligibility determination for new admission and reexamination.

Additionally, the length of time to process an application was reduced from an average of 46 days to an average of 23 days. Besides providing a benefit to applicants, this activity also reduces HACSC's administrative burden and achieves greater cost effectiveness in federal spending.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, HACSC completed a total of 117 initial certifications, each taking approximately three hours. Through this activity, HACSC saved approximately 98 staff hours to gather and calculate the annual household income of 117 families, and reduced the total cost by $2,245 to verify their income and assets. As indicated in the table below, the value of the labor time saved has remained consistent with the benchmark.

Activity 2009- 9: Utilization of Low Income Housing Tax Credit (LIHTC) Tenant Income Certification (TIC) for Income and Asset Verification				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$10,240	$7,995	$7,995	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	449 hours	351 Hours	351 Hours	Yes

The Agency has saved 646 total labor hours since this activity's implementation by using the owner-provided TIC to verify a PBV applicant family's income and assets, resulting in a total direct labor savings of $14,854. Annual savings continue to vary year-by-year, depending on the number of applicants moving into LIHTC properties.

Activity 2009-9 Aggregate Savings								
Metrics	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**Totals**
# of Certifications Completed Using Owner-Provided TIC.	199	77	170	58	46	108	117	775
# of Labor Hours Saved.	166	64	142	48	38	90	98	646
Labor Dollars Saved.	3,819	$1,478	$3,262	$1,113	$900	$2,073	$2,245	$14,854

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-11: PROJECT-BASE 100% OF UNITS IN FAMILY PROJECTS

DESCRIPTION OF MTW ACTIVITY

Implemented in FY2010, this MTW Activity allows HACSC to project-base more than 25% of the units in existing multi-family complexes without requiring participation in supportive services. Participation in supportive services is not mandatory, however, services must be provided, and families must be made aware of and encouraged to participate in these services. This MTW activity increases housing choices for low-income families by making the units more attractive to families who do not want or need supportive services. The activity continues to reduce HACSC's administrative burden by removing the required compliance monitoring for families living in the "excepted" units (units above the 25% cap).

IMPACT OF ACTIVITY

HACSC saves approximately one staff labor hour per unit annually by eliminating the required quarterly compliance reviews to ensure that families are using supportive services.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, HACSC did not project base any family housing projects. Supportive services continued to be available on-site for the four earlier project-based family projects (Eklund I Apartments, Miramar Way, Julian Gardens, and Lucretia Gardens) throughout all of FY2016.

Activity 2009-11: Project Base 100% of Units in Family Projects				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
HC #4: Displacement Prevention				
Number of households at or below 80% AMI that would lose assistance or need to move (decrease). These units serve families.	36	0	N/A	N/A

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity’s metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-13: COMBINED WAITING LIST FOR THE COUNTY OF SANTA CLARA AND THE CITY OF SAN JOSÉ

DESCRIPTION OF MTW ACTIVITY

In 1976, HACSC entered into an agreement with the Housing Authority of the City of San Jose to administer housing assistance programs on behalf of both the City of San José and the County of Santa Clara. In accordance with this agreement, HACSC is allowed to operate under one Annual Plan, one Administrative Plan, and one MTW plan for both housing authorities. In 2009, this activity was implemented to allow HACSC to operate using one Waiting List for both housing authorities.

This activity applies to a joint waiting list of the Housing Choice Voucher (HCV) and the Project-Based Voucher (PBV) Programs.

IMPACT OF ACTIVITY

This activity allows HACSC to increase cost effectiveness in federal expenditures. The implementation of a combined Waiting List for the City and County HCV programs also increases housing choices for low-income families who now have the ability to rent throughout Santa Clara County.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

As indicated in the table below, the value of the labor time saved has remained consistent with the benchmark. If this activity was removed, the labor time related to administering two waiting lists would cost the Agency a minimum of $8,325 annually.

Activity 2009-13: Combined Waiting List for the County of Santa Clara and the City of San José				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$8,325	$0	$0	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	380	0	0	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2009-14: PAYMENT STANDARD CHANGES BETWEEN REGULAR REEXAMINATIONS

DESCRIPTION OF MTW ACTIVITY

Current HUD regulations require that if a family's unit (voucher) size changes between regular reexaminations, the new voucher size and corresponding payment standard will be effective when the family moves or at the first regular reexamination following the change, whichever comes first. Given the reduction in frequency of regular reexaminations for HACSC's MTW families, a program participant who reports a family composition change that decreases its voucher size between regular reexaminations may be over-housed up to three years and cause HACSC to pay a higher portion of Housing Assistance Payment (HAP).

Under this activity, HACSC immediately implements any changes in voucher size that occur between regular reexaminations as a result of family composition changes or subsidy size policy changes. HACSC continues to follow HUD regulations by using the lower of the payment standard for the family's new voucher size or the payment standard for the dwelling unit when processing the interim reexamination. If the application of the new payment standard results in a decrease of the tenant's rent portion, the interim reexamination will be effective on the first of the month following the change. If the application of the new payment standard results in an increase of the tenant's rent portion, the interim reexamination will be effective on the first of the month following a 30-day notice to the tenant and owner.

IMPACT OF ACTIVITY

This activity, implemented in FY2009 and amended in FY2014, allows HACSC to effectuate an immediate change in voucher size and its corresponding payment standard when a change in family composition or a change in HACSC's voucher size policy occurs between regular reexaminations. HACSC realizes substantial HAP cost savings, which were anticipated by allowing new payment standards to take effect at the time of interim reexaminations instead of regular reexaminations. Based on the data outlined below, this activity is on schedule and meets the MTW objective of reducing federal expenditures.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

HACSC processed 563 interim reexaminations resulting from a change in family composition. There were not any subsidy size policy changes during FY2016. HACSC exceeded its cost savings benchmark with a total of $207,764,049 in HAP payments for FY2016. The HAP savings amounts may not be fully attributable solely to this activity because it is extremely difficult to clearly identify what portion of the overall HAP savings is due to the immediate implementation of a new voucher size when family composition changes. A range of other factors contributed to HACSC's overall reduction of HAP payments, which included other cost-savings MTW activities, and a lower voucher utilization rate due to economic and rental market conditions in Santa Clara County.

Activity 2009-14: Payment Standard Changes Between Regular Reexaminations				
Unit of Measurement	Baseline	Benchmark	Outcome	Benchmark Achieved?
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).*	$246,302,481	$246,059,768	$207,764,049	Yes

*This metric reflects HAP savings realized through this activity and Activity 2014-4 (Increased Tenant Contribution). Changes in HAP may also be attributable to multiple causes – the combined effect of several MTW activities and/or economic factors unrelated to MTW.

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2010-2: EXCLUDING ASSET INCOME FROM INCOME CALCULATIONS FOR FAMILIES WITH ASSETS UNDER $50,000

With this activity, HACSC no longer calculates and includes income received from family assets under $50,000. Since implementation in FY2010, HACSC has met the statutory objective of reducing administrative costs and has encouraged families to increase their savings. HACSC continues to realize savings in staff hours and cost of tasks.

IMPACT OF ACTIVITY

This activity addresses the statutory objective of reducing administrative costs and may help families move toward economic self-sufficiency by encouraging saving. The majority of participant families have assets under $50,000.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a rent reform initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, 5,156 MTW families with assets under $50,000 had income calculations completed. With an approximate 10 minutes per transaction labor savings achieved by no longer calculating asset income for these families, HACSC realized a total labor savings of 859 hours. As a result, the Agency saved $64,966, and met its cost and time savings and error rate benchmarks for FY2016.

Activity 2010-2: Excluding Asset Income from Income Calculations for Families with Assets Under $50,000				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$451,253	$386,288	$386,288	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	19,765 hours	18,905 hours	18,905 hours	Yes
CE #3: Decrease in Error Rate of Task Execution				
Average error rate in completing a task as a percentage (decrease).	0%	0%	0%	Yes

HACSC has saved a total of 5,460 labor hours since the activity's implementation by eliminating the calculation of income from family assets under $50,000. The number of families reporting assets may vary from year to year and therefore the amount of savings will vary each year.

Activity 2010-2: Aggregate Savings								
Metrics	**FY2010**	**FY2011**	**FY2012**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**Totals**
# of transactions completed for families reporting assets under $50,000.	1,451	5,308	6,164	5,768	4,407	4,496	5,156	32,750
# of Labor Hours Saved.	242	885	1,027	962	735	750	859	5,460
Labor Cost Saved.	$18,283	$66,881	$77,666	$71,639	$55,528	$56,650	$64,966	$411,613

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2010-3: APPLYING CURRENT INCREASED PAYMENT STANDARDS AT INTERIM REEXAMINATIONS

DESCRIPTION OF MTW ACTIVITY

This activity, implemented in FY2010, allows the application of the current payment standard (if the payment standard has increased since the family's last regular reexamination) to the rental assistance calculation at interim reexaminations. Since its implementation in FY2010, HACSC has met the statutory objective of reducing administrative costs and increasing housing choice for low-income families. HACSC has realized savings in staff hours and costs of tasks.

IMPACT OF THE ACTIVITY

By using a higher payment standard at interim reexaminations, this activity lessens the rent burden for some MTW families and thereby increases their housing choices by helping maintain their unit's affordability. This activity was also intended to reduce administrative costs by reducing staff time required to process family moves into a less expensive unit. HACSC raised its payment standards on August 1, 2015 and September 1, 2015 and again on February 1, 2016. The increases in payment standard benefited MTW families whose approved gross rents exceed the maximum subsidy payment standards for their units, allowing them to maintain their unit's affordability. As a result, those families did not have to move into a less expensive unit.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a rent reform initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

HACSC used this activity in FY2016 because the Payment Standards were increased on August 1, 2015, and September 1, 2015 and again on February 1, 2016. Payment standards remain between 90% and 110% of current Fair Market Rents.

There were 2,703 MTW families who had an increased payment standard applied at an interim reexamination in FY2016. Of those families who had an increased payment standard, 1,291 had a rent burden (defined as paying more than 32% of their income towards the rent) prior to HACSC raising the payment standards. The number of families with rent burden decreased to 209 after the application of the increases in the payment standards.

In addition, 106 families who had an increased payment standard moved from their unit, of which only 13 had a rent burden when they moved. By using the higher payment standard, HACSC was able to decrease the number of families paying more than 32% of their income towards the rent which may have contributed to the decrease in the number of families who moved with rent burden.

HACSC spent 29 labor hours with a total cost of $822 processing the move outs for the 13 families, and realized cost saving of at least $37,151 and time saving of 1,364 labor hours. The lack of affordable and suitable housing units in the area served as a discouragement for families move despite the increases in the payment standards. The number of families with rent burden who moved has significantly dropped since this activity's implementation. The Housing Authority attributes the increase in average HAP for families having interim reexaminations in FY2016 to the higher payment standards and to rising rental prices.

Activity 2010-3: Applying Current Payment Standards at Interim Reexaminations				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total Cost of Task in dollars (decrease).	$37,973	$30,368	$822	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	1,393	1,114	29	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2010-4: ALLOCATING PROJECT-BASED VOUCHERS TO HACSC-OWNED PROJECTS WITHOUT COMPETITION

DESCRIPTION OF MTW ACTIVITY

This activity, implemented in FY2010, allows HACSC to select HACSC-owned housing sites for project-based assistance without a competitive process, saving staff time through labor hours and increased costs associated with a competitive process. With the closing of Activity 2009-10 (Selection of HACSC-owned public housing projects for PBV without competition) in FY2015, HACSC will use this activity in project basing the remaining four public housing units in the future.

IMPACT OF THE ACTIVITY

This activity eliminates the lengthy three-month competitive project-basing process for HACSC-owned properties, saving staff time, labor costs, and administrative costs. Therefore, HACSC can accelerate its production and/or preservation of affordable housing, thereby increasing housing options for low-income families.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

HACSC did not use this activity during FY2016.

Activity 2010-4: Allocating Project-Based Vouchers to HACSC-Owned Projects Without Competition				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	\$8,578	\$0	N/A	N/A
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	158	0	N/A	N/A

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2011-1: STREAMLINED APPROVAL PROCESS FOR EXCEPTION PAYMENT STANDARD FOR REASONABLE ACCOMMODATION – HCV

DESCRIPTION OF MTW ACTIVITY

This activity was implemented in FY2011 to allow HACSC to approve any requests for an exception payment standard above 110% of the published Fair Market Rent (FMR), as a reasonable accommodation for persons with disabilities. Under current HUD regulations, HUD approves the requests for an exception standard above 110% of the published FMRs. The length of time it takes for HUD to review and approve each exception payment standard request affects the tenant's opportunities to secure an accessible unit expeditiously.

IMPACT OF ACTIVITY

This activity improves HACSC's responsiveness to the needs of persons with disabilities who may have special housing requirements by relegating from HUD the approval process of an exception payment standard as a reasonable accommodation. As a result of the accelerated approval process of an exception to the payment standard, families with members that have disabilities have increased housing choices.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

During FY2016, HACSC authorized exception payment standards above 110% of the FMR as a reasonable accommodation for 6 households. As a result, the 6 households were no longer at risk of losing their assistance and were able to move to a more suitable unit that accommodated their special housing needs.

Activity 2011-1: Streamlined Approval Process for Exception Payment Standard for Reasonable Accommodation				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
HC #4: Displacement Prevention				
Number of households at or below 80% AMI that would lose assistance or need to move (decrease).	3	0	0	Yes

HC #5: Increase in Resident Mobility				
Number of households able to move to a better unit and/or neighborhood of opportunity as a result of the activity (increase).	0	3	6	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2011-2: SIMPLIFY REQUIREMENTS REGARDING THIRD-PARTY INSPECTIONS AND RENT SERVICES

DESCRIPTION OF MTW ACTIVITY

Implemented in FY2011, this activity waives the regulatory requirement in which HUD must approve a designated, qualified independent agency to conduct Housing Quality Standards (HQS) inspections and rent reasonableness services for HACSC-owned units. The qualifying independent agency conducts both initial and regularly scheduled HQS inspections, as well as rent reasonableness services for initial contracts and requested rent adjustments. This activity also allows HACSC to waive the second part of the HUD regulation requiring the independent agency to supply copies of each HQS inspection report and rent reasonableness determination to the HUD field office.

IMPACT OF ACTIVITY

HACSC continues to benefit from the reduced costs and administrative streamlining related to this activity. The reduction in costs is achieved by eliminating unnecessary copying and mailing of inspection reports to HUD.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

HACSC has continued to work with its third-party inspection and rent reasonableness vendor for services related to all HACSC-owned or affiliated units. Savings for this activity are ongoing.

Activity 2011-2: Simplify Requirements Regarding Third-party Inspections and Rent Services				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$1,621	$0	$0	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	45	0	0	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2012-2: MINIMUM TWO-YEAR OCCUPANCY IN PROJECT-BASED UNIT

DESCRIPTION OF MTW ACTIVITY

This activity, implemented in FY2015, requires a Project Based Voucher (PBV) family to remain two full years in the PBV program before becoming eligible to request continued assistance with a tenant-based voucher when moving. This requirement has contributed to the occupancy stability in the PBV program and to a modest decrease in the number of PBV vacancies (in comparison to the total of PBV units) and associated turnover costs, including vacancy payments. The activity does not apply to families: (1) with an approved reasonable accommodation that requires them to move, (2) who experience a change in family composition that affects unit size, (3) who present other compelling reasons to move out, or (4) who request a move under the Violence Against Women Act (VAWA).

HACSC has created its own PBV Statement of Family Responsibility and PBV Tenancy Addendum forms to replace the HUD forms. HACSC versions remain the same as the HUD versions except for the stipulation on the two-year PBV residency requirement.

IMPACT OF ACTIVITY

This activity addresses the statutory objective of achieving greater cost effectiveness in federal expenditures by reducing Agency costs and staff time spent on processing turnover in PBV units.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, 37 eligible PBV families moved and received continued housing assistance through tenant-based vouchers. HACSC saved approximately 58 hours in labor hours this year resulting in labor cost savings of $3,315. Tenant-based vouchers were available for eligible PBV families wanting to move with continued housing assistance during FY2016. However, the lack of affordable and suitable housing units in the area continued to serve as a discouragement for eligible PBV families to move.

Activity 2012-2: Minimum Two-year Occupancy in Project-based Unit				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE # 1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$4,254	$2,127	$939	Yes
CE # 2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	83	42.5	25	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2012-3: CREATE AFFORDABLE HOUSING ACQUISITION AND DEVELOPMENT FUND

This activity implemented in FY2012 allows HACSC to use MTW funds to continue to seek and pursue opportunities to build new rental housing units. It also allows for the acquisition of existing land and/or units for new construction or rehabilitation.

With the implementation of this activity, HACSC's goals are to increase the supply of quality rental housing, and to serve a diverse range of resident populations many of which have special needs or are vulnerable populations.

IMPACT OF ACTIVITY

The exceptionally high cost of land and high market rents in Santa Clara County create a special challenge for developers of affordable housing. The situation has worsened in recent years due to a decrease in federal, state, and local funds for affordable housing. HACSC created this activity to generate more development activities throughout Santa Clara County. The activity was anticipated to lead to the development or rehabilitation of up to 250 units over five years, with affordability for low-income tenants and with an affordability restriction on the properties of up to 55 years.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

During this fiscal year, the amount of funds leveraged in dollars increased to $78.3 million exceeding the 5-year benchmark, which is in its second year. HACSC's use of $5.74 million to purchase 777 Park Avenue in San José enables the agency to develop two affordable housing projects that will have a total of 180 affordable housing units to serve very low and extremely low households. Laurel Grove Family Apartments, an 82-unit apartment building, commenced construction in June 2016. The project leveraged approximately $52 million in public and private funds. Another project to be developed at 777 Park Avenue, the 100-unit Park Avenue Senior Apartments, is anticipated to commence construction in December 2016. This project will also leverage public and private funds, which will be reported in the FY2017 report. HACSC will report on the number of additional housing unit made available upon the completion of the projects.

HACSC also used this activity to fund Eden Housing's Ford and Monterey Apartments project. Eden Housing received a loan of $5.76 million for development of 74 tax-credit units to serve very low and extremely low income household. The project was completed and fully leased in FY2015. HACSC waitlist families enjoyed a preference in the leasing process, and 44 of the 74 families leased up at project opening were from HACSC's waitlist. The development of Ford and Monterey Apartments leveraged approximately $26.3 million in public and private funds.

Activity 2012-3: Create Affordable Housing Acquisition and Development Fund				
Unit of Measurement	**Baseline**	**Benchmark (5 year)**	**Outcome**	**Benchmark Achieved?**
CE #4: Increase in Resources Leveraged				
Amount of funds leveraged in dollars (increase).	$0	$75 million	$78.3 million	Yes*
HC #1: Additional Units of Housing Made Available				
Number of new housing units made available for households at or below 80% AMI as a result of the activity (increase).	0	250 units	74	Yes*

*HACSC anticipates achieving its 5-year benchmark upon completion of the 777 Park Avenue housing project.
(Laurel Grove Family Apartments and Park Avenue Senior Housing).

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2015.

ACTIVITY 2012-4: CREATE AFFORDABLE HOUSING PRESERVATION FUND FOR HACSC AND AFFILIATE OWNED PROPERTIES

Using its broader use of funds authority, HACSC ensures the long-term stability and viability of existing HACSC- and affiliate-owned rental housing properties through the creation of an affordable housing preservation fund. The preservation fund, established in FY2012, currently allows HACSC to respond to both planned and unforeseen events and conditions that may impact the Agency's housing portfolio.

Additionally, the preservation fund provides predevelopment financing for existing low-income housing projects developed or owned by HACSC and allows HACSC, either directly, or through its affiliates, to leverage funds from other sources and to secure various guarantees (such as operating deficit, tax indemnification, and loan repayment guarantees) associated with the properties. Use of the fund also enables HACSC to conduct detailed capital needs assessments, review financial projections at each site, establish priorities for rehabilitation and refinancing, explore options for upgrading units and conduct other ongoing asset management activities.

IMPACT OF ACTIVITY

By 2017, HACSC expects to have used the fund to preserve up to 500 units of affordable housing, with an affordability restriction of at least 55 years. The preservation fund allows HACSC and affiliate-owned properties to remain affordable to existing and future tenants.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

To date, HACSC has used MTW funds to pay HUD loans on two properties that were rehabilitated: Clarendon and Bendorf (formerly known as Villa Garcia, Inc. and Villa San Pedro, Inc.). In FY2016, HACSC used MTW funds to support (in part) the costs of the asset management staff that oversee property management activities, ensure the portfolio's compliance with funding requirements, and undertake the long-range planning and risk analysis associated with the affordable housing portfolio. Use of MTW funds in support of asset management activities resulted in an approximate 6% increase in the agency's rental revenue.

By using MTW funds in the amounts of $920,000 for Clarendon and $1.96 million for Bendorf, HACSC has leveraged $24,010,000 in additional non-MTW funds for Clarendon and $35,730,000 in additional non-MTW funds (with $2,290,000 in prior loans remaining in place) for Bendorf.

Activity 2012-4: Create Affordable Housing Preservation Fund for HACSC and Affiliate-Owned Properties				
Unit of Measurement	**Baseline**	**Benchmark (5 year)**	**Outcome**	**Benchmark Achieved?**
CE #4: Increase in Resources Leveraged				
Amount of funds leveraged in dollars (increase).	$0	$20 million	$59.74 million	Yes
CE #5: Increase in Agency Rental Revenue				
Rental revenue in dollars (increase).	$29,514,440	$30,104,729	$32,313,022	Yes
HC #2: Units of Housing Preserved				
Number of housing units preserved for households at or below 80% AMI (increase).	0	500	178	No

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2013-1: ELIMINATION OF THE EARNED INCOME DISALLOWANCE (EID) CALCULATION

DESCRIPTION OF MTW ACTIVITY

This activity, implemented in FY2016, eliminates the HUD-mandated Earned Income Disallowance (EID) calculation for an eligible assisted household when an unemployed or under-employed member with disabilities obtains a job or increases their wages. The mandated Earned Income Disallowance (EID) calculation is no longer necessary because HACSC 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.

IMPACT OF ACTIVITY

This activity decreases the staff time required to calculate a family's rent portion and reduces the likelihood of errors associated with calculating potential income exclusions. Time savings allows staff to provide higher quality service to families and reduce fraud through tenant education and increased fraud detection efforts.

IMPACT OF RENT REFORM ACTIVITY

This activity qualifies as a Rent Reform Initiative because it involves a change in the rent calculation method. In FY2016, no participants requested a hardship exemption from this activity.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

As indicated in the table below, the value of the labor time saved is consistent with the benchmark. HACSC saved a minimum of 15 labor hours in staff time by not calculating and tracking earned income disallowance as part of the rent calculation process, which translates to a minimum of savings of $402.

The decrease in the tenant rent share in dollars total cost of the task may be attributable to multiple causes – the combined effect of several MTW activities, increase in payment standards, and a decrease in HACSC's voucher utilization rate.

Activity 2013-1: Elimination of the Earned Income Disallowance (EID) Calculation				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE # 1: Agency Cost Savings				
Total cost of task in dollars (decrease)	$402	$0	0	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease)	15	0	0	Yes
CE #3: Decrease in Error Rate of Task Execution				
Average error rate in completing a task as a percentage (decrease)	100%	0%	0	Yes
CE #5: Increase in Tenant Rent Share				
Tenant rent share in dollars* (increase)	$8,065,166	$8,065,166	$5,602,832	No

* The "tenant rent share in dollars" amount is the **total** amount that households pay toward rent per month as of the beginning of FY2015.

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2014-4: INCREASED TENANT CONTRIBUTION - UP TO 35% OF GROSS INCOME

DESCRIPTION OF MTW ACTIVITY

This activity, implemented in FY2014, simplifies the calculation of TTP by removing all standard deductions and allowances, and calculating a TTP between 30% and 35% of the gross monthly income or $50 (minimum rent), whichever is higher. The activity also eliminates the inclusion of a utility allowance in the tenant rent calculation. Having the ability to adjust the percentage of monthly tenant rent portion allows HACSC to fine-tune the necessary balance between the Agency's fiscal stability and resulting financial impacts to participants. This activity enables HACSC to analyze its fiscal health and set a percentage accordingly. The simplified rent calculation is also conducive for the development of future programs that can address community needs, such as a shallow subsidy program that can assist more families or targeted self-sufficiency programs for special populations. HACSC amended and re-proposed this activity in FY2015 to include its four remaining public housing units under this activity.

IMPACT OF ACTIVITY

This activity allowed HACSC to address an immediate and urgent need to reduce program costs as a result of reduced funding by removing all standard deductions and allowances, and calculating a TTP between 30% and 35% of the gross monthly income or $50 (minimum rent), whichever is higher. The simplified calculation also provides time savings to staff. Time savings allows staff to provide higher quality service to families and reduce fraud through tenant education and increased fraud detection efforts.

IMPACT OF RENT REFORM ACTIVITY

To minimize the impact of this activity, HACSC offered a one-time hardship exemption at the time the activity was initially implemented for qualified households. HACSC did not process any hardship exemptions in FY2016.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, HACSC did not make any change to the monthly tenant contribution, which remains at 32% of the family's gross monthly income. In spite of the increase in the Housing Assistance Payment expenses due to the increases in payment standards to 110% of the FMRs, HACSC exceeded its cost savings benchmark. HACSC saved 796 labor hours in staff time by not collecting and calculating allowances and expenses as part of the rent calculation process. The decrease in the total cost of the task may be attributable to multiple causes – the combined effect of several MTW activities, economic factors unrelated to MTW, and a decrease in HACSC's voucher utilization rate.

HACSC did not meet its benchmark in the number of rent calculation errors documented through quality control audits. It was expected that the simplification of the rent calculation process would reduce the number of errors in rent calculations. HACSC believes its benchmark was not met because of new employees skewing the number of errors upward and the business process restructure which changed the work processes for a number of staff.

Activity 2014-4: Increased Tenant Contribution - 35% of Gross Income				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).*	$246,302,481	$210,174,768	$207,764,049	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease). **	796	0	0	Yes
CE #3: Decrease in Error Rate of Task Execution				
Average error rate in completing a task as a percentage (decrease).	12%	5%	10%	No
CE #5: Increase in Tenant Rent Share				
Tenant rent share in dollars (increase). ***	$8,065,166	$8,065,166	$5,602,832	No

*This metric reflects HAP savings realized through this activity and Activity #2009-14 (Payment Standard Changes between Regular Reexaminations). Changes in HAP may also be attributable to multiple causes – the combined effect of several MTW activities and/or economic factors unrelated to MTW.

** The baseline represents the staff time it takes to collect and calculate allowances and expenses as part of the rent calculation process.

***The "tenant rent share in dollars" baseline amount is the total amount that households pay toward rent per month as of the beginning of FY2015.

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2015-2: PROJECT BASED VOUCHER INSPECTION SELF-CERTIFICATION

DESCRIPTION OF MTW ACTIVITY

This activity was implemented in FY2015 and waives the regulatory requirement to perform a re-check inspection for Housing Quality Standard deficiencies. Through this activity, HACSC allows Project Based Voucher owners and tenants to self-certify the correction of reported non life-threatening HQS deficiencies within the 30-day deadline instead of having a staff member or a subcontracted inspector conduct a re-check inspection. HACSC continues to conduct re-check inspections for life threatening deficiencies which must be repaired within 24 hours.

IMPACT OF ACTIVITY

By waiving the regulatory requirement for only non-life threatening deficiencies, expenditures are reduced by eliminating the scheduling and conducting of a recheck inspection to determine if necessary repairs were made. HACSC has revised its Administrative Plan to reflect the change in policy as a result of the approval of this activity.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, 38 PBV units had 30-day HQS deficiencies which did not require recheck inspections. As a result, HACSC realized approximately $738 in re-inspection fees to an outside vendor. In FY2016, The error rate of HQS inspections is 13%, which is higher than the benchmark.

Activity 2015-2: Project Based Voucher Inspection Self-Certification				
Unit of Measurement*	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE #1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$22,400	$0	$0	Yes
CE #2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	691**	0	0	Yes
CE #3: Decrease in Error Rate of Task Execution				
Average error rate in completing a task as a percentage (decrease).	19%	10%	13%	No

*In 2013 HACSC executed a contract with an outside vendor to conduct regularly scheduled inspections on HCV and PBV units. Because the outside vendor charges per inspection, not hourly, reporting on the total decreased time to complete the task in staff hours does not apply.
**Assumes HACSC staff, rather than outside vendor.

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2015-3: MODIFIED ELDERLY DEFINITION FOR PBV

DESCRIPTION OF MTW ACTIVITY

HUD currently defines elderly to be persons aged 62 years or older and elderly families to those whose head, spouse or co-head are 62 years of age or older. HACSC modified the age, for the Project Based Voucher (PBV) program, at which a person or family is considered elderly from persons aged 62 or older to persons aged 55 or older in order to align with the definition used by a number of affordable housing developments in the area. Therefore, PBV sites which define elderly as 55 years of age and older are considered an elderly property. This change in the definition allows HACSC to refer a larger pool of applicants (any family with Head of Household or Spouse aged 55 and older) from its PBV waiting list to fill vacancies in these units and will allow the Agency to project-base 100% of the units in a project with aged 55 or older limitations (project is not subject to the 25% PBV per project cap).

IMPACT OF ACTIVITY

HACSC increased the number of units which are available for households who would not have otherwise qualified for the unit under the property's definition of elderly. No new PBV elderly projects were added in FY2016.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a rent reform activity as it does not affect the rent calculation.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

HACSC achieved its projected outcome of 774 households being able to move to a better unit and/or neighborhood as a result of this activity.

Activity 2015-3: Modify Elderly Definition for PBV				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
HC #4: Displacement Prevention				
Number of households at or below 80% of AMI that would lose assistance or need to move (decrease). Units designated for elderly households.	45	0	0	Yes
HC #5: Increase in Resident Mobility				
Number of households able to move to a better unit and/or neighborhood of opportunity as a result of the activity (increase).	0	774	774	Yes

* Outcome assumes that 774 households will initially benefit from the activity the first year of implementation and then assumes a 5% vacancy rate (38 households) which will be filled with new households benefiting from the activity through 2018.

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity's metrics, baselines, or benchmarks during FY2016.

ACTIVITY 2016-2: STREAMLINING OF PBV COMPETITIVE SELECTION REQUIREMENTS

DESCRIPTION OF MTW ACTIVITY

This activity, implemented in FY2016, expands the definition of a competitive selection process to include any form of open public solicitation or invitation process conducted by a federal, state, or local government, where a proposal is selected subject to funding availability. The activity also waives HUD's requirements that the Housing Authority must select proposals within three years of the earlier selection date and allows HACSC to accept proposals within fifteen years of the selection date. Moreover, the activity allows the earlier selection process to consider that the project would require rental assistance, including PBV assistance. HACSC has revised its Administrative Plan to reflect the change in policy as a result of the approval of this activity.

IMPACT OF ACTIVITY

This activity addresses the statutory objective of achieving greater cost effectiveness in federal expenditures by reducing Agency costs and staff time spent on selecting proposals for PBV assistance. The elimination of certain requirements in selecting proposals for PBV assistance promotes strategic collaborations with other local governments and agencies to leverage scarce resources for affordable housing and in particular permanent supportive housing and housing for special needs populations. This activity hastens the production of much needed housing, leverages Federal resources with local funding to serve the most vulnerable in our community, as well as reduces any unnecessary delay in issuing a Request for Proposal (RFP) or making a selection for PBV housing assistance.

IMPACT OF RENT REFORM ACTIVITY

This activity does not qualify as a Rent Reform Initiative.

BENCHMARKS ACHIEVEMENT AND ACTIVITY EFFECTIVENESS

In FY2016, HACSC utilized this activity in project basing 80 additional units for a project previously considered for an award of PBVs. The 80 units were at one project, Renascent Place, located at 2500 Senter Road, San Jose, California, received a conditional award of 80 PBVs through an RFP issued by the agency in October 2015. In addition, the State of California

Department of Housing and Community Development invited the developer to submit a full application for the Affordable Housing and Sustainable Communities (AHSC) Program for funding consideration for the project in April 2016.

If this activity was removed, the labor time related to selecting PBV proposals for projects previously awarded housing assistance by other governmental agencies would cost the Agency a minimum of $6,350 per transaction. HACSC met all the benchmarks in this activity.

Activity 2016-2: Streamlining of PBV Non-Competitive Selection Requirements				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
CE # 1: Agency Cost Savings				
Total cost of task in dollars (decrease).	$6,350	$0	$0	Yes
CE # 2: Staff Time Savings				
Total time to complete the task in staff hours (decrease).	150 hours	0 hours	0 hours	Yes

REVISIONS TO BENCHMARKS AND METRICS

There were no changes to the activity’s metrics, baselines, or benchmarks during FY2016.

B. NOT YET IMPLEMENTED ACTIVITIES

Activity	Year Approved	Action Taken During the Fiscal Year
Activity 2014-1: Focus Forward Program	FY2014	With the implementation of Activity 2014-4: Increased Tenant Contribution (Up to 35% of Gross Income), HACSC determined that the Focus Forward program would have to be over-hauled to align its rent calculation method and monetary incentives with the rent simplification process of Activity 2014-4. In June 2016, HACSC began the process to re-design the Focus Forward Program. To start this process, HACSC compiled responses from a program satisfaction survey sent to current participants in the traditional FSS program, as well as a "Family Well- Being Survey" sent to all workable head of households in order to determine resources Santa Clara County families felt were the most needed to obtain self-sufficiency. HACSC used these responses to engage with community service providers to compile ideas of what resources and case management practices were necessary to create a successful self-sufficiency program tailored to Santa Clara County families. With input from community stakeholders, service providers, and current/past Section 8 participants, HACSC plans to propose a Focus Forward program that provides intensive case management, incremental monetary incentives, and a simplified escrow calculation. HACSC plans to re-propose the new program to HUD in the FY2018 MTW Plan. Until a successor program is created, approved, and implemented, HACSC will continue to keep the current FSS program open and operating.
Activity 2016:1 Restriction on Head of Household Changes	FY2016	This activity requires a newly designated Head of Household to enroll in the Family Self-Sufficiency program if the current Head of Household decides to leave the program and transfer their Head of Household designation to a remaining non-elderly/non-disabled family member. HACSC anticipates re-proposing this activity in alignment with the Focus Forward program in FY2018.

C. ACTIVITIES ON HOLD

Activity	Year Approved/ Implemented/ Placed on Hold	Actions Taken Towards Reactivating The Activity
2010-5: Assisting Over-Income Families Residing at HACSC-owned Project-Based Voucher Properties	FY2010/FY2011/FY2015	This activity was implemented in FY2011. Since its implementation, HACSC has had no need to use this waiver as no families have exceeded the income threshold. Only one public housing project (Deborah Drive) remains that could potentially benefit from this activity and there is no plan at this time to dispose of this property. Therefore, HACSC has placed this activity on hold indefinitely but could re-implement when the last public housing project is disposed.
2012-5: Expand Tenant Services at HACSC- or Affiliate-Owned Affordable Housing Properties	FY2012/FY2012/ FY2015	This activity, implemented in FY2012, allows HACSC a broader use of funds authority to expand its provision of programs and services for tenants living in HACSC- or affiliate-owned non-Section 8/9 affordable rental properties. The HACSC and Affiliate-Owned Affordable Housing Properties continue to pay for tenant services directly from their respective operating budgets. Currently, there is no need to expand tenant services and there is no implementation timeline to re-activate.
2014-2: Eliminate Requirement to re-Determine Rent Reasonableness When HUD Decreased Fair Market Rents (FMRs)	FY2014/NA/FY2014	This activity, implemented in FY2014, eliminates the HUD requirement to re-determine the rent reasonableness of affected units within 60 days of the contract anniversary date when HUD reduces FMRs by 5% or more. HACSC monitored the FY2014 FMRs, but no action was taken in FY2014 because HUD increased the FY2014 FMRs for Santa Clara County. HACSC's implementation of this activity is contingent on HUD decreasing FMRs by 5% or more.
2014-3: Freeze on Contract Rent Increases	FY2014/FY2014/FY2015	Implemented in FY2014, this activity imposed a freeze on any owner requested rent increases for one year effective September 2013 through August 2014. Effective September 1, 2014,

Activity	Year Approved/ Implemented/ Placed on Hold	Actions Taken Towards Reactivating The Activity
		HACSC lifted the freeze and accepted owner requested rent increases again. Subsequent freezes on owner requested rent increases are subject to HACSC's Board of Commissioners' approval and are limited to a one-year term. Therefore, HACSC has placed this activity on hold indefinitely but could re-implement when necessary.

D. CLOSED OUT ACTIVITIES

Activity	Year Approved/ Implemented	Was Activity Implemented (Yes/No)	Year Closed	Final Outcome and Lessons Learned	Statutory Exception Outside of Current MTW Flexibilities
2009-3: Reduced Frequency of Inspections	FY2009/FY2009*	Yes	FY2015	Effective July 1, 2014, Public Housing Agencies (PHAs) can inspect units during the term of the Housing Assistance Payment (HAP) contract at least biennially instead of annually. There is no longer a need to waive HUD regulations to conduct biennial inspections. This activity saved on labor time and costs.	None
2009-4: Timeline to Correct HQS Deficiencies	FY2009/ FY2010*	Yes	FY2012	Handhelds are utilized by Inspectors during every regularly	None

Activity	Year Approved/ Implemented	Was Activity Implemented (Yes/No)	Year Closed	Final Outcome and Lessons Learned	Statutory Exception Outside of Current MTW Flexibilities
				scheduled inspection. These devices are capable of recording the non-life threatening deficiency directly into the newly implemented software, which generates the deficiency notification letter. There is no longer a lag time between the date of the inspection and the date of the letter.	
2009-6: 20% Sample Inspections Annually for PBV Units	FY2009/ NA	No	FY2009	After the approval of this activity, HUD issued PIH Notice 2008-14, which stipulates that a PHA may now renew or extend Project-Based Certificate Housing Assistance Payment (HAP) contracts as Project-Based Voucher HAP contracts in accordance with the regulations governing the PBV program in 24 CFR	None

Activity	Year Approved/ Implemented	Was Activity Implemented (Yes/No)	Year Closed	Final Outcome and Lessons Learned	Statutory Exception Outside of Current MTW Flexibilities
				Part 983. Therefore, this activity was never implemented.	
2009-7: Project-Based Unit Substitution	FY2009/ NA	No	FY2009	After the approval of this activity, HUD issued PIH Notice 2008-14, which stipulates that a PHA may now renew or extend Project-Based Certificate Housing Assistance Payment (HAP) contracts as Project-Based Voucher HAP contracts in accordance with the regulations governing the PBV program in 24 CFR Part 983. Therefore, this activity was never implemented.	None
2009-10: Selection of HACSC-owned Public Housing Projects for PBV Without Competition	FY2009/FY2009*	Yes	FY2015	HACSC has only four remaining public housing units in its inventory, and will use MTW Activity 2010-4 in project basing the remaining 4 public housing units in	None

Activity	Year Approved/ Implemented	Was Activity Implemented (Yes/No)	Year Closed	Final Outcome and Lessons Learned	Statutory Exception Outside of Current MTW Flexibilities
				the future. MTW Activity 2010-4 allows the Agency to select any of its properties for PBV assistance without a competitive process, including public housing units. Therefore, this activity is no longer necessary.	
2009-12: Adopt Investment Policies	FY2009/ NA	No	FY2009	HACSC's Board of Commissioners annually adopts investment policies in accordance with the California Government Code (CGC) Sections 5922 and 53601. California law, which HACSC cannot waive, is consistent with and more restrictive than the provisions of federal regulations Section 6 (c) (4) of the 1937 Act and 24 CFR 982.156. Therefore, this activity was never implemented.	None
2010-1: Eliminating	FY2010/ FY2010*	Yes	FY2013	With the publication of PIH	None

Activity	Year Approved/ Implemented	Was Activity Implemented (Yes/No)	Year Closed	Final Outcome and Lessons Learned	Statutory Exception Outside of Current MTW Flexibilities
100% Excluded Income from the Income Calculation Process				Notice 2013-4, issued January 28, 2013, the verification and calculation of 100% excluded income is no longer required. Therefore, HACSC eliminated this activity in FY2013. This activity saved labor time and costs.	
2012-1: Create Standard Utility Allowance Schedule	FY2012/ NA	No	FY2013	Activity #2014-4 simplifies the rent calculation method and includes the elimination of utility allowances. Because of Activity #2014-4, Activity #2012-1 is no longer necessary and was closed out prior to implementation.	None
2015-1: Using UPCS or Local Inspection Standards to Determine Housing Quality Standards	FY2015/ NA	No	FY2015	Prior to the implementation of this activity, on June, 25, 2014, HUD published in the Federal Register that, effective July 1, 2014, “A PHA may comply with the	None

Activity	Year Approved/ Implemented	Was Activity Implemented (Yes/No)	Year Closed	Final Outcome and Lessons Learned	Statutory Exception Outside of Current MTW Flexibilities
				biennial inspection requirement through reliance upon an inspection conducted for another housing assistance program. If a PHA relies on an alternative inspection to fulfill the biennial inspection requirement for a particular unit, then the PHA must identify the alternative standard in its administrative plan." Therefore, this activity was closed without implementation because HUD's directive superseded this activity.	

* A summary of outcomes for implemented and closed-out activities is below.

ACTIVITY	SUMMARY OF OUTCOMES FOR IMPLEMENTED ACTIVITIES THAT HAVE BEEN DISCONTINUED
2009-3: Reduced Frequency of Inspections	This activity was implemented in FY2009 and closed out in FY2015. FY2010 was the first full year of implementation of this activity. 6,597 units in continued occupancy were inspected. Staff spent 11,052 hours conducting these inspections, a decrease of 21,134 staff labor hours compared to the baseline year. HACSC anticipated that it would reduce its

	regular inspections by 50% and its labor hours by 62% in FY2010 and in both cases exceeded its benchmark. During FY2011, 6,424 units had regularly scheduled inspections in FY2011, a 56% decrease in the number of inspections from the baseline year. 10,847 labor hours were needed to conduct regularly scheduled inspections. This represents a 65% reduction from the 32,186 labor hours spent in FY2008. The direct labor cost to conduct regular unit inspections in FY2011 was reduced by 66% from FY2008. HACSC continued to maintain its biennial inspection process providing on-going administrative reduction of more than 50% in staff labor hours and associated costs. During FY2012, 8,010 units had regularly scheduled inspections, an approximate 45% decrease in the number of inspections from the baseline year. The increase in the number of regularly scheduled inspections, as compared to FY2011, was attributed to all of the assisted units being incorporated into the activity-driven inspection cycle. In FY2013, HACSC executed a contract with an outside vendor to conduct regular inspections, which were formerly completed by HACSC staff. During the transition period there was a slight delay in the scheduling and conducting of inspections. However, the number of inspections conducted in 2013 remains in-line with the 2-year inspection cycle relative to the number of assisted units. In FY2014, the total number of inspections decreased to 6,758. As a result, the time to complete the task of performing the required unit inspections declined to 11,319 hours, resulting in a total labor savings of $528,684. Lastly, in FY2015, the total number of completed inspections increased to 7,945. As a result, the time to complete the task of performing the required unit inspections increased to 17,747 labor hours, which was higher than the benchmark. Despite the increase in hours conducting inspections, HACSC still realized a total savings of $373,911. Through implementation of this activity, HACSC benefited from significant labor time and related costs savings.
2009-4: Timeline to Correct HQS Deficiencies	This activity was implemented in FY2010 and closed out in FY2012. In FY2010, in conjunction with this activity a new policy (not requiring an MTW waiver) was established allowing owners and participants to provide self-certification when they have corrected HQS deficiencies. This change in policy and the MTW Activity extending the timeline provided administrative relief through two reductions in staff tasks: processing fewer extension

	requests, and conducting no physical recheck inspections when a unit did not meet the HQS for non-life threatening deficiencies. The self-certification policy achieved greater cost effectiveness in federal expenditures by reducing a labor intensive process that realized little cost benefit. The results were significant in relation to labor hours saved and the cost of gasoline. The total labor hours reduced to zero as no recheck inspections were conducted, and the cost of gasoline decreased to $8,692 compared to the baseline of $14,354. Prior to the implementation of the policy to accept owner's self-certification of repairs for non-life-threatening HQS deficiencies, a re-inspection of the unit was conducted and related administrative costs (labor and gasoline) were significant. In FY2011, 2,186 units had a non-life-threatening HQS deficiency, which prior to this policy would have required a re-inspection. In addition, 3,096 labor hours were saved by eliminating these inspections, which resulted in a direct labor savings of $76,983. In FY2012, 2,937 units had non-life-threatening HQS deficiencies, which prior to this policy change would have required a re-inspection. In addition, 4,171 labor hours were saved by eliminating these inspections, which resulted in a direct labor savings of $165,044.
2009:10 Selection of HACSC-owned Public Housing Projects for PBV Without Competition	This activity was implemented in FY2009 and closed out in FY2016. In FY2009, HACSC implemented and utilized this activity to select various HACSC-owned public housing projects for project-based voucher assistance without a competitive process. Based on the FY2009 selection process, a PBV contract was executed for Rincon Gardens Senior Apartments in FY2009; PBV contracts were executed for three senior projects in FY2011: Cypress Gardens and Lenzen Gardens in San Jose and Sunset Gardens in Gilroy, and three family projects: Miramar Way, Julian Gardens and Lucretia Gardens. HACSC realized $8,290 cost savings in labor and advertising expenses in FY2009 by implementing this activity. These direct costs and staff time are associated with the RFP and selection process normally required for a competitive PBV process. HACSC estimated the implementation of this activity reduced the processing time spent to select a Housing Authority-owned public housing project for project-basing by approximately 3 months. In FY2015, HACSC utilized this activity in project basing 16 units of public

	housing located at 2002 Halford Avenue and 3780 Poinciana Drive in Santa Clara, also known as the Eklund I Apartments and Eklund II Apartments. HACSC realized a total savings of $11,240 in staff time through labor hours and increased costs associated with a competitive process. The actual total savings is higher than the baseline amount due to increased staff compensation levels and the higher potential publishing cost if HACSC has provided public notice of the competitive selection process in the local newspaper.
2010-1: Eliminating 100% Excluded Income from the Income Calculation Process	This activity was implemented in FY2010 and closed out in FY 2013. In FY2010, HACSC implemented this activity during the last quarter of the fiscal year. The agency processed 668 new admissions and reexaminations for families who reported one or more forms of 100% excluded income. Staff spent approximately 34 minutes per transaction requesting, verifying and calculating 100% excluded income. Because of this activity, 379 hours of labor were saved when completing these calculations. This resulted in increased staff productivity and thus has met the MTW statutory goal of increasing cost effectiveness. Staff time saved from this activity was redirected to cross training in other positions and processes, increased customer service and increased quality control functions. In FY2011, HACSC processed 2,753 new admissions and reexaminations (transactions) for families who reported one or more forms of 100% excluded income. Staff saved approximately 34 minutes per transaction by no longer requesting, verifying and calculating 100% excluded income. This resulted in a total of 1,560 labor hours saved in FY2011. In FY2012, HACSC processed an estimated 3,238 new admissions and reexaminations (transactions) for families who reported one or more forms of 100% excluded income. Staff saved approximately 34 minutes per transaction by no longer identifying, verifying and calculating 100% excluded income. This resulted in a total of 1,835 labor hours, and $47,566 in direct labor costs saved in FY2012 in completing these calculations. In FY2013, HACSC processed an estimated 2,940 new admissions and reexaminations for families who reported one or more forms of 100% excluded income. Through this activity, staff saved approximately 34 minutes per transaction. As a result, a total of 1,666 labor hours were saved by means of this activity.

V. MTW SOURCES AND USES OF FUNDS

Annual MTW Report

V.3.Report.Sources and Uses of MTW Funds

A. MTW Report: Sources and Uses of MTW Funds

Actual Sources and Uses of MTW Funding for the Fiscal Year

PHAs shall submit their unaudited and audited information in the prescribed FDS format through the Financial Assessment System - PHA (FASPHA), or its successor system

Describe the Activities that Used Only MTW Single Fund Flexibility

The MTW Agreement allows HACSC to combine public housing operating and capital funds, including Asset Repositioning Fee and Replacement Housing Factor (RHF) funds, provided under Section 9, and tenant-based voucher program funds provided under Section 8 of the 1937 Act into a single, authority-wide funding source.

Funding flexibility was used to create a Training and Outreach team and a Compliance team. The teams ensure that HACSC staff have the knowledge and expertise, through training, to operate and manage the agency's housing programs. Additionally, the teams have implemented a quality control and program monitoring plan to confirm ongoing compliance with federal codes and regulations.

V.4.Report.Local Asset Management Plan

B. MTW Report: Local Asset Management Plan

Has the PHA allocated costs within statute during the plan year?	Yes		
Has the PHA implemented a local asset management plan (LAMP)?		or	No

If the PHA is implementing a LAMP, it shall be described in an appendix every year beginning with the year it is proposed and approved. It shall explain the deviations from existing HUD requirements and should be updated if any changes are made to the LAMP.

Has the PHA provided a LAMP in the appendix?		or	No

The Housing Authority of the County of Santa Clara does not have a Local Asset Management Plan (LAMP).

V.5.Report.Unspent MTW Funds

C. MTW Report: Commitment of Unspent Funds

In the table below, provide planned commitments or obligations of unspent MTW funds at the end of the PHA's fiscal year.

Account	Planned Expenditure	Obligated Funds	Committed Funds
Type	Description	$ X	$ X
Type	Description	$ X	$ X
Type	Description	$ X	$ X
Type	Description	$ X	$ X
Type	Description	$ X	$ X
Type	Description	$ X	$ X
Type	Description	$ X	$ X
Type	Description	$ X	$ X
	Total Obligated or Committed Funds:	**0**	**0**

In the body of the Report, PHAs shall provide, in as much detail as possible, an explanation of plans for future uses of unspent funds, including what funds have been obligated or committed to specific projects.

Note *: Written notice of a definition of MTW reserves will be forthcoming. Until HUD issues a methodology for defining reserves, including a definition of obligations and commitments, MTW agencies are not required to complete this section.*

VI. ADMINISTRATIVE

A. GENERAL DESCRIPTION OF ANY HUD REVIEWS, AUDITS OR PHYSICAL INSPECTION ISSUES

HACSC had its seventh MTW site visit in May 2016. There were no deficiencies cited by HUD during the visit or in any subsequent written report to HACSC.

B. RESULTS OF LATEST HA DIRECTED EVALUATIONS OF THE DEMONSTRATION

In FY2016, HACSC continued to implement its five-year strategic plan. This five-year plan helps inform HACSC's future decision-making as to how to best meet the community's housing needs. Part of the process of carrying out the strategic plan may include program evaluation conducted by a third party. No additional program evaluations were completed this fiscal year beyond those required by the MTW Agreement.

C. CERTIFICATION THAT HACSC HAS MET STATUTORY REQUIREMENTS

See attached certification in Appendix One of this MTW Report.

APPENDIX ONE

FY2016 Certification of Compliance with Statutory Requirements

HOUSING AUTHORITY of the COUNTY of SANTA CLARA
Leaders in *Making a Difference.*

505 West Julian Street San Jose, California 95110-2300 • Tel 408/275-8770 • TDD 408/993-3041 www.hacsc.org

Certification of Statutory Compliance

On behalf of the Housing Authority of the County of Santa Clara and the Housing Authority of the City of San Jose (the Agency), I certify that the Agency has met the three statutory requirements of the Moving to Work (MTW) Program during fiscal year 2016:

1) At least 75 percent of the families assisted by the Agency are very-low income families;

2) The Agency has continued to assist substantially the same total number of eligible low-income families as would have been served without MTW; and

3) The Agency has continued to serve a comparable mix of families (by family size) as would have been served without MTW.

Katherine Harasz
Executive Director

9-26-2016
Date

APPENDIX TWO

Approved MTW Activities for the FY2016 Reporting Period

Activity # (Plan year proposed + Activity #)	Activity	MTW Statutory Objectives: 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 IN FY2009				
2009-1	Reduced Frequency of Tenant Reexaminations	X		
2009-2	Simplification and Expediting of the Income Verification Process	X		
2009-5	Exploring New Housing Opportunities for the Chronically Homeless			X
2009-13	Combined Waiting Lists for the County of Santa Clara and the City of San José	X		X
IMPLEMENTED IN FY2010				
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		
2009-11	Project-Base 100% of Units in Family Projects	X		X
2009-14	Payment Standard Changes Between Regular Reexaminations	X		
2010-2	Excluding Asset Income from Income Calculations for Families with Assets Under $50,000	X		
2010-3	Applying Current Increased Payment Standards at Interim Reexaminations	X		X
IMPLEMENTED IN FY2011				

Activity # (Plan year proposed + Activity #)	Activity	MTW Statutory Objectives: Reduce cost and achieve greater cost effectiveness in federal expenditures	MTW Statutory Objectives: Provide incentives to families ... leading toward economic self-sufficiency	MTW Statutory Objectives: Increase housing choices for low-income families
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			X
2011-2	Simplify requirements regarding third-party inspections and rent services	X		
IMPLEMENTED IN FY2012				
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	
IMPLEMENTED IN FY2014				
2014-3	Freeze on Contract Rent Increases	X		
2014-4	Increased Tenant Contribution – Up to 35% of Gross Income	X		
IMPLEMENTED IN FY2015				
2012-2	Two-Year Occupancy in Project-Based Voucher Unit Before Eligible to Receive Voucher	X		
2013-1	Elimination of the Earned Income Disallowance (EID) Calculation	X		
2015-2	Project Based Voucher Inspection Self-Certification	X		
2015-3	Modified Elderly Definition for PBV			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**
IMPLEMENTED IN FY2016				
2016-2	Streamlining of PBV Competitive Selection Requirements	**X**		
PENDING IMPLEMENTATION				
2014-1	Focus Forward Program	**X**		
2014-2	Eliminate Requirement to Re-Determine Rent Reasonableness when HUD decreased Fair Market Rents (FMRs)	**X**		
2016-1	Restriction on Head of Household Changes		**X**	

Note: Discontinued activities are not shown. These were approved as activities 2009-3, 2009-4, 2009-6, 2009-7, 2009-10, 2009-12, 2010-1, 2012-1 and 2015-1.

APPENDIX THREE

FY2015 Independent Auditor's Report (OMB-A-133) for HACSC

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA

Single Audit Reports

For the Year Ended June 30, 2015

MGO Certified Public Accountants

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Table of Contents
June 30, 2015

mgo Certified Public Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Members of the Board of Commissioners of the
Housing Authority of the County of Santa Clara, California
San Jose, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard,* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate discretely presented component units of the Housing Authority of the County of Santa Clara, California (Authority) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 13, 2016. Our report includes a reference to other auditors who audited the certain of the financial statements of the Authority's blended component units and its discretely presented component units, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the following blended component units: Poco Way HDC, Inc., Rotary Plaza/HACSC HDC, Inc., Villa Garcia, Inc. and Villa San Pedro HDC, Inc.; and the following discrete component units: Bascom HACSC Associates, Blossom River Associates, Bracher Associates, L.P., Branham Lane LLC, Fairgrounds Senior Housing, L.P., HACSC/Choices Senior, Helzer Associates, Huff Avenue Associates, Julian Street Partners, L.P., Klamath Associates, Pinmore Associates, Rincon Gardens Associates, L.P., Thunderbird Associates, and Willow HACSC Associates, were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of finding and questioned costs as items 2015-001 and 2015-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The Authority's response to the findings identified in our audit are described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
January 13, 2016

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Public
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Sacramento
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Century City
Newport Beach
San Diego

Independent Auditor's Report on Compliance For Each Major Federal Program, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Members of the Board of Commissioners of the
Housing Authority of the County of Santa Clara, California
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the County of Santa Clara, California's (Authority) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

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The Authority's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of the Authority, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

We issued our report thereon dated January 13, 2016, which contained unmodified opinions on those financial statements. Our report also includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Macias Gini & O'Connell LLP

Walnut Creek, California
February 3, 2016

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
Direct:			
Continuum of Care	n/a	14.267	$ 3,025,571
Section 8 Project Based Cluster:			
Lower Income Housing Assistance Program -			
Section 8 Moderate Rehabilitation	n/a	14.856	1,112,373
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	n/a	14.871	6,417,203
Mainstream Vouchers	n/a	14.879	597,251
Family Unification Program (FUP)	n/a	14.880	1,427,190
Subtotal Housing Voucher Cluster			8,441,644
Family Self Sufficiency	n/a	14.896	201,125
Moving To Work Demonstration Program	n/a	14.881	214,762,263
Total Direct awards			227,542,976
Pass-through from City of Sunnyvale, CA			
Home Investment Partnerships Program	1011-828750	14.239	32,000
Pass-through from County of Santa Clara, CA			
Continuum of Care	Not Available	14.267	9,848
Total indirect awards			41,848
Total expenditures of federal awards			$ 227,584,824

See accompanying notes to the schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

NOTE 1 – GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Housing Authority of the County of Santa Clara, California (the Authority). The Authority's reporting entity is defined in Note 1 of the Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of the Authority.

NOTE 2 – BASIS OF ACCOUNTING

Amounts reported on the Schedule represent expenditures incurred for the Authority's federal programs, and are reported on the accrual basis of accounting and include capitalized expenditures. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the Schedule agree to or can be reconciled with the amounts reported in the related federal financial reports.

NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The Schedule agrees to or can be reconciled with the amounts reported in the Authority's basic financial statements.

NOTE 5 – PROGRAM TOTAL

The following table summarizes program funded by various sources whose totals is not shown on the Schedule.

CFDA No./ Program Title/ Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
CFDA No. 14.267 - Continuum of Care		
U.S. Department of Housing and Urban Development	N/A	$ 3,025,571
County of Santa Clara, California	Not Available	9,848
	Program Total	$ 3,035,419

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HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion.
Internal control over financial reporting:	
♦ Material weakness(es) identified?	No
♦ Significant deficiency(cies) identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
♦ Material weakness(es) identified?	No
♦ Significant deficiency(cies) identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes
Identification of major programs?	14.881 - Section 8 Moving To Work Demonstration Program 14.856 - Section 8 Moderate Rehabilitation
Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
Auditee qualified as a low-risk auditee?	No

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

Comment #2015-001 Significant Deficiency
Internal Controls Over Financial Reporting and Reliability of Financial Statements

In order to fulfill its stewardship responsibilities, the Authority should establish and maintain effective internal controls over financial reporting. These controls should be designed to ensure complete, accurate, reliable financial reporting and compliance with applicable laws and regulations.

As part of our audit, we evaluate and assess internal controls over financial reporting. If controls do not exist, are poorly designed or not operating effectively, we must evaluate the control deficiency. Additionally, we are required to report the deficiency to management, including whether the control deficiency is a significant deficiency or material weakness.

During our review of the Authority's financial statements, we noted the following financial reporting errors:

- *Reconciliation of Beginning Net Position* – While calculating the restatement of beginning net position, the Authority did not properly consider the intra-company transactions between the component units. Certain transactions, including a gain from the purchase of fixed assets from a discretely presented component unit and the dissolution of discretely component units, should have been reported as part of current operations; however, these transactions were included as part of the restatement. This resulted in the omission of a discrete component unit and other reporting adjustments to record eliminations.
- *Inter-program Transactions* – Upon receipt the first draft of the financial statements, the Authority took approximately 3 weeks to review and analyze its inter-program balances and activities. The draft financial statement disclosures required additional extensive work to reconcile balances and eliminations reported on the financial statements.
- *Proper Disclosures* - The Authority has various note disclosures to discuss significant transactions related to its component units. While the notes capture the significant activities of each individual component unit, the initial disclosures (drafted by the Authority) omitted a discussion about the change in reporting entity and its impact to the Authority's financial statements at the entity-wide level.

We recommend the Authority evaluate its internal controls over financial reporting and implement a detailed set of procedures to timely coordinate, draft, review and communicate with all stakeholders who participate in the preparation of the annual financial statements. Additionally, we suggest training for staff in order to keep up to date on the latest developments in GAAP reporting. We also recommend the Authority update its account groupings to better capture related party and intra-entity transactions for financial statement reporting purposes.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section II - Financial Statement Findings (Continued)

Comment #2015-002 Significant Deficiency
Accounting for Component Unit Activities Pursuant to GASB Statement No. 48

During the year ended June 30, 2015, the Authority reported 12 blended component units and 23 discretely presented component units in its financial statements. The Authority has numerous transactions between the Authority and the component units as well as within the component units themselves. When the Authority reports the acquisition of assets, during the consolidation process, GASB provides the following guidance under Statement No. 48, paragraph 15:

When accounting for the transfer of capital and financial assets ... within the same financial reporting entity, the transferee should recognize the assets ... received at the carrying value of the transferor...The difference between the amount paid and the carrying value of the receivables transferred should be reported as a gain or loss by the transferor and as a revenue or expenditure/expense by the transferee in their separately-issued statements, but reclassified as transfers or subsidies, as appropriate, in the financial statements of the reporting entity.

During the year ended June 30, 2015, the Authority disposed of 2 properties – Eklund Gardens I and II and its related buildings and improvements with a book value of $2,310,620 in exchange for notes receivables from Halford LLC and Poinciana LLC in the amount of $4,550,000 and recognized a gain on the disposition of the properties in the amount of $2,239,380. Pursuant to GASB Statement No. 48, the gain from this transaction should be classified as interfund activity (i.e. operating transfers) in the Authority's financial statements, as they become part of the same reporting entity.

Furthermore, pursuant to GASB Statement No. 34, interfund activity can be reported as such only in a set of financial statements that includes both parties involved in the activity. This purchase involves 2 different set of financial statements - primary government and discretely presented component units. Hence, the interfund activity should be reported as nonoperating activities.

Management has the responsibility to ensure its financial statements are presented fairly. Accordingly, management should continually evaluate the application of proper accounting standards when preparing the annual financial statements. With the increasing complexity of government financial reporting, it is essential that the Authority's accounting personnel strengthen their proficiency with accounting standards and reporting requirements.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs

Reference Number:	**2015-003**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Moving to Work Demonstration Program**
Federal Catalog Number:	**14.881**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility; Special Tests and Provisions**
Classification of Finding:	**Significant Deficiency in Internal Control over Compliance** **Incident of Noncompliance**

Criteria
Pursuant to 24 CFR §982.405, the Public Housing Agency (PHA) must inspect the unit leased to family prior to the initial term of the lease, at least annually during assisted occupancy, and at other times as needed, to determine if the unit meets the Housing Quality Standards.

Starting FY2009, the Authority conducts biennial inspections of assisted units occupied by Moving to Work's families. Section 220 of the 2014 Appropriation Act allows PHA to inspect assisted dwelling units biennially instead of annually. These changes have been authorized by Department of Housing and Urban Development (HUD) through revisions of Title 24 Code of Federal Regulations (CFR) Part 5, 943 and 982. Such change is also reported in the Authority's annual MTW Report and Plan submitted to HUD.

Condition and Context
During our audit of the eligibility requirements of the MTW's Section 8 HCV program, we selected 40 tenants representing a population of 15,501 for testing.

Of the total 40 tenant cases tested, the housing quality inspections for two units were not performed when they were due. The last inspection performed for the tested units were in March 2012 and October 2011. The next inspections were due by March 2014 and October 2013 respectively. Based on our testing, the actual inspection of 1 unit was performed subsequent to the fiscal year-end on October 16, 2015. No inspection was performed on the other unit, as the tenant moved out in July 2014.

Cause:
This condition is caused by a continuous deficiency in the process that the Authority has had in the past. Since the finding from last year, the Authority has implemented several tools to help catching up the outstanding inspections and improve the process. The estimated timeline to complete these corrections is March 2016.

Effect:
The Authority is not in compliance with this requirement.

Questioned Costs:
Actual questioned costs is $17,154 which represented the actual housing assistance payments made to the tenants noted with exceptions during the fiscal year 2015.

Recommendation:
We recommend that the Authority establish a procedure to review the system data with the case files at each initial examination and re-examination date to ensure that HQS inspections are performed on time.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs (Continued)

Reference Number:	**2015-004**
Federal Agency:	**U.S. Department of Housing and Urban Development**
Federal Program Title:	**Section 8 Moderate Rehabilitation**
Federal Catalog Number:	**14.856**
Federal Grant Number:	**Not Applicable**
Category of Finding:	**Eligibility; Eligibility for Individuals**
Classification of Finding:	**Control Deficiency in Internal Control over Compliance** **Incident of Noncompliance**

Criteria
Pursuant to 24 CFR 5.613, "The total tenant payment is the amount calculated under section 3(a)(1) of the 1937 Act (42 U.S.C. 1437a(a)(1))." Per 42 U.S.C. 1437a(a)(1), "Dwelling units assisted under this chapter shall be rented only to families who are low-income families at the time of their initial occupancy of such units. Reviews of family income shall be made at least annually. Except as provided in paragraph (2) and subject to the requirement under paragraph (3), a family shall pay as rent for a dwelling unit assisted under this chapter the highest of the following amounts, rounded to the nearest dollar: (A) 30 per centum of the family's monthly adjusted income; (B) 10 per centum of the family's monthly income; or (C) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated."

Condition and Context
During our audit of the eligibility requirements of the Section 8Moderate Rehabilitation Program (MOD), we randomly selected 13 tenants from a population of 75 cases for testing. The following were noted:

- In two tenant cases, the HAP to Owner per MOD HAP register did not tie to the HAP per Owner listed at form HUD-50058 due to tenant rent payments being incorrectly computed due to missed imputed income from both savings and checking accounts.
- In one tenant case, the HAP to Owner per MOD HAP register did not tie to the HAP per Owner listed at form HUD-50058 due to missed imputed income from assets.

The Authority was unaware of the issue prior our selection of the tenant files. While the Authority provided the documentation for our testing, they reviewed the information, noted and corrected the errors. These errors were corrected on August 4, 2015 and August 5, 2015, with an effective date of October 1, 2015. Further, the Authority sent 30-day notices to the affected tenants informing them of the errors and corrections.

Cause of Condition:
The errors occurred due to oversight during the annual re-examination process.

Effect:
The Authority did not comply with the eligibility requirements related to the re-examination.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section III - Federal Award Findings and Questioned Costs (Continued)

Questioned Costs:
Known questioned costs totaled $34. The questioned costs are computed by taking difference of the HAP to owner monthly payment made from the date of the applicable re-examination with the proper HAP to owner payment to the Authority's fiscal year-end.

Recommendation:
We recommend that the Authority establish a procedure to review the system data with the case files at each initial examination and re-examination date to ensure the system was properly established and the correct tenant information is used to compute the housing assistance payments.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2015

Summary of Prior Year's Federal Award Findings

Reference Number:	**Finding 2014-001** – Eligibility and Special Tests and Provisions Lower Income Housing Assistance – Program Section 8 Moderate Rehabilitation – 14.856
Audit Finding:	Of the 25 participants selected for testing, it was noted that 7 instances for which the units have not been inspected for Housing Quality Standard (HQS) during the past two fiscal years.
Recommendation:	The Authority was recommended to have a policy in place to ensure HQS inspections were performed at least annually.
Status of Corrective Action:	See finding 2015-003

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HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Corrective Action Plan
For the Year Ended June 30, 2015

The following findings were reported in the Authority's Schedule of Findings and Questioned Costs for the Year Ended June 30, 2015. The Authority's corrective action plan for these findings is as follows:

Finding #2015-001: Significant Deficiency on Internal Controls Over Financial Reporting and Reliability of Financial Statements

While the Authority acknowledges the internal control issues reported over financial reporting we believe the level of internal control deficiency should only be a control deficiency. However, due to the increasing complexity of government financial reporting we understand the need to improve our year end procedures and provide adequate training to staff on the latest developments in GAAP reporting. The Finance Department will revise its year end procedures to include a timely review of intra- company transactions between its component units and their impact to the Authority's consolidated financial statements. This review will ensure financial statements are prepared in compliance with proper GAAP and Government Accounting Standards Board (GASB) standards. The process will also include early consultation with our auditors on complex intra company transactions. In addition, the Authority will review the adequacy of resources allocated and staff training required for the preparation of the financial statements.

Chandrika Karur, Controller, is the responsible officer. Her contact information is 408-993-2909 or Chandrika.karur@hacsc.org.

Finding #2015-002: Significant Deficiency on Accounting of Component Unit Activities Pursuant to GASB Statement No. 48

The gain of $2,239,380 from the disposition of the Eklund Gardens I and II and its related buildings and improvements were recorded correctly in the financial statements of each respective component units. However, after carefully reviewing GASB Statements No. 34 and 48 we concur that this transaction should have been reported as a non-operating activity instead of a gain in the Authority's combined financial statements. The Finance department will strengthen its financial statement review procedures and consult with auditors to ensure that proper accounting standards are applied when preparing the consolidated annual financial statements for the Authority

Chandrika Karur, Controller, is the responsible officer. Her contact information is 408-993-2909 or Chandrika.karur@hacsc.org.

HOUSING AUTHORITY OF THE
COUNTY OF SANTA CLARA, CALIFORNIA
Corrective Action Plan (Continued)
For the Year Ended June 30, 2015

Finding #2015-003 - Significant deficiency in internal control over compliance and incident of noncompliance over HQS inspection requirement of Section 8 Moving to Work Demonstration Program (CFDA 14.881)

This issue was bought to our attention during the Single Audit review completed in 2014 for the Moderate Rehabilitation Program and corrective actions were initiated August 2015. In response to the finding in 2014, the Housing Authority completed an audit review on annual and biennial inspections for all programs. The Compliance Team worked with the IT department to develop audit reports to monitor open inspections and past due inspections including inspection result errors. Based on these reports, the Housing Authority contracted for additional services with a third party vendor to schedule all past due inspections by February 2016. The Compliance Team also working on correcting the data errors in Elite to ensure that the upcoming inspections were generated and scheduled in a timely manner. The estimated timeline to complete these corrections is March 2016.

In order to prevent future errors, the following actions were taken:

1. Assigned the scheduling and notification of inspection deficiencies to one staff member within the Compliance Team instead of 35 staff members in the Occupancy Team.
2. Reduced access to staff on the ability to change data in the inspection Elite module to two staff members within the Compliance Team.
3. Re-trained staff on the policy for rescheduled inspections and scheduling inspections for units with future vacancy dates.
4. Assigned HQS enforcement and follow up to five staff members instead of 35 staff.
5. Developed the Compliance Team in April 2014 for monthly oversight on program compliance.
6. Assigned Monthly reports and oversight to one Compliance Coordinator for past due inspections.

Tui Varela, Program Compliance Manager, is the responsible officer. Her contact information is 408-993-3052 or tui.varela@hacsc.org.

Finding #2015-004 - Control deficiency in internal control over compliance and incident of noncompliance over eligibility requirement of Section 8 Moderate Rehabilitation (14.856)

The Housing Authority develops policies for Moving to Work and Non Moving to Work programs. The Moving to Work program allows income from assets included based on a specific threshold. The Housing Authority did not apply this policy consistently. In response to this, staff was re-trained on the policy and the Program Compliance Unit created a compliance report to monitor changes to tenant's rent calculation. In addition, the Compliance team is in the process of auditing the entire Moderate Rehabilitation and other Special Programs to ensure income from assets are calculated correctly. This audit is projected to be completed by the end of February 2016.

In order to prevent future errors, the Housing Authority purchased the Nan McKay Quality Assurance Software and developed audit performance standards for the federal programs. The Housing Authority recently launched a pilot program for the Nan McKay QA software. The outcome from the pilot program will assist in identifying potential program errors and future program training for staff.

Tui Varela, Program Compliance Manager, is the responsible officer. Her contact information is 408-993-3052 or tui.varela@hacsc.org.