



KING COUNTY HOUSING AUTHORITY

MAKING TRANSITION WORK

FISCAL YEAR 2006 PLAN

King County Housing Authority

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INTRODUCTION AND EXECUTIVE SUMMARY

Under King County Housing Authority's (KCHA) 2003 Moving to Work Demonstration Agreement (MTW Agreement) with the U.S. Department of Housing and Urban Development (HUD), KCHA is allowed to develop policies and programs that are consistent with local needs and circumstances in lieu of HUD rules and regulations and select provisions of the 1937 Housing Act. KCHA renamed its local demonstration to better reflect the intention of the program—Making Transition Work. Under the agreement, KCHA is required to submit Annual MTW Plans that are adopted by its Board of Commissioners after receiving resident and public input through a public hearing process.

The MTW Demonstration is a seven-year national demonstration program designed to provide high-performing housing authorities with the flexibility to design their own programs and policies to meet the needs in their jurisdictions. The intent of the demonstration is to determine whether greater regulatory and financial flexibility will allow local housing authorities to increase the efficiency and effectiveness of their programs. This is a summary of KCHA's MTW Annual Plan for fiscal year 2006, which begins on July 1, 2005, and ends on June 30, 2006. FY2006 is KCHA's second full year under the demonstration, and this is the third MTW Annual Plan developed by the Authority.

MTW Objectives

KCHA has agreed to pursue the following objectives through the course of the MTW demonstration program:

- Expand clients' program, location, and other housing choices. Increasingly, the communities they choose will be or become more economically integrated and will offer the support services they need to be successful.
- Increase the ability of KCHA's clients to become more self-sufficient with the goal of more clients becoming employed, retaining their employment longer, and experiencing significant income progression. This will lead to more positive transitions out of assisted housing, including transition to homeownership.
- Ensure that KCHA's operations become more efficient and effective through simplifying and streamlining, decentralizing management, increasing program user-friendliness, and increasing the financial stability of KCHA programs.
- Preserve and increase affordable housing opportunities (including the housing stock), while continuing to focus on those greatest in need.

Challenges

Current and proposed funding reductions pose significant obstacles to the achievement of some of the Authority's MTW objectives. KCHA, like all housing authorities around the country, is facing multimillion-dollar funding cuts affecting all federally funded housing programs—Section 8 subsidy support and administrative fees and public housing Operating Fund, Capital Fund, and grant funding for resident services programs. At the same time, local and state funding sources for services needed by KCHA's more vulnerable clients are declining.

While trends highlight the need for KCHA to achieve greater levels of efficiency, continuing and severe funding cuts will make it more difficult for the Authority to become more effective in providing more housing choices, maintaining and increasing affordable housing opportunities, and increasing resident self-sufficiency. Already, cuts in the Section 8 Program have led to higher rent burdens for participants and are hampering KCHA's efforts to deconcentrate poverty. Public housing cuts have delayed critical capital improvements and compromised the quality of life for

residents. Continuing cuts in funding of necessary support services will slow down residents' progress towards self-sufficiency.

Continuing Opportunities

- **MTW Flexibility.** The Authority continues to use and will continue to explore the use of its flexibility under the MTW Demonstration to achieve the objectives of improved housing choices, increased resident self-sufficiency, greater operational efficiency, and preserving and increasing affordable housing opportunities.
- **Partnerships.** As funding declines, the Authority continues to strengthen existing partnerships and enter into new partnerships with a variety of entities—local, county, and state governments; nonprofit organizations, private foundations; and financial institutions—to deliver affordable housing programs and services.
- **Creativity of Dedicated Work Force.** KCHA as an organization is increasingly driven less by compliance with regulations and more by performance based on a set of objectives. To this end, in FY2006 the Authority will look to its staff to identify new efficiencies and opportunities to reduce unnecessary administrative burdens. The Authority will rely more and more on the creativity of staff as it transitions from a compliance- to a performance-oriented organization.

Key FY2006 MTW Initiatives

The following is a list of the key initiatives, which are explained more fully in the Plan, that the Authority will pursue during FY2006:

- **Implementation of New Section 8 and Public Housing Rent Policies.** This initiative will focus on strengthening incentives for employment, job retention, and income progression; simplifying the policy; and reducing the administrative burden and cost of implementing the rent policies.
 - **Exploring the Development of a Local Leased Housing Program.** KCHA anticipates approval of an amendment to the MTW Agreement that will allow KCHA to receive most of its Section 8 funding in the form of a Block Grant. This will allow the Authority to pursue a comprehensive redesign of its Section 8 Program and create a Local Leased Housing Program.
 - **Property-based Management of Public Housing.** KCHA will expand the property-based management pilot implemented in the South Area in FY2005 to its entire public housing inventory in an effort to capture greater operational efficiencies, be more responsive to the needs of residents, and be able to attract private capital.
 - **Site-Based Waiting List Adoption and Implementation.** The Authority will adopt and implement a new public housing waiting list system that will allow all applicants a greater choice in where they want to live.
 - **Adoption of new local admissions preferences for both public housing and Section 8 that will continue KCHA's commitment to serve those with the greatest need and reduce the administrative burden for staff and the time it takes for households to be housed.**
 - **Redesign of KCHA's Family Self-Sufficiency Programs.** KCHA will explore changes to current self-sufficient initiatives to create a more coordinated, comprehensive and outcomes based approach to assisting residents and program participants in achieving economic self-sufficiency.
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- Continued use of KCHA's Project Based Assistance Policy to facilitate the development of replacement assisted housing units as part of the Park Lake HOPE VI initiative and to assist in KCHA's partnerships with local government and non-profit organizations to address homelessness and supportive housing needs in the region.
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SECTION I. HOUSEHOLDS SERVED

A. Number and Characteristics of Households Served

KCHA's Public Housing Program currently serves approximately 2,880 households in 48 developments and 8 single-family homes, while the Section 8 Housing Choice Voucher Program serves about 8,170 households in its jurisdiction, including over 1,900 participants utilizing vouchers initially issued by other housing authorities. These programs serve a culturally and linguistically diverse population, with some public housing developments comprised of residents speaking more than 20 languages. Appendices A and B provide demographic information for KCHA residents and participants as of April 1, 2005.

The tables in Appendix A provide demographic information for public housing households by development type (family versus mixed populations), geographic area and development. (KCHA's Public Housing Program is divided into five geographic areas to maximize the efficiency of service delivery.) The first two tables provide information about residents in the family developments, while the last two tables cover information about the Authority's mixed-population developments.

The tables in Appendix B provide demographic information for all Section 8 households served by the Authority. Under KCHA's MTW Agreement with HUD, KCHA's Section 8 Program consists of vouchers funded under the Section 8 MTW Block Grant (for vouchers initially held by households who received Temporary Assistance for Needy Families at the beginning of the demonstration) and vouchers for households that were ineligible for inclusion in the block grant (non-TANF households and recipients of special-purpose and enhanced vouchers). The tables in Appendix B summarize demographic information for Section 8 participants included in the block grant, special-purpose programs, and "general-purpose programs," as well as all participants from other housing authorities living in KCHA's jurisdiction ("port-ins"). They also show demographic information for households served in units receiving Section 8 project-based assistance.

B. Number and Characteristics of Applicants

Public Housing. Appendix C provides demographic characteristics for all public housing applicants. Because of KCHA's considerable geographic span, the Authority operates five area-based waiting lists. The demographic information in Appendix C represents a snapshot of the five waiting lists as of April 1, 2005. As applicants are allowed to place their names on more than one waiting list, the unduplicated number of households on the waiting lists is fewer than the sum of applicants on the five area-based lists. In addition to the area-based waiting lists, KCHA adopted a policy change in FY2004 to operate site-based waiting lists for two developments.

Section 8. KCHA's Section 8 waiting list has been closed since July 2002 when close to 7,000 applications were accepted over a two-week period. Appendix D shows 4,500 applicants on the waiting list as of April 1, 2005. However, about 3,500 of these applicants were recently informed by the Authority that they have been removed from the waiting list because KCHA does not expect to be able to serve them in the foreseeable future due to Federal funding cuts in the FY '05 budget.

Issues and Proposed Actions

Public Housing. KCHA's area-based waiting list system for public housing has provided applicants the ability to choose one of five areas in the Authority's jurisdiction where they want to live. The Authority is in the process of developing and adopting a site-based waiting list system. At a minimum, applicants will be allowed to choose one or more developments where they would like to live. The Authority may also provide applicants the option to be placed on one or more common waiting lists if they have no preference for a specific location and simply want to be housed in the first available unit. A final recommendation for a new policy will be made after consultation with stakeholders in KCHA's jurisdiction. The policy and its implementation will comply with all civil rights and Fair Housing requirements in accordance with the MTW Agreement. KCHA will implement and monitor the operations and outcomes of site-based waiting lists and report on it in its Annual MTW Reports.

Section 8. In the past, KCHA has maintained and managed an updated Section 8 tenant-based waiting list and accepted new applicants when the number on the waiting list had been reduced to approximately 1,000. Several factors will result in almost no applicants receiving tenant-based vouchers in the mid-term future, including:

- The unlikelihood of any increases in the number of new Section 8 vouchers.
- The reduction in Federal funding for existing vouchers, which is necessitating the retirement of vouchers upon turnover.
- The commitment to provide project-based assistance to new transitional housing units funded under the Sound Families Program (discussed in some detail in Section VIII).

As a result of these impacts and due to the cost of maintaining and updated waiting list, KCHA decided to reduce the Section 8 waiting list to the top 1,000 applicants in the event vouchers become available to them over the next five years.

C. Changes in Populations to Be Served at End of Period and Explanation

Public Housing. The Authority expects to serve about 175 fewer households in public housing at the end of FY 2006 due mainly to the continued relocation of residents from the Park Lake Homes HOPE VI site. Other factors that will influence the number of public housing households served includes the status of capital projects (discussed in Section VI) that require temporary relocation of tenants.

Changes in the demographics of the public housing program is expected to be insignificant:

- Implementation of KCHA's designation plan (through attrition), which sets targets for the percentage of younger households in the mixed-population developments, will result in a slight increase (not more than 20) in the number of elderly and near-elderly households in these developments.
- The continued relocation of Park Lake Homes residents to Section 8 or other public housing developments may result in minor demographic changes due to the historically higher percentage of Asian American residents at Park Lake Homes.

Section 8. The Authority does not expect a significant increase or decrease in the number of Section 8 households served in its jurisdiction during FY2006—about 8,170 as of April 1, 2005. However, further federal funding cuts may significantly reduce the number of households the Authority can afford to serve. Also, KCHA's lower payment standards and more restrictive occupancy standards implemented during FY2005 (discussed in Section II) may lead to fewer

households moving from other jurisdictions, especially Seattle. These changes may also prompt current KCHA voucher holders to move to other jurisdictions. However, the impacts of these changes may be neutralized by similar changes implemented by other housing authorities.

The Program's demographic make-up is not expected to change significantly during FY2006. If there is any change in the distribution of voucher sizes (number of bedrooms), it will be due to changes in KCHA's occupancy standards rather than an intentional shift towards serving smaller household sizes.

SECTION II. OCCUPANCY AND ADMISSIONS POLICIES

A. Statement of Admissions and Occupancy Policies

KCHA's admissions and occupancy policies for the Public Housing and Section 8 Programs have been consistent with the 1937 United States Housing Act and subsequent amendments, including the Quality Housing and Work Responsibility Act of 1998 (QHWRA). During 2004 and 2005, KCHA adopted some new policies that depart from the 1937 Act and are consistent with the Authority's MTW Agreement. The following is a summary statement highlighting changes to KCHA's admissions and occupancy policies:

Public Housing Policies

Allocation Plan. During FY2004, KCHA adopted a new Allocation Plan that sets aside 78 percent of the units in each building for elderly and near elderly (55 to 62 years old). This percentage equals the overall percentage of this demographic group in the mixed-population buildings at the time the policy was adopted.

Admissions Preferences. Under MTW, KCHA adopted a policy to allow applicants whose incomes are lower than 75 percent of 30 percent of the Area Median Income (AMI) to self-certify their qualification for a local preference—the Authority currently implements the former federal preferences for admissions as local preferences. KCHA is in the process of changing its preferences policy as part of a comprehensive review of its admissions policies.

Site-Based Waiting Lists. The Authority has adopted and implemented site-based waiting lists for two of its most geographically remote public housing sites. "Applicant choice" is expected to be extended to all public housing developments in early FY2006.

Deconcentration Policies. It has not been necessary to implement the Authority's deconcentration policy, which allows KCHA to skip applicants on the waiting list, implement affirmative marketing strategies, and/or incentives to achieve a more desirable income mix in affected buildings. KCHA's other deconcentration strategies, including targeted self-sufficiency programs, flat rents, and HOPE VI redevelopment have resulted in the creation of mixed-income communities without having to target higher income applicants.

Section 8 Policies

Admissions Preferences. Under MTW, KCHA adopted a policy to allow applicants whose incomes are lower than 75 percent of 30 percent of AMI to self-certify their qualification for a local preference—the Authority currently implements the former federal preferences for admissions as local preferences. KCHA is in the process of changing its preferences policy as part of a comprehensive review of its admissions policies.

Occupancy Standards. During FY2005, the Authority's Board also adopted new occupancy standards for all multiple-bedroom voucher sizes in response to reductions in Section 8 funding. The occupancy standards determine the size of the voucher (number of bedrooms) a household qualifies for. Under the new standards, one bedroom is allocated per two adults or per two minors, regardless of the gender of the children or the relationship of the adults. KCHA's community partners and stakeholders preferred these less generous standards to a significant reduction in the number of households the Authority serves.

New Payment Standards. In an additional response to funding cuts, the Authority adopted lower payments standards—the maximum amount of subsidy a tenant may receive for a given voucher

size (number of bedrooms). The new payment standards were set at 104 percent of Fair Market Rent (as determined by HUD), a level that HUD believes will make 40 percent of units in KCHA's jurisdiction affordable to voucher holders.

Policies Specific to Section 8 Project-Based Program

The Authority adopted a Section 8 Project-Based Assistance Policy in 2003, which included a number of departures from HUD regulations. Some of these include:

- The Authority can allocate project-based assistance to housing units owned or controlled by KCHA without competition. The Authority can allocate project-based assistance to housing units using competitive processes used by other entities—Sound Families, King County—that meet KCHA's competitive selection requirements.
- Project-based assistance provided for HOPE VI replacement housing and permanent housing for families and children can only be located in areas with poverty rates at or below 15 percent.
- The Authority and other owners of housing operate site-based waiting lists for units receiving project-based assistance.
- Due to the limited availability of Section 8 tenant-based vouchers, residents exiting housing receiving project-based assistance are generally not eligible for tenant-based vouchers. However, the Authority is in the process of revising its local preferences, which may provide them with a priority for admission to public housing.
- The Authority may also implement a limited number of demonstration programs to test unique housing options that do not qualify under the Project-Based Assistance Program.

B. Rent Policies

KCHA's current rent policies are based on the Brooke Amendment to the 1937 Housing Act, which limits a household's cost of rent and utilities to 30 percent of their adjusted income. Over the years, this policy has ensured a high level of affordability for households under both programs. However, this basic "30 percent of income policy" has also resulted in some unintended consequences, including a disincentive for households who want to increase their income through employment.

The following rent policy changes have been made so far:

Section 8. KCHA's Board adopted the following changes to the Section 8 Program's rent policy:

- **Bi-annual rent recertifications for fixed-income households.** Under this policy, full rent reviews can be conducted every two years. In the intervening year, rents are adjusted based on cost of living increases, if any, provided for Social Security recipients. Residents may request a full review if their financial circumstances have changed. This change was adopted to reduce administrative costs in response to funding cuts. Additional changes in rent policy will be made during FY2006.
- **40 Percent of Gross Income Limitation on New Leases.** The lower payment standards adopted in order to reduce the cost of the program results in reduced choice in the rental market. KCHA used its authority under MTW to allow households to pay up to 40 percent of gross income—instead of adjusted income—towards their housing costs in the initial year of

their lease. This change is designed to expand the number of potential units that a household is allowed to rent under the Section 8 Program.

Section 8 rent policy will undergo further changes in FY2006.

Public Housing. A major target for policy change during FY2005, a new public housing rent policy is expected to be implemented in FY2006

C. Planned Policy and Program Initiatives

KCHA will explore, develop, adopt, and/or implement a number of policy and program changes during FY2006. Some of these efforts are continuations of existing initiatives approved under previous annual plans.

A New Local Leased Housing Program

KCHA's existing MTW Agreement authorizes comprehensive changes to the Section 8 Program for the 915 vouchers included in the Section 8 Block Grant and more limited changes for other vouchers. The Authority is anticipating HUD approval of an amendment to the Agreement that will combine almost all vouchers into a single MTW Block Grant and allow KCHA to operate the program with a single set of rules. This will also enable KCHA to make appropriate changes in the light of anticipated future funding reductions. The Authority will explore the creation of its own Local Leased Housing Program in accordance with the MTW Agreement. Objectives guiding the design of a new program will include the guiding principles adopted by KCHA's Board of Commissioners in response to FY2005 funding cuts:

- Ensure that current Section 8 participants continue to receive assistance.
- Make every effort to serve as many households as possible.
- Make every effort to ensure that any negative impacts are fairly and equitably distributed across all Section 8 partners.
- Continue to offer housing choice and minimize poverty concentration.
- Ensure that administrative impacts of any changes are cost-effective.
- Focus on the long-term stability and success of the program.
- Make every effort to protect the financial viability of the program under ongoing cuts.

A Local Leased Housing Program is likely to include major changes to the core components of the current program, including:

- **Rent Policy.** The basic rent formula (30 percent of adjusted income) and all related policies, including adjustments to income and the definition of household income, that determine how much rent a participant pays to a landlord will come under review. Included in this review will be consideration of policy alternatives that are not based on household income and different rent policies for different household types.
 - **Payment Standards.** Under a new rent formula, rent payment standards may need to be revised, redesigned, or become unnecessary. The underlying basis and/or method for setting rent payment standards may also be changed. The Authority may consider multiple rent payment standards to address issue of poverty concentration and housing choice.
 - **Utility Allowances.** The Authority will consider alternatives to the current utility allowance system in order to simplify program implementation while keeping housing costs affordable.
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- **Inspections.** The new Local Leased Housing Program may include sweeping changes to the frequency and procedures for initial and annual housing quality standards inspections. For example, the Authority will explore conducting inspections of a sample of units on an annual basis while ensuring that all units are inspected every three or four years. Any changes to the inspections protocols will be designed to ensure that participants have safe, decent, and sanitary housing.

Changes to other aspects of the Section 8 program will include those authorized under Section V.A of KCHA's MTW Agreement and listed in Section VIII of this MTW Plan.

Public Housing Rent Policy

KCHA staff has engaged residents (through focus groups, the Resident Advisory Board, and surveys) and other community partners in an effort to overhaul the current public housing rent policy. After a thorough analysis of the problems with the current policy and drafting guiding principles for a new rent policy, a broad range of alternatives are being considered. Participants in the policy development process are being given full opportunity to respond to policy options or to propose their own for consideration. Public hearings and meetings with residents will be conducted to gather comments and responses to policy recommendations before any final recommendations. The new rent policy will simplify the rent policy for staff and residents, maintain strong employment incentives, and strengthen the financial viability of the public housing program, especially in the light of anticipated funding cuts.

Public Housing and Section 8 Admissions Preferences

KCHA will implement a new admissions preferences policy in both programs early in FY2006. The policy is being developed in concert with the formulation of other admissions-related policies, including site-based waiting lists in public housing.

Cluster Care Initiative

The Authority will implement the cluster care initiative at two of its mixed-population developments. Under this initiative, the Authority will enter into a contract with a service provider to offer 24-hour on-site care to formerly homeless near elderly and elderly individuals who have exited nursing homes or other temporary care facilities. KCHA will make a limited number of housing units in each of the two developments available for this purpose.

Designation of Allocation Vouchers

In consultation with organizations that serve and advocate for people with disabilities, KCHA will explore the development and adoption of a policy to designate Section 8 Allocation vouchers for service systems that target specific disabilities. Such a policy will be consistent with the Administration's Flexible Voucher Program proposal for such designation and with applicable Fair Housing laws and regulations.

Family Self-Sufficiency (FSS) Program

The Authority is designing changes to the Section 8 FSS Program to seek ways to expand the program without increasing program costs and to decrease the costs associated with managing individual escrow accounts and other aspects of program administration. KCHA is also exploring the implementation of a streamlined FSS Program for public housing.

SECTION III. CHANGES IN HOUSING STOCK

The Authority is committed to ensuring that it continues to provide the same or greater number of subsidized housing opportunities for low-income households as it has prior to its participation in the MTW Demonstration. The table below provides information about the total number of federally subsidized housing units available through KCHA as of July 1, 2004 and July 1, 2005, as well as the number projected to be available by June 30, 2006, the end of FY2006. These numbers represent the gross number of units in these programs.

Housing Program	July 1, 2004	July 1, 2005	June 30, 2006
Section 8 Vouchers	6,730	6,850	6,850
Low Income Public Housing (LIPH) Units	3,288	2,985	2,723
Section 8 New Construction Buildings	174	174	174
Preservation Program Buildings	271	271	271
Total KCHA Units	10,463	10,280	10,018

The total number of Section 8 vouchers (6,850) represents vouchers KCHA is authorized to issue. While the Authority does not expect to receive any new vouchers during FY 2006, KCHA will continue to make every effort to increase the number of Section 8 vouchers available to low-income households in King County.

The public housing numbers in the table above include units that are available for resident occupancy and units currently being used to accommodate agencies serving KCHA residents. They also include 10 units destroyed in a fire on July 4, 2003, which the Authority plans to rebuild. The reduction in the number of public housing units by the end of FY2006 reflects the remainder of the units that will be demolished at the Park Lake Homes HOPE VI site—262.

The HOPE VI initiative has allowed KCHA to receive a total of 569 relocation and replacement vouchers for the 569 units that will ultimately be demolished at Park Lake Homes. The reduction in units reflected in the table above does not mean that KCHA is serving fewer residents as a result of HOPE VI. Instead, it reflects the fact that KCHA received all replacement/relocation vouchers before any units were demolished.

SECTION IV. SOURCES AND AMOUNTS OF FUNDING

This Section describes the sources and amounts of funding included in the Authority's consolidated MTW budget statement, the sources and amounts of funding outside the consolidated budget, and the Consolidated Budget Statement.

A. Sources and Amounts of Funding in the Consolidated MTW Budget

The following table shows the FY2005 budget adopted by the Board of Commissioners as well as projected revenues for FY2006 for the operation of the housing programs included in the MTW Demonstration. The Section 8 funding is reported under two line items, one for funding received for Section 8 vouchers in the form of a block grant and one for all other vouchers.

PROJECTED REVENUES	FY2005 BUDGET	FY2006 BUDGET
Dwelling Rental Income	7,078,619	7,114,875
Investment Income	69,896	96,862
Other Income	393,404	520,014
Section 8 Block Grant	11,849,176	60,718,303
Section 8 Subsidy and Port/Admin Fees	51,791,880	3,212,600
Capital Subsidy (CFP all years)	9,114,950	10,269,954
Operating Subsidy (PH)	7,649,809	7,376,658
Total Revenues	\$87,947,734	\$89,309,266

B. Sources and Amounts of Funding Outside the Consolidated MTW Budget

The statement below shows the FY2006 budget for the Section 8 New Construction and Preservation programs, grants that fund support services programs, and a HOPE VI redevelopment grant to redevelop Park Lake Homes, as well as the FY2006 projected revenues from these sources.

PROJECTED REVENUES	FY2005 BUDGET	FY2006 BUDGET
Dwelling Rental Income	1,291,470	1,409,229
Investment Income	308,562	347,794
Other Income	185,000	55,378
Section 8 Subsidy and Admin Fees	3,107,196	2,748,041
Capital Subsidy	0	0
Operating Subsidy	0	0
Grants (non CFP)	34,296,253	10,282,074
Total Revenues	\$39,188,481	\$14,842,515

C. Consolidated Budget Statement

PROJECTED REVENUES	FY2005 BUDGET	<i>FY2006 BUDGET</i>
Dwelling Rental Income	8,370,089	8,524,104
Investment Income	378,458	444,656
Other Income	578,404	575,392
Section 8 Block Grant	11,849,176	60,718,303
Section 8 Subsidy and Admin Fee	54,899,076	5,960,641
Capital Subsidy	9,114,950	10,269,954
Operating Subsidy	7,649,809	7,376,658
Grants	34,296,253	10,282,074
Total Revenues	\$127,136,215	\$104,151,781

SECTION V. USES OF FUNDS

This Section provides FY2005 expenditures by line item, FY2006 planned MTW expenditures by line item, an explanation of the changes in proposed activities and investments from the previous year, and a discussion of the level and adequacy of reserves. It also presents a number of initiatives under MTW that are intended to streamline KCHA's operations.

A. Planned Expenditures and Changes in Expenses in the MTW Budget

PROJECTED EXPENSES	FY 2005 BUDGET	FY 2006 BUDGET
Administration and General	14,996,140	19,321,237
Housing Assistance Payments	46,706,308	2,014,000
Section 8 Block Grant HAP	11,849,176	60,718,303
Utilities	3,411,042	2,877,716
Maintenance	5,106,548	1,280,016
Capital Projects	7,600,000	9,008,339
Total Expenses	\$89,669,214	\$95,219,611

1. Categories of Costs

- Administration and General: Salaries and employee benefits for all employees, office costs, professional service contracts including those supporting resident services, property and liability insurance and debt service on KCHA's Section 8 offices and ESCO funding.
- Housing Assistance Payments: In the FY2006 Budget, housing assistance payments (HAP) projected to be paid on behalf of Section 8 participants are separated into two categories: Section 811 Five Year Mainstream (non-MTW) and all other Vouchers (MTW Block Grant)
- Utilities: KCHA-paid utilities including water, sewer, electricity, natural gas and heating oil. This category also includes trash collection costs, in conformity with private sector real estate accounting.
- Maintenance: All materials and contracts for the maintenance of KCHA' public housing developments.
- Capital projects: All capitalized improvements to KCHA's developments as funded through the CFP. This also includes PH and Section 8's pro rata share of any capitalizable hardware and software and the costs of rebuilding an area maintenance shop relocated due to the HOPE VI project.
- Flexibility Under Proposed Rule. When the Proposed Rule for the Public Housing Operating Fund is finalized, KCHA will review the Rule to determine how to enact them using its MTW authority so as to reflect the purposes of the MTW Demonstration.

2. Major FY2006 Initiatives

The following initiatives represent major investments that the Authority is undertaking during FY2006. Some are continuations of current activities and others represent the beginning of strategies that will have long-term benefits for the Authority and its clients.

- The Agency converted its core system software in May 2004. It continues to work closely with the vendor to improve the ease of administration while at the same time developing more meaningful reports in support of the Property-Based Management initiative. Included in FY 2006 will be initiation of a document imaging system. The ultimate goal of this initiative is to use document imaging in the Section 8 Program to control document flow and save on storage costs.
- Ongoing Review of Energy Costs. KCHA entered into an Energy Performance Contract during FY 2004 for its Public Housing Program. During FY 2006 it will begin installing approximately \$4.0 million in energy measures to conserve water and energy usage.
- Streamlined HUD Approval of Mixed-Finance Deals. Before the end of FY2006, the Authority will request a HUD waiver to allow a mixed-finance closing to occur without review of evidentiary material by a HUD attorney, based on a model developed by HUD and the Atlanta Housing Authority.
- Private Sector Property Management Practices. In FY 2005, KCHA initiated a demonstration program in one of its public housing management regions that mirrored private sector property management models. Using the lessons learned, it intends to roll out this model to all of its public housing operations in FY2006.
- Park Lake Homes HOPE VI Revitalization. This redevelopment effort will transform an aging public housing development into a new mixed-income neighborhood. FY2006 will see the commencement of vertical construction in Phase I of the redevelopment, as well as substantial completion of infrastructure improvements.
- Utilization of the Section 8 Block Grant to support KCHA-owned supportive housing. The Authority plans to use Section funding to ensure the financial feasibility of a supportive housing project(s) that serve individuals with disabilities and homeless families in need of transitional housing.
- Performance Evaluation and Improvement. The Authority will continue monthly Section 8 and Public Housing performance review meetings and refine performance and outcome indicators to identify opportunities to improve its operations and its services to residents.
- New Investment Strategies. In FY 2004, the KCHA Board of Commissioners developed an expanded investment strategy for use of KCHA's cash reserves. In late FY2005, the Authority will be refinancing a significant portion of its workforce housing debt in order to take advantage of the low interest rate environment, purchase an additional property and gain access to a portion of the equity within the portfolio. Income derived from investments is targeted at continuing mission critical resident services.

3. Changes from FY 2005 Budget

- Administrative and General:
 - Maintenance salaries have been included in this category, a change from FY 2005. This conforms to private sector accounting. State-managed pension contribution rates increased from 1.68% to 2% of salaries.
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- KCHA anticipates a one time increase in costs (due to property-based management) of \$450,000 in FY 2006; the majority of these costs represent investments in creating offices for site staff, as well as the technology to support the more widespread operations.
 - Certain resident service activities are no longer grant funded. KCHA intends to support these programs from operating funds, at least temporarily.
 - All costs have been increased by an inflation factor above FY 2005 levels.
 - Section 8 HAP is divided into two categories. During FY2005 KCHA sought to amend its MTW contract to extend its Block Grant to all non-Five Year Mainstream vouchers. HUD approval is pending. As a result, the majority of HAP is anticipated to be paid from Block Grant funds.
 - Maintenance expenses have dropped due to the reclassification of Maintenance salaries to administrative budget line. In addition, the demolition of more than 300 public housing units as part of the HOPE VI project has also reduced maintenance costs in the public housing inventory.
 - Utility costs are projected to decline following installation of \$4.0 million in energy upgrades funded through the Energy Savings Corporation (ESCO)—KCHA used its MTW authority in FY2004 to act as its own ESCO. Also contributing to this favorable variance is the loss of 300 public housing units at the HOPE VI project; this aging development had been a major user of water and sewer services.
 - Capital programs: KCHA will continue to address its objective of providing fire/life safety upgrades, including sprinkler systems and modernized alarms systems in its senior/disabled inventory with two projects underway and a third scheduled for '06. In addition significant interior renovations are scheduled for Firwood Circle, a family development.

B. Level and Adequacy of Reserves for the Public Housing and Section 8 Programs

PROJECTED RESERVES	FISCAL YEAR 2005
Public Housing	4,120,303
Section 8 Administrative Fee	3,560,153
Section 8 Block Grant Project	632,247
Total Reserves	\$8,312,703

The Public Housing Program is budgeted to operate at a deficit in FY2006 due to underfunding of the Operating Fund. Housing authorities are projected to receive only 89% percent of their operating subsidies as calculated by HUD's funding formula. In addition, KCHA is investing \$450 thousand in reserves in order to convert its public housing operations to the property-based management model required by HUD. The public housing reserve represents approximately three months of operating expense cash flow for KCHA's public housing program. The Section 8 project reserve represents one month of operating expense cash flow for the block grant portion of the Section 8 Program. The administrative fee reserve represents the accumulated unused surplus from KCHA's Section 8 operations including unused block grant authority.

SECTION VI. CAPITAL PLANNING

A. Major Capital Needs and Projects, Estimated Costs, and Proposed Timetables

The Authority has updated its 10-year Capital Plan, which covers the period from FY2003 through FY2012, annually to adjust for persistent declines in the Capital Fund—the primary source for funding capital improvements in the Public Housing Program. Over the past four years, the average reduction in the Authority's Capital Fund has been 3.75 percent. For FY2006, KCHA projects an additional 12.6 percent reduction in the Capital Fund due to the demolition of public housing units at Greenbridge (the Park Lake Homes HOPE VI site).

The Capital Plan addresses the highest priorities among the identified capital needs for public housing developments. The estimated total cost for capital needs identified in the 10-year plan is approximately \$56.9 million. The projected funding available for these projects for that period is \$35 million. The funding shortfall is estimated at \$21.1 million. In addition to the \$21.1 million in projects that will be deferred through FY2012, the plan also identifies all capital needs that are deferred beyond FY2012. The total costs of completing the projects deferred beyond FY2012 in today's dollars is more than \$53 million. KCHA's ability to adhere to the plan depends mainly on annual appropriations for the Capital Fund by Congress. Appendix F provides a detailed list of projects to be undertaken (including some that are in process or are complete) as part of the 10-year work plan as well as those deferred beyond FY2012. Below are some of the major needs that the Authority will address over the next year:

- **Park Lake Homes Redevelopment.** The redevelopment of Park Lake Homes I into Greenbridge—a mixed-income neighborhood of public housing and market rate rentals as well as homeownership opportunities for a broad spectrum of household incomes—has begun. Three hundred aging public housing units will be replaced with federally subsidized housing on site, and 269 are being replaced elsewhere on a one-for-one basis with project-based Section 8 assistance. The first phase of demolition has been completed and infrastructure construction has commenced. FY2006 will see the beginning of construction of new units on the site.
 - **Fire and Life/Safety Upgrades in Mixed-Population Buildings.** The Authority has developed a multi-year plan to upgrade the Fire and Life/Safety systems in all its mixed-population (elderly and disabled) buildings. Renovations in 10 of the buildings are complete; the remaining nine public housing buildings will be completed at a rate of one to two per year depending on funding. Upgrades for Yardley Arms and Southridge House will be completed during FY2006.
 - **Springwood Apartments Master Plan.** This aging and physically distressed property will undergo a multi-million dollar renovation over a multi-year period. Because the Capital Fund is inadequate to fund this project, KCHA is exploring other avenues to finance this initiative. KCHA dedicated funds to commence master planning for Springwood during FY2005. Master planning will continue in FY2006.
 - **Improved On-Site Community Facilities.** KCHA is actively upgrading community facilities at its major family sites to facilitate delivery of on-site services. The Kent Family Center at Springwood was completed this year. Due to permitting requirements, the redevelopment of the Springwood Community Center, including construction of a gymnasium, game room, classrooms and computer center for older youth, has been delayed and will commence in FY2006. The community facility at Burndale Homes is scheduled for remodeling dependent on funding availability. The initiation of the first phase of the
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reconstruction of the community center at Greenbridge (Park Lake Homes I), and relocation of the Park Lake Homes food bank has commenced.

- **Other Major Multi-Year Projects.** KCHA completed the replacement of existing toilets with low-flow fixtures in all public housing developments this year. KCHA will replace all public housing lighting fixtures with Energy Star rated fluorescent fixtures in FY2006. KCHA completed a comprehensive energy grade audit in FY2005.

B. Capital Expenditures Planned During the Current Fiscal Year

Following is a list of the capital projects for the Authority's public housing properties planned for FY2006.

FY 2006 Capital Projects for Public Housing

<i>Community Name & Number</i>	<i>Summary of Work Activities</i>	<i>Community Total</i>	<i>CFP Year</i>	<i>FY Start/ FY Complete</i>
Yardley Arms 2-22	Fire & Life Safety upgrades, remodel community spaces; replace domestic water lines; upgrade heating system; exterior envelope upgrades	\$ 1,800,000	2004/2005	2005/2006
Southridge House 2-20	Fire and Life Safety upgrades; remodel community spaces; replace domestic water lines; upgrade heating system	\$ 2,500,000	2004/2005	2005/2006
Casa Jaunita 2-21	Infrastructure improvements and Exterior Upgrades	\$ 500,000	2003/2004	2005/2006
Springwood Apartments 2-34	\$3 million redevelopment of Springwood Community Center.	\$ 3,000,000	2003	2006
Firwood Circle 2-12	Interior renovation, unit side sewers and site work	\$ 2,225,000	2003/2004/ 2005	2005/2006
Mardi Gras 2-28	Decks – repair and replace	\$ 250,000	2004	2005/2006
Park Lake II 2-05	Furnace/ductwork replacement and mold mitigation - 14 units	\$ 350,000	2005	2006
	TOTAL	\$10,895,000		

SECTION VII: OWNED AND MANAGED UNITS

This Section provides information required under KCHA's MTW Agreement on performance indicators for public housing units under KCHA management.

A. Vacancy Rates

The tables below provide the vacancy rates for public housing developments as of April 1, 2005. The Authority provides annual snapshots of performance indicators and other data for April 1 of each year of the Demonstration because the timing of MTW Annual Plan submission does not allow for beginning-of-fiscal-year data to be gathered and analyzed.

DEVELOPMENT	HOUSEHOLDS	UNITS	VACANCY RATE
AVONDALE MANOR	20	20	0.0%
BALLINGER HOMES	110	110	0.0%
BELLEVUE SINGLE-FAMILY HOMES	8	8	0.0%
BOULEVARD MANOR	70	70	0.0%
BRIARWOOD	70	70	0.0%
BRITTANY PARK	43	43	0.0%
<i>BURNDALE HOMES*</i>	49	50	2.0%
CAMPUS COURT	13	13	0.0%
CASA JUANITA	80	80	0.0%
CASA MADRONA	69	70	1.4%
CASCADE APTS	107	108	0.9%
CEDARWOOD	25	25	0.0%
COLLEGE PLACE	51	51	0.0%
EASTRIDGE HOUSE	40	40	0.0%
EASTSIDE TERRACE	49	50	2.0%
EVERGREEN COURT	30	30	0.0%
FIRWOOD CIRCLE	50	50	0.0%
FOREST GLEN	39	40	2.5%
FOREST GROVE	25	25	0.0%
GLENVIEW HEIGHTS	10	10	0.0%
GREEN RIVER HOMES	57	60	5.0%
GREENLEAF	27	27	0.0%
GUSTAVES MANOR	35	35	0.0%
JUANITA COURT	30	30	0.0%
JUANITA TRACE	29	30	3.3%
JUANITA TRACE II	9	9	0.0%
KINGS COURT	30	30	0.0%
KIRKWOOD TERRACE	28	28	0.0%
MARDI GRAS	61	61	0.0%
MUNRO MANOR	60	60	0.0%

DEVELOPMENT	HOUSEHOLDS	UNITS	VACANCY RATE
NORTHRIDGE HOUSE I	69	70	1.4%
NORTHRIDGE HOUSE II	70	70	0.0%
PARAMOUNT HOUSE	70	70	0.0%
<i>PARK LAKE HOMES</i>	163	532	Redevelopment
PARK LAKE HOMES II	193	198	2.5%
<i>PICKERING COURT</i>	30	30	0.0%
PLAZA 17	70	70	0.0%
<i>RIVERTON TERRACE</i>	59	60	1.7%
SHOREHAM	17	18	5.6%
SOUTHRIDGE HOUSE	79	80	1.3%
SPRINGWOOD APTS	321	333	3.6%
THE LAKE HOUSE	69	70	1.4%
VALLI KEE HOMES	114	114	0.0%
VICTORIAN WOODS / FEDERAL WAY HOMES	17	18	5.6%
VISTA HEIGHTS	30	30	0.0%
WAYLAND ARMS	67	67	0.0%
WELLSWOOD	30	30	0.0%
YARDLEY ARMS	67	67	0.0%
YOUNGS LAKE	27	28	3.6%
DEVELOPMENTS NOT UNDER REDEVELOPMENT	2,723	2,756	1.2%

Excluding Park Lake Homes, which is under redevelopment, the overall vacancy rate as of April 1, 2005, was 1.2 percent. The Authority expects a similarly low overall vacancy rate for its public housing properties in FY2006.

B. Rent Collections

The Authority anticipates collecting over 98 percent of the public housing rents assessed during FY2006. This was the rent collection level during FY2005.

C. Work Orders

KCHA's anticipates responding within 24 hours to 100 percent of the requests for emergency maintenance work orders during FY2006. The Authority also projects responding within 30 days to at least 97 percent of the requests for regular maintenance work orders during FY2006. These were the maintenance work order response levels during FY2005.

D. HQS Inspections

HUD's Housing Quality Standards regulations currently require that each public housing unit and system be inspected annually. KCHA is on track to complete 100 percent of HQS inspections during FY2005. KCHA will continue to inspect public housing units and systems in accordance with the Housing Quality Standards.

E. Security

KCHA's employs strict suitability standards for screening applicants, including the use of criminal background checks by local, state, and federal law enforcement agencies, as its primary strategy to ensure that its communities are safe places for households to live. Proactive and consistent lease enforcement by housing management staff is the Authority's next line of defense in its anti-crime strategy. KCHA continues the operation of the core strategies that used to be funded under the Drug Elimination Grant (DEG), although the defunding of DEG has severely curtailed the drug and crime prevention programs. These core strategies include:

- Partnerships with Police Departments throughout the Authority's Jurisdiction. KCHA has developed and maintained strong relationships with police departments to ensure that public housing residents receive the services they need for their safety and security. These relationships take the form of contracts with police departments funded by KCHA and memoranda of understanding between the Authority and local law enforcement. Police department cooperation with management is especially crucial for KCHA's ability to access information needed to pursue evictions or other solutions in cases of serious criminal and drug activity.
- Community Policing. KCHA is also continuing its community policing programs in some family communities to foster a cooperative relationship between residents and community police officers. Some developments have community police substations on site to deter criminal activity and assist residents in their efforts to enhance their safety through establishment of block watches and other efforts to address security problems.
- After-School and Summer Programs. The Authority has developed partnerships with numerous service providers and community-based organizations to offer on- and off-site programs and activities for children in the family developments. These include youth sports, homework and youth tutoring programs, and summer day camps. A list of these services is included in **Appendix G**.

The Authority's transition of its public housing operations to property-based management will increase the on-site presence of management and maintenance staff and lead to closer management-tenant relationships, which will result in a greater sense of security and safety among residents.

F. MTW Demonstration Initiatives

1. Property-Based Management

During FY2005, KCHA implemented a property-based management demonstration by transitioning the operations of one of its five geographic areas (South Area) from a centralized, program-based model to an asset management model. Under this model, the Authority is combining some features of private sector property management those aspects of program-based management that equals or exceeds the efficiencies of private sector practices. Under property-

based management, the authority for making decisions affecting public housing is decentralized to staff most closely connected to the developments.

Prior to the implementation of the demonstration, KCHA had made some organizational adjustments to prepare for the transition. One of the early steps in this preparation was the merging of maintenance and management into one department and placing maintenance staff under the supervision of property management staff on an area-wide basis. In the South Area, the demonstration site, the final phase of bringing maintenance staff under the direct supervision of individual property managers was completed.

The following management responsibilities have been transferred from area-based to property-based staff in the demonstration area:

- a. Monitoring of budgets and financial reports
- b. Staffing decisions
- c. Purchasing
- d. Ongoing maintenance, including work orders
- e. Unit turnover

In FY 2006, this demonstration will be expanded to the entire public housing inventory as the Authority's primary tool for streamlining and reducing the cost of operations of the public housing program. In addition to decentralizing the responsibilities listed above, the following property management tasks will be done by property-based staff:

- a. **Property-Based Budgeting.** The property-based budgets for FY2005 and FY2006 were developed primarily by central office staff. In FY2006, the responsibility for developing and recommending budgets for individual properties for the next fiscal year will be that of property-based property managers and their staff. FY2007 property budgets will be the first budgets based on actual property-based data from the previous year.
- b. **Admissions and Waiting List Management.** With the completion of new admissions policies, management and maintenance of the admissions process will become the responsibility of property-based staff. This transition may need to be accomplished in phases during FY2006.
- c. **Capital Planning.** Property-based staff will become more involved in assessments of capital priorities.

KCHA will continue to develop its own performance measures and assessment tools as part of its transition from a program-based property management system to a property-based system.

A key aspect of the shift towards property-based management has been the development of project-based budgets and accounting reports. These financial tools, combined with the property-based management staff's knowledge of the needs of their properties and the residents they serve, are expected to give staff the information they need to make sound asset management decisions that will benefit both the residents and the physical assets they manage. A next step in the transition to property-based management will be the decentralization of the development of property-based budgets—bottom-up budgeting

2. Policy-Related Streamlining Initiatives

The major policy initiatives that will be completed and implemented in FY2006 will lead to significant streamlining:

Rent Policy

A central goal of rent policy reform is the simplification of the current policy. A number of areas will be targeted for administrative simplification, including, but not limited to:

- Simplification or replacement of the excessively burdensome earned income disregards. The Authority is committed to maintaining employment incentives and rewarding work.
- Income verification.
- Frequency of annual reviews.
- Utility allowance determination.
- Simplification of medical deductions and other income adjustments related to rent determination.

Admissions Policies

A range of admissions-related policies contributes to layering of administrative tasks before an applicant is housed. Among these policies, all targeted for change in FY2006, are area-based waiting lists, local preferences, and transfer policies. With the transition of area-based staff with specialized responsibilities to property-based staff with a broad range of responsibilities, these policies will need to be simplified to ensure that staff is not bogged down by complex layers of admissions-related policies and procedures. The Authority will complete and implement changes to these admissions policies in FY2006 in a manner that will complement the transition to property-based management and contribute to the reduction in operating costs. For example, applicant choice is expected to cut down the number of turndowns by applicants not satisfied with units offered to them and reform of local preferences will simplify, reduce, and/or eliminate unnecessary third-party verification of admissions preferences.

3. Other Initiatives

The Authority will continue to explore all options for administrative streamlining permitted under the MTW Agreement, including the following:

- Allowing transfers of clients between the Section 8 and public housing programs under some circumstances.
 - Exploring changes in the eligibility policy regarding single, nondisabled, non-elderly persons.
 - Exploring options to streamline the grievance procedures.
 - Adopting a locally designed lease consistent with MTW initiatives.
 - Exploring and implementing revisions, if any, to inspection protocols.
 - Ongoing review of the Admissions and Continued Occupancy Plan to seek ways to simplify the Authority's program implementation procedures.
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SECTION VIII. MANAGEMENT INFORMATION FOR LEASED HOUSING

This Section discusses performance measures and objectives required under KCHA's MTW Agreement with HUD and focuses on the Authority's efforts to improve program performance under the MTW Demonstration. MTW initiatives related to policy reforms are discussed in Section II.

A. Leasing Information

1. Lease-Up Rate

In past years, KCHA regularly equaled the 100 percent lease-up rates as calculated by HUD. The Section 8 program's lease-up rate at the end of its 2005 fiscal year (period ending June 30, 2005) is expected to be lower than past years. Two factors have contributed to the lower lease-up rate: First, Congress mandated a transition of Section 8 funding from a system based on the actual cost of vouchers to a fixed budget system. Under this system, there is a danger that the cost of leasing and funding all authorized vouchers will exceed the fixed budget provided for funding Section 8 rental subsidies. As a result, the Authority's goal is to fund as many vouchers as possible without exceeding its budget. Second, Congress also cut the allowable per-unit funding in the middle of KCHA's fiscal year, necessitating additional cost cutting measures, including retirement of vouchers upon turnover. With these adjustments, the Authority expects to maintain a lease-up rate close to 100 percent of funding, but not of the authorized baseline, in FY2006.

2. Ensuring Rent Reasonableness

KCHA will continue to use the services of Dupre+Scott, a professional real estate consulting firm that conducts rental market research in the Puget Sound Region. Dupre+Scott publishes a customized (for the Section 8 program) annual rent reasonableness report based on an extensive survey of rental units in rental submarkets across the county. The report establishes a maximum rent for housing units based on a number of factors, including its location, size, quality, type, amenities, utilities, and general condition. A trained Section 8 inspector uses the report as a guide for making rent reasonableness determinations. KCHA staff now makes rent reasonableness determinations for all units rented under the Section 8 program, including units owned by KCHA. As part of KCHA's strategies to reduce and control program costs, the Authority is making every effort to ensure that contract rents are reasonable and that rent increases approved do not exceed HUD-determined annual adjustments to the Fair Market Rents. In FY '06, all existing Section 8 rents have been frozen.

3. Expanding Housing Opportunities and Deconcentration

The following are descriptions of strategies the Authority will use to increase the housing opportunities for low-income households through the Section 8 Program.

Section 8 Project-Basing Policy

The Authority has developed and implemented a local Section 8 Project-Basing Program to preserve and increase the range of housing options available to low-income households and to offer more housing opportunities in low-poverty areas. KCHA does this by converting tenant-

based vouchers to Project Based Assistance, which is tied directly to a project through a contract with an owner for a specific number of units. The owner is obligated to house Section 8-eligible tenants in this housing and abide by any other program parameters established by KCHA and/or partner funders. KCHA currently manages four project-based assistance projects.

Sound Families Initiative

The Sound Families Initiative was created through a partnership between the Bill & Melinda Gates Foundation and the seven Housing Authorities in the Puget Sound area to create a network of transitional housing facilities for homeless families. Through this initiative, KCHA is expanding its housing continuum to serve families from homelessness to permanent housing. The funding for services and capital for the transitional units comes from the Foundation, local government, and KCHA contributes the operating subsidy necessary to sustain the units in the form of project-based assistance. KCHA also provides permanent housing for program graduates in its Public Housing Program. The core services provided to families in these transitional programs are case management, daily living skills, child development programs, and career development.

HOPE VI Replacement Housing

The Replacement Housing Program is fulfilling KCHA's commitment to provide one for one replacement of rents subsidized units not replaced on site under the HOPE VI initiative in White Center. The project-based contracts for these apartments ensures that the number of hard units serving extremely low income households in KCHA's jurisdiction will not decrease as a result of the demolition of public housing units at Park Lake Homes. To further the deconcentration goals of the HOPE VI program, KCHA is focusing these new contracts in low-poverty, high-employment areas. In order to make this housing as accessible to applicants as KCHA's Public Housing Program, applications for these developments are taken at all KCHA public housing offices. Applicants must meet the screening criteria of both the Section 8 program and the private landlord to become tenants of these units.

Housing Access and Services Program

KCHA has established a countywide consortium of disability service systems called the Housing Access and Services Program (HASP). These service systems refer individuals to KCHA for tenant-based vouchers targeted by HUD for people with disabilities. KCHA and the consortium have decided to project-based a portion of these vouchers in order to provide permanent, supportive housing for people who need a higher level of support in order to be successful in their housing. Many of the people referred for this program are also homeless. This program includes group homes for people transitioning out of institutions. The goal of HASP is to enable people with disabilities to live as independently as possible while providing the supports they need to maintain their housing. In partnership with King County, KCHA is specifically targeting 25 project-based vouchers in FY '06 to people with disabilities who also meet the federal definition of "chronically homeless." Creating service-enriched housing for people who have multiple episodes of homelessness or who have lived on the streets for long periods of time is a focus of federal policies as well as King County's 10-year plan to end homelessness.

Local Preservation Programs

The long-term viability of some of the remaining affordable housing in King County is threatened by unmet capital needs and deferred maintenance issues that are becoming

increasingly critical as this inventory ages. Serving very low-income households at well-below market rents has left affordable housing complexes without the rental revenue to deal with significant life cycle replacement costs and upgrading needs. Additional pressure is being placed on this housing through significant increases in operating expenditures, including property and liability insurance and utility costs. To ensure that King County does not lose this affordable housing, KCHA is using Project Based Assistance to preserve affordability, strengthen cash flow and fund critical capital improvements to preserve affordable housing.

The following table represents the current status of KCHA's Section 8 Project-Based Assistance Program.

Program	Units Currently Online	FY 06 Pipeline	Program Cap
Sound Families	99	86	210
Replacement Housing	94	56	269
HASP	20	50	70
Local Preservation	63	5	150
Total	276	197	699

Program Future

KCHA has experienced significant success in using Project Based Assistance to expand housing opportunities for King County's most vulnerable households. Unfortunately, these subsidies are currently a limited and diminishing resource. Current funding formulas will result in the loss of millions of dollars to support the vouchers currently in KCHA's Section 8 program. These funding cuts have caused KCHA to cut back on its project-basing goals and will prohibit expanding these and other initiatives until this much-needed funding is restored to previous levels. In the meantime, KCHA will continue to work with its housing and service partners to meet program goals and ensure the long-term affordability of this housing through the Project Based Assistance Programs.

Efforts to Serve Households with Disabilities

KCHA created the Housing Access and Services Program (HASP) in partnership with a consortium of systems serving households and individuals with disabilities. Under this program, support services providers assist disabled clients to find suitable housing and provide needed services for at least six months after lease-up. HASP is currently authorized to serve up to 1,439 households with disabilities. Due to KCHA's commitment in this area, 35 percent of all KCHA's Section 8 participants now are disabled households.

Other Partnerships Serving Special Needs Populations

KCHA also partners with a number of agencies to provide housing opportunities for populations and households that may not otherwise be able to take advantage of the Section 8 Program and who need supportive services. For example, the Authority partners with agencies that serve survivors of domestic violence, homeless households, and families on Temporary Assistance for Needy Families (TANF). With 300 vouchers under the Family Unification Program, KCHA

partners with agencies who strive to keep families together or bring together individuals and/or families who are separated from their children.

Property Acquisition

KCHA continues to acquire properties throughout the county to expand its unsubsidized affordable housing portfolio of 4,500 units. These properties, especially those in lower poverty areas of the county, become housing opportunities for Section 8 participants. KCHA also acquires local “expiring use” Federally subsidized properties when opportunities present themselves.

Exception Rent Areas

To ensure that Section 8 clients can access housing in most areas of King County, the Authority has established exception rent areas where the rent payment standard is higher than in other areas. Due to funding cuts in FY2004, the exceptions rents were reduced from 120 percent to 115 percent of HUD’s new Fair Market Rents (FMRs). A Random Digit Dialing survey by HUD resulted in dramatically lower FMRs for KCHA’s jurisdiction. Although KCHA still implements exception rent area payment standards, the combination of funding cuts and lower FMRs have significantly decreased the purchasing power of Section 8 clients in the exception rent areas. The Authority believes that the ability of low-income families to afford to live in higher rent areas in the county has an important effect on prospects for resident self-sufficiency and long term regional planning.

Landlord Outreach

The Authority does extensive outreach to current and potential landlords through a variety of methods. For example, the agency staffs a Section 8 information booth at TRENDS/Rental Housing Management Conference and Trade Show in Seattle, an annual event that attracts over 1,500 landlords and apartment managers.

4. New MTW Demonstration Initiatives

The Authority anticipates HUD approval of a request to include most of KCHA’s HUD-funded vouchers in an expanded Section 8 Block Grant that will be used to create a new Local Leased Housing Program. HUD approval of this amendment to KCHA’s MTW Agreement is needed to allow the Authority to apply a single set of program policies and procedures to the administration of the program. In addition to the goal of improving the Section 8 Program’s effectiveness in achieving greater levels of resident self-sufficiency, deconcentration of poverty, increasing housing choices, and so on, the Local Leased Housing Program will seek to significantly reduce the cost of the administration of the program. Changes to be explored and/or implemented under this initiative may include the following areas:

- Lease length, voucher expiration, and reissuance.
 - Eligibility criteria.
 - Property eligibility criteria, including types of units currently prohibited by Section 8 regulations listed in 24 CFR 982.352.
 - Waiting list procedures and tenant selection procedures, criteria and preferences.
 - The content of housing assistance payments contracts to owners.
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- Damage claims and/or vacancy loss policy.
- Family obligations.
- Portability policies and procedures with other local MTW and non-MTW housing authorities.
- Shopping incentive policy.
- Extended Section 8 search time limits.
- Alternative means of setting Rent Payment Standards.
- Standards and procedures for reviewing, setting, and implementing utility allowances.
- A streamlined homeownership program for Section 8 households.
- Streamlined portability procedures in lieu of HUD-mandated forms and procedures.
- Eligibility policy regarding single, nondisabled, non-elderly persons.

Efforts to streamline the Section 8 Program through revised inspections protocols are discussed in Section VII.B below.

B. Inspection Strategy

Implementing an effective and efficient Section 8 Housing Quality Standards inspection program for KCHA's large jurisdiction—it covers almost 2,000 square miles—is a significant challenge. The Authority deploys dedicated and trained inspections staff that conduct HQS inspections according to HUD requirements under the supervision of the HQS Inspections Coordinator. Each inspector conducts all the required inspections in a specific geographic area of the county defined by Census tract boundaries. The Inspections Coordinator is responsible for conducting all quality control inspections.

In FY2004, KCHA adopted changes to the inspections protocols to ease the burden on participants and landlords and to streamline the inspections process. These changes include:

- Allowing KCHA Section 8 staff to inspect KCHA-owned units.
- Allowing owners and participants to self-certify corrections of minor HQS inspection fail items identified during annual inspections.

Additional changes to inspections protocols contemplated in previous MTW Plans will be pursued as part of an effort to develop a Local Leased Housing Program. The data needed to develop new inspections protocols have become available due to implementation of KCHA's new core software. Goals for new inspections protocols include:

- Reducing the number of annual inspections, for example, through sampling of units in buildings with large numbers of Section 8 participants.
- Reducing the frequency of annual inspections for some populations based on performance on past inspections.
- Exploring policy options for reducing the number of missed inspection appointments.
- Accept inspections by other entities whose inspections practices and standards are at least as high as those KCHA adheres to.

In pursuing these initiatives, KCHA will continue its commitment to provide safe, decent, and sanitary housing for all its Section 8 participants. While the Authority explores options to reduce the number of inspections, it will continue to conduct 100 percent of all annual, pre-contract, and

quality control HQS inspections. Regardless of any adopted changes to KCHA's inspections protocols, inspectors will continue to perform 100 percent of all pre-contract inspections.

SECTION IX. RESIDENT PROGRAMS

This Section describes current resident support services programs available to King County Housing Authority public housing residents and Section 8 participants. This Section also describes issues and proposed actions to be taken in this area during FY 2006. Appendix H provides a comprehensive list of services now available to KCHA's residents.

A. Services and Programs

Strong families are the heart of KCHA's communities. Resident Services provides an array of programs that strengthen families and promote resident self-sufficiency. These services are broadly divided into programs for children and youth; services that create opportunities for residents of all ages to develop career preparedness skills and to earn a livable wage and build assets; and finally, services that support senior and younger disabled populations. KCHA continues to provide these services as a commitment to residents in spite of diminished resources being made available by HUD. Since 2001, the Authority has lost over \$1 million in annual support service program subsidy in the form of Drug Elimination Grants and ROSS Grant funding.

1. Children and Youth Support Services

This effort coordinates youth support activities, both educational and recreational, delivered at public housing sites and other properties operated by KCHA. KCHA funds and monitors a series of programs and links on-site, activities to community-based programs. Working with Puget Sound Educational Service District, KCHA provides three on-site Head Start centers within the Authority's largest public housing communities. Working with Boys and Girls Clubs, Neighborhood House, Center for Human Services and Kent Youth and Family Services, KCHA provides after-school recreation activities, mentoring programs, homework assistance and computer center activities to children of all ages.

2. Self-Sufficiency Services and Programs

A core KCHA strategy is the creation of support and opportunities for residents in public housing and those in the Section 8 program to obtain employment, retain their jobs, and increase their incomes. These efforts include:

- **Career Development Centers.** Two centers are strategically located in low income communities to serve large numbers of families who receive Temporary Assistance for Needy Families (TANF) and other public support. The great majority of these families are immigrant and refugee residents and the Centers' focus is on providing these residents with an array of services including pre-employment training (ESL, GED, job skills development), as well as job placement and retention services. The Park Lake CDC is playing a significant role in achieving the site's HOPE VI Community Support Service goals while the newly created Kent Family Center CDC coordinates with a co-located Head Start Center and WIC Clinic, to serve low-income families in Kent.
 - **Partnerships with community and technical colleges.** The Authority administers a program in partnership with community and technical colleges, including Bellevue Community College, Shoreline Community College and Cascadia College, which provide
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career training for residents seeking higher-wage jobs. This program was started with support from a ROSS grant.

- **Section 8 Family Self-Sufficiency Program.** Section 8 participants contract with the Housing Authority for up to five years to create an escrow account in which the difference between their base rent and subsequent higher rents due to increases in income is deposited. When FSS participants who have met their program goals are ready to end their contract, they receive the balance in their escrow account, which can be used for homeownership, higher education, or small business development.

3. Support Services Coordination for Elderly and Younger Disabled Households

Support Service Coordinators serve residents of 21 mixed-population public housing buildings (senior and younger disabled households), and coordinate outside support services to residents within their assigned buildings. The coordinators help residents assess their needs and then link residents to community-based services that enable residents to remain independent and healthy for as long as possible. KCHA also works with and coordinates services provided to residents by Neighborhood House, Senior Services and other partner agencies.

Additional Resident Support Service Activities

4. Reasonable Accommodations

The Authority provides a 504 reasonable accommodation program, which coordinates responses to resident's requests for reasonable accommodation in public housing and for Section 8 participants and applicants.

5. Section 8 Partnerships with Human Service Organizations

KCHA provides coordination of human services in support of residents with special needs within the Section 8 Housing Choice Voucher Program. The largest of these partnerships is HASP, the Housing Access and Services Program, which ensures that people with disabilities find and maintain housing by connecting the resources of Section 8 to the supportive services of King County's human service systems.

Other KCHA partnerships with nonprofits serve survivors of domestic violence, people transitioning from nursing homes, parents reuniting with their children, and other groups who need supportive services connected to affordable housing.

6. Project-Based Assistance Program

KCHA has made Project-Based Section 8 operating subsidies available to housing owners and service agencies to assist in the development of transitional and permanent housing. Most of these projects serve people with special needs. The project-basing program leverages substantial investment in support services through local partnerships. One example, the Sound Families Program sponsored by the Bill and Melinda Gates Foundation creates transitional housing with extensive support services for families. KCHA also uses project-based Section 8 assistance to support the development of off-site replacement housing for units not replaced on site at the Park Lake Homes (Greenbridge) HOPE VI site.

7. Public Housing Homeownership Program

This program offers information, counseling and educational workshops and individual homeownership support to eligible residents of KCHA. A pilot program begun in 1997 focused on homeownership for residents at the Youngs Lake public housing development. This program was successful in assisting residents in their efforts to become self-sufficient and transition to homeownership. The current homeownership program implemented in FY2004 in partnership with the Seattle Housing Authority and funded by a ROSS grant has as its goal the acquisition of homes by 30 public housing residents over a three-year period. The Seattle Metropolitan Urban League in partnership with International District Housing Alliance and El Centro de la Raza is responsible for implementing this program. KCHA provides up to \$15,000 in pre- and post-purchase assistance to eligible households.

8. AmeriCorps Program

KCHA provides staffing, supervision, and coordination of a 12-member team of AmeriCorps volunteers who work in public housing and community settings to support the needs of residents, including youth tutoring and adult education.

9. Hope VI Family Services

One of the primary goals of KCHA's HOPE VI Greenbridge project is to ensure that residents who are displaced because of the project have stable housing and are not negatively impacted as a result of the project. To accomplish this goal KCHA has created a HOPE VI Family Services staff that works with impacted families before, during and after they transition from Park Lake Homes into new housing. Services are structured to support long-term assistance and are flexible enough to change as the needs of residents change.

The Family Services staff has the capacity to serve residents who speak Vietnamese, Cambodian, Somali, Khmu and English. KCHA also has contract interpreters who assist in other languages as needed. The staff offers strong case management experience, knowledge of housing authority rules and the HOPE VI program, and solid relationships with residents developed through the relocation experience.

Services will be available through 2008 when it is anticipated that all former Park Lake Homes residents who wish to return to the new community will have had the opportunity to do so. Residents may participate in as many or as few of the programs as they choose.

Services Offered

The HOPE VI case management system takes advantage of both internal HOPE VI Family Services Staff and externally contracted service providers to assist HOPE VI residents with:

- Relocation
 - Housing Stability
 - Employment
 - Homeownership
 - Legal Referral Services
 - Education and Training
 - Financial Planning
 - Family planning
 - Youth activities
 - Health-related services
 - Workshops on topics of interest
 - Counseling referrals
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CSS efforts during FY2006 include:

- Supporting remaining families to relocate successfully
- Assisting relocated families with emergencies and housing stability
- Developing and implement Homeownership Individual Development Account Pilot program for HOPE VI families
- Establishing a financial literacy program
- Developing and implementing Youth Individual Development Account (IDA) and education scholarship program for HOPE VI Youth
- Linking residents to pre-apprentice, apprentice and employment opportunities with the HOPE VI project.

B. Issues and Proposed Actions

The major challenge to the Authority in FY2006 is the continuation of the well-established services and programs discussed above, given HUD's significant erosion of financial support for these resident support activities. The Authority will address the following priorities related to resident services in FY2006.

1. Initiatives to Strengthen Self-Sufficiency Outcomes

KCHA will continue to operate its self-sufficiency programs throughout its jurisdiction as outlined above. In addition, the Authority will explore the potential for expanding the size of its Family Self Sufficiency Program to include up to 300 public housing residents to improve resident self-sufficiency outcomes—employment, job retention, income progression, and transition to unsubsidized housing. Included in this initiative will be the development of an integrated tracking system for monitoring the success of residents who participate in these self-sufficiency initiatives. This effort will be combined with the implementation of a new rent policy with more effective employment incentives.

2. Continuing to Address the Needs of the Senior and Younger Disabled Populations

The Authority adopted a new Housing Designation Plan for its 21 senior and younger disabled buildings in FY2005. The Support Services Coordination Program will continue to serve residents in these buildings. The Authority was successful in developing a Title XIX Medicaid Administrative Claiming contract with the State of Washington that began this year. This contract provides additional financial support and program flexibility to allow Support Service staff to better serve Medicaid-eligible residents.

KCHA recognizes that there are an increasing number of residents who are receiving home support services such as assistance with personal care and other activities of daily living. KCHA has explored the creation and implementation of a Cluster Care program and has started with a pilot project at two developments. The Cluster Care approach is the coordinated care provided by home service providers to serve "clusters" of residents. The goal is to provide an innovative model of service delivery that is flexible in responding to residents' need to maintain their independence and quality of life as they age in place. The objective is to ensure that quality services are delivered efficiently.

3. Additional Initiatives to Increase Family Support Services

KCHA will continue to work with its partner agencies to improve program delivery and access to services for all public housing and Section 8 residents. In 2004, the Authority, working in partnership with Puget Sound Educational Service District and two community-based non-profit service providers, completed fundraising and construction of a new Kent Family Center. This two-story building houses Head Start, a WIC Clinic and a career development center at Springwood, KCHA's largest public housing site in south King County. This same partnership is now raising the capital needed for the replacement of the Springwood Community Center with a new Youth Center—construction is scheduled to begin in June 2005. In Auburn, KCHA is working with Neighborhood House on the construction of its new service center to serve residents at Burndale Homes.

SECTION X. OTHER INFORMATION REQUIRED BY HUD

A. KCHA Commission Resolution and Required HUD Certifications

- Board Resolution Adopting this FY 2005 MTW Annual Plan
- PHA Certification of Compliance with MTW Plan Requirements
- Certification for a Drug-Free Workplace
- Certification of Payments to Influence Federal Transactions
- Disclosure of Lobbying Activities
- FY2004 Audit Report in Compliance with OMB Circular A-133

B. Funding Allocation Forms

- Calculation of Operating Subsidy
 - Capital Fund Program Estimate
 - Section 8 Estimate of Total Required Annual Contributions
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