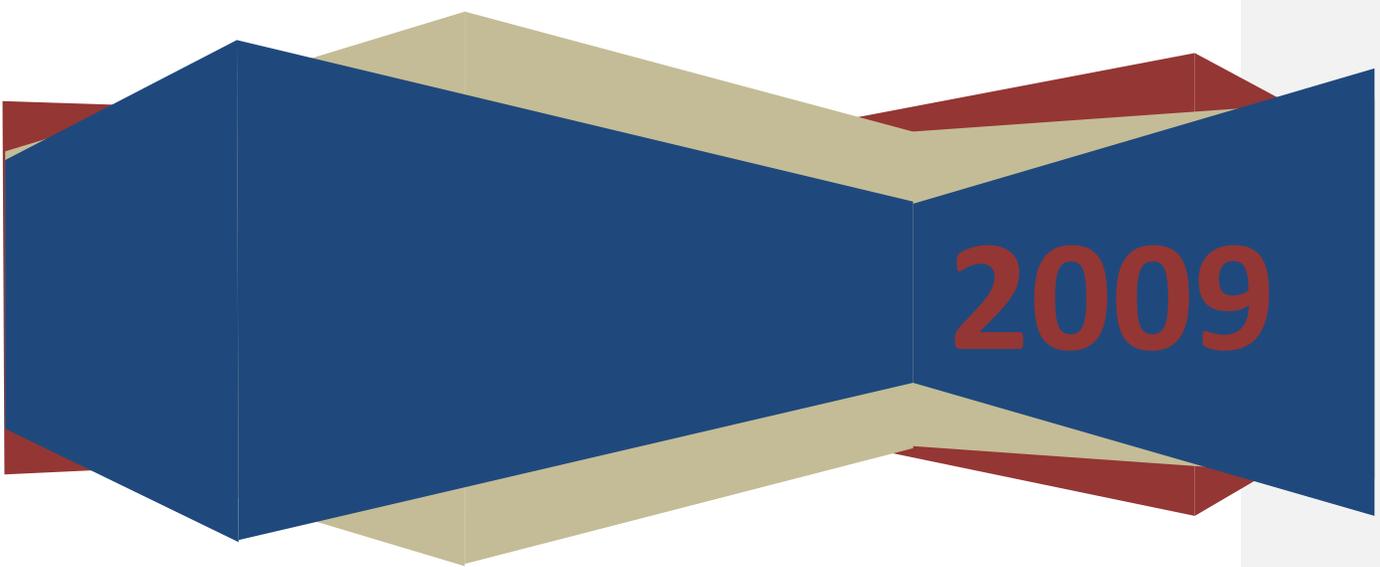


KING COUNTY HOUSING AUTHORITY

MOVING TO WORK

FY 2009 ANNUAL REPORT



2009

King County Housing Authority

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Prepared by:

Judi Jones, MTW Program Director

Table of Contents

| | |
|---|-----------|
| EXECUTIVE SUMMARY | 1 |
| INTRODUCTION | 1 |
| MTW INITIATIVES ADDRESSED IN FY 2009 | 2 |
| SECTION I: HOUSEHOLDS SERVED | 8 |
| A. NUMBERS SERVED | 8 |
| B. CHANGES IN TENANT AND PARTICIPANT CHARACTERISTICS | 9 |
| C. APPLICANTS | 11 |
| SECTION II: OCCUPANCY POLICIES | 13 |
| A. DECONCENTRATION OF LOW INCOME HOUSEHOLDS | 15 |
| B. STATEMENT OF RENT POLICIES | 16 |
| SECTION III: CHANGES IN HOUSING STOCK | 19 |
| SECTION IV: SOURCES AND USES OF FUNDING | 21 |
| A. SOURCES OF REVENUES VS. ACTUAL FUNDING AMOUNTS | 21 |
| B. PLANNED USES OF FUNDS VS. ACTUAL AMOUNTS EXPENDED | 23 |
| C. LEVEL AND ADEQUACY OF RESERVES | 24 |
| SECTION V: CAPITAL PLANNING | 25 |
| A. REDEVELOPMENT / MAJOR RENOVATION OF PUBLIC HOUSING COMMUNITIES | 25 |
| B. FIRE, LIFE-SAFETY UPGRADES IN MIXED POPULATION BUILDINGS | 26 |
| C. GENERAL CAPITAL FUND EXPENDITURES | 27 |
| SECTION VI: OWNED AND MANAGED UNITS | 29 |
| A. VACANCY RATES | 29 |

| | |
|--|-----------|
| B. RENT COLLECTIONS | 31 |
| C. WORK ORDERS | 31 |
| D. HQS INSPECTIONS | 32 |
| E. SECURITY | 32 |
| SECTION VII: LEASED HOUSING | 34 |
| A. LEASE-UP RATES | 34 |
| B. RENT REASONABLENESS STRATEGY | 35 |
| C. PROJECT-BASED STRATEGY | 35 |
| D. INSPECTION STRATEGY | 37 |
| SECTION VIII: RESIDENT SERVICES | 39 |
| APPENDICES | 44 |

EXECUTIVE SUMMARY

INTRODUCTION

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Nationally recognized as a leading provider of affordable housing, KCHA was chosen in 2003 to join a select group of high-performing housing authorities participating in the Department of Housing and Urban Development's (HUD's) Moving to Work (MTW) demonstration program. As one of fewer than 30 agencies selected for the program, MTW participation provides KCHA the latitude to incorporate "out of the box" thinking into virtually every facet of its federally subsidized housing programs. MTW program flexibility allows KCHA to combine Public Housing Operating, Capital and Section 8 program resources into a single block grant and implement locally driven policies in lieu of HUD's overly prescriptive federal regulations in order to effectively address the critical housing needs of our local communities. The ability to combine funding, coupled with the freedom to redesign programs and develop policies that reflect local priorities, has enabled KCHA to transform its operations and expand quality housing opportunities for the Puget Sound region's most "at-risk" populations, including elderly and disabled households and homeless families.

KCHA's FY 2009 MTW Annual Report covers the calendar year that began January 1, 2009 and ended December 31, 2009. While the focus is on the accomplishments of the past year, this report also recaps KCHA's efforts to date in achieving the goals established upon entry into the MTW program:

- Objective 1:** Preserve and increase affordable housing opportunities while continuing to focus on those in greatest need.
- Objective 2:** Expand housing choices available to low income families in the region.
- Objective 3:** Increase the economic self-sufficiency of program participants.
- Objective 4:** Reduce costs, achieve greater cost-efficiency and improve customer satisfaction.

The end of calendar year 2009 marks KCHA's fifth full year of participation in the MTW demonstration program. Looking back over the last five years, KCHA has made significant strides in developing and applying innovative and sustainable solutions that respond to the specific housing needs and markets of the greater Puget Sound area. However, given the economic realities facing the nation, demand for KCHA's subsidized housing programs has continued to far out-pace supply. In response, during FY 2009 KCHA continued to seek new ways to leverage resources and build partnerships that expanded its reach and increased access to affordable housing for those most in need. Participation in the MTW program has become integral to KCHA's efforts to proactively address critical housing shortfalls in the region. With this in mind, in April 2009, KCHA successfully negotiated and entered into a "Restated and Amended MTW Agreement" with HUD. A key component of the new agreement is a 10 year extension of the regulatory, programmatic and financial flexibility provided under the demonstration program. With MTW participation now secured through fiscal year 2018, KCHA will continue to expand

its partnerships with residents, service providers and the communities it serves in order to craft effective, local solutions to the critical issues facing the region and to improve the quality of life for its residents.

MTW INITIATIVES ADDRESSED IN FY 2009

During FY 2009, KCHA engaged in a variety of key initiatives and priorities previously outlined in the FY 2009 MTW Annual Plan. The following highlights major initiatives undertaken during the fiscal year in pursuit of MTW objectives:

Objective #1: Preserve and increase affordable housing opportunities while continuing to focus on those in greatest need.

Since entering the MTW program in 2003, KCHA has maintained its commitment to sustain and, where possible, increase the number of extremely low-income households served. By the end of 2009, as the nation's economy spiraled downward and demand for affordable housing continued to grow, KCHA's federally subsidized housing programs had expanded to assist 12,395 households. This represents an increase of nearly 18% over the number of households served in 2003 as KCHA entered the MTW program.

KCHA's success in increasing the number of households served has been largely due to its utilization of MTW block grant resources to bring new "deep subsidy" units into its inventory. In 2007, KCHA designed and launched its own Local Housing Choice Voucher program. During FY 2009, as rents in the Puget Sound region remained near record levels, the program provided an additional 275 households from its Section 8 waiting list with an affordable, safe, and secure place to call home. However, with limited financial resources to fund such a program over the long-term, KCHA has also sought ways in which to permanently add "hard units" to its public housing stock. In early FY 2009, KCHA purchased two existing multi-family complexes, Pacific Court in Tukwila and Pepper Tree in Shoreline. By turning on banked public housing subsidies, acquisition of the two properties added 62 new deep subsidy units to the inventory and increased the size of KCHA's Public Housing program for the first time since the early 1990's. Throughout FY 2009, KCHA continued to search for new opportunities to increase the base of affordable housing units in the region. As the year came to a close, KCHA had entered into a purchase agreement for Westminster Manor in Shoreline – successful acquisition this spring will add 60 new units to KCHA's inventory.

In addition, since 2003, KCHA has worked to expand its portfolio of affordable workforce housing – ensuring continued access to affordable housing for the County's low and moderate income households who are often priced out of the market as rental rates escalate. These properties, including bond and tax credit financed acquisitions and new construction, provided more than 4,200 units of housing by the end of FY 2009. Under revised Project-based Section 8 protocols made possible through the flexibility of the MTW program, this inventory has become a vital resource in KCHA's efforts to provide mixed income and "special needs" housing in targeted regions of the County and a key component of the local strategy to deconcentrate poverty and end homelessness.

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While the number of households KCHA serves has continued to grow, HUD's financial support of its subsidized housing programs has consistently fallen far short of documented need. Consequently, by 2003, a physical assessment of KCHA's Public Housing inventory identified a funding shortfall of more than \$70 million in capital improvements needed over the next decade. The MTW program has provided KCHA with the ability to tackle this problem head on. Using MTW flexibility, KCHA has successfully leveraged significant private investment into its Public Housing inventory. Through these partnerships KCHA has made substantial strides in addressing the unmet backlog of capital repairs; ensuring that its affordable housing inventory remains a viable housing resource over the long-term. For example, using an MTW streamlined approach to the Capital Fund Financing program (CFFP), KCHA leveraged more than \$25 million in private investor equity to fund the installation of fire sprinklers and related improvements in eight Public Housing buildings serving frail elderly and disabled residents. Known as the Egis project, completion of these renovations at the end of FY 2008 culminated efforts to improve the safety and security of senior and disabled households residing in more than 1,160 units located within KCHA's 19 mid-rise apartment buildings.

Major ongoing renovation activities underway in FY 2009 included:

- ❑ **The transformation of Park Lake Homes - Site I.** Initiated through a \$35 million HOPE VI grant awarded in 2001, the redevelopment of this World War II era public housing site into the mixed income, mixed use Greenbridge community is well underway. When complete, the Greenbridge campus will contain over 900 units of housing along with neighborhood retail and a full complement of community facilities including a new elementary school, early learning center, library and renovated community center.
- ❑ **Renovation of the Springwood Apartments.** Substantial renovation of this site, begun in FY 2008, combines long-term bonds, tax credit investor equity and capital funds to complete more than \$55 million in needed improvements. As residents began to return to the development this fall, they were greeted with fully renovated units including increased living space, the additional half-baths, Energy Star appliances and new community parks. Renamed Birch Creek, the renewed development will include a total of 262 deep-subsidy units available for occupancy by KCHA's extremely low-income households.
- ❑ **Master-planning and redevelopment of Park Lake Homes - Site II.** Following the award of a \$20 million HOPE VI grant in late FY 2008, KCHA has moved forward with the demolition and replacement of the existing 165 Public Housing units on the site. KCHA anticipates the fully renovated site will contain roughly 300 units of housing, neighborhood parks integrated into the community and on-site community facilities. A major component of the project is KCHA's commitment to one-for-one replacement of all public housing units on-site.

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KCHA continues to be well positioned to respond to national, state and local funding opportunities that leverage additional financial resources in support of its affordable housing inventory. Accordingly, during the past fiscal year, upon passage of the American Recovery and Reinvestment Act (ARRA) of 2009, KCHA had the tools and resources available to effectively respond to HUD's Notice of Funding Availability. This ability to respond quickly was integral to our success in garnering an additional \$24 million in financial resources directed at addressing the urgent capital needs of KCHA's Public Housing

inventory. Though renovations completed under ARRA are not included in KCHA's MTW program, the competitive and formulaic funds received will incrementally reduce MTW resources needed to fund previously identified capital repairs. KCHA's large scale redevelopment efforts using CFP, RHF and tax credit financings, ARRA grants and MTW block grant proceeds have now eliminated a significant portion of the backlog of capital repairs created by years of federal underfunding, brought our senior/younger disabled buildings up to modern fire/life-safety standards and facilitated compliance with Uniform Federal Accessibility Standard (UFAS) and ADA requirements.

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Objective #2: Expand housing choices available to low income families in the region.

As a leader in the region's efforts to end homelessness, KCHA has continued to expand its programs to address gaps in the local safety net and meet the needs of our community's most vulnerable households. Using a three-pronged approach, KCHA has combined its MTW resources to develop innovative programs to assist targeted "at risk" populations identified in the County's 10-Year Plan to End Homelessness. Specifically, KCHA has utilized MTW program flexibility to:

- ❑ **Develop a locally designed Sponsor-based program.** Through partnerships with local public health and behavioral health care systems, KCHA has successfully expanded access to housing for the County's chronically homeless and mentally-ill households who often face significant barriers to housing success. Building upon efforts initiated in 2007, the Sponsor-based program, which allows individuals to move directly from the streets into permanent supportive housing, had expanded to serve 180 households by the end of FY 2009. Included in the total are rental subsidies for KCHA's new initiative to serve young adults, ages 18-25, who are homeless or transitioning out of the foster care system.
- ❑ **Develop a locally-designed Project-based program.** To address the County's shortfall of transitional and permanent supportive housing, KCHA's Project-based program links the provision of housing with the availability of wrap-around services in order to assist households to stabilize and assimilate into the local community. In close collaboration with funding partners such as King County, the Bill and Melinda Gates Foundation and United Way, at the end of FY 2009, KCHA had allocated up to 1,129 units of housing to this program.
- ❑ **Integrate Permanent Supportive Housing into the Public Housing program.** During FY 2009, partnering with Sound Mental Health, a key regional provider in the King County behavioral health system, KCHA opened its newest public housing development, Pacific Court in Tukwila. Through MTW enhanced eligibility, selection and occupancy policies, the site will provide permanent supportive housing to chronically homeless, mentally ill households. The program offers low-barrier access to affordable housing to up to 49 individuals in order to interrupt the pattern that has this at-risk population cycling between the County's hospitals, jail system, and life on the streets.

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At the same time, KCHA remains focused on ensuring adequate subsidy levels for its Housing Choice Voucher participants. Under revised policies adopted in FY 2008, KCHA has continued to closely monitor the rental market and position itself to quickly respond to changing trends in occupancy and rental rates. MTW-revised policies decoupling KCHA payment standards from the HUD published Fair Market Rents provides greater flexibility in setting appropriate subsidy levels. In FY 2009, this program flexibility allowed KCHA to maintain a shopping success rate of 88.5 percent, assisted efforts to maintain rent burdens of HCV households at reasonable levels and helped to ensure KCHA households continue to have access to a broad spectrum of rental units across the region.

Objective #3: Increase the economic self-sufficiency of program participants.

As detailed in the FY 2009 MTW Annual Plan, KCHA recognizes that linking families with appropriate resources and support services is a critical component of any initiative to move households up and out of poverty. Through careful planning and close collaboration with our community partners, KCHA has used the funding flexibility of the MTW program to build a solid framework of support services that ensures households have ready access to the tools required to develop the skills and assets necessary to successfully transition from Public Housing or Section 8 into market rate rental housing or homeownership. Key components of KCHA's efforts to increase the economic self-sufficiency of resident households include:

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❑ **Implementation of the Resident Opportunity Plan (ROP).** This five-year pilot program, developed in partnership with the YWCA, Bellevue College, Hopelink and Washington State's Department of Employment Security, began enrolling participants in FY 2009. The ROP will provide up to 100 households with intensive wrap-around services designed to help participants obtain skills that promote economic self-sufficiency and lead to a successful transition out of federally assisted housing.

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❑ **Finalization of Phase II Rent Reform.** During FY 2009 KCHA continued to move forward with analysis and planning for the substantial overhaul of current rent and income calculation processes. It is KCHA's intent that these rent reform policies will complement the Easy Rent policies adopted in FY 2008 for elderly and disabled households living on fixed incomes. As FY 2009 came to an end, policy recommendations had not been finalized. KCHA will continue meeting with residents, staff and community stakeholders during the first half of FY 2010 and anticipates a final proposal will be approved and begin implementation mid-year.

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❑ **Increased access to programs and facilities.** Ensuring access to support services is critical to KCHA's efforts to advance families toward economic independence. To break down barriers to access, KCHA partners with the local community - bringing programming and support services directly on-site within our public housing communities. Early childhood and adult learning opportunities, employment counseling and the provision of on-site childcare facilities have been key components of KCHA's revitalized Greenbridge development and the renovations currently underway at Birch Creek. Primary projects underway during FY 2009 include:

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- ❖ Development of community centered retail outlets, like the new Dub Sea Coffee which opened at Greenbridge in the Fall of 2009, that bring employment and training opportunities to workers directly within their neighborhood.
- ❖ Expansion of Head Start facilities within or adjacent to Public Housing sites. The newest facility, a 44,000 square foot early learning center within the Greenbridge community sponsored by the Gates Foundation and Washington State's Thrive by Five initiative, was under construction during FY 2009 and will open in early FY 2010.

- ❖ Construction of the Kings Court Community Center in Federal Way. Partially funded with a City of Federal Way Community Development Block Grant (CDBG), the new center, which opened in FY 2009, includes classroom space, a computer center and meeting space for residents of Kings Court and nearby Evergreen Court. KCHA began design activities for six additional facilities serving Public Housing and Section 8 HCV youth in FY 2009 – with four sites expected to break ground in 2010.

Objective #4: Reduce costs, achieve greater cost-efficiency and improve customer satisfaction.

KCHA firmly believes that as good stewards of public funds it must work to ensure that its programs operate as efficiently as possible. KCHA's continued focus on maintaining operational excellence has driven efforts to reduce waste and find new efficiencies while continuously improving the quality of service to our residents and communities. Using MTW program flexibility, KCHA has implemented a number of streamlining measures designed to eliminate repetitive, non-value added activities from its business processes. For example, during FY 2007 KCHA applied streamlining techniques to Housing Quality Standards (HQS) inspections for over 9,000 HCV households that have reduced the number of re-inspections by nearly 50 percent. During FY 2008, KCHA implemented an Easy Rent policy that significantly simplified the completion of annual and interim reviews for elderly and disabled households – making policies easier for residents to understand and staff to administer. Together changes implemented have allowed KCHA to absorb a significant number of additional households into its Section 8 portfolio without hiring additional staff.

Through the use of private sector “lean engineering” techniques KCHA continues to review business procedures to eliminate waste and increase production. However, ensuring our programs operate efficiently goes beyond revised policies and procedures. To stretch limited financial resources further, KCHA vigilantly seeks ways to limit resource consumption and effectively reduce its environmental footprint. Utilizing MTW flexibility to establish its own Energy Saving Company (ESCO), KCHA has completed installation of over \$4 million in energy reduction improvements in its Public Housing inventory. To date, these efforts to conserve natural resources have reduced water consumption by more than 40%. At the same time, KCHA has applied green engineering techniques to project design, renovation and new construction. KCHA's Birch Creek Youth Center, a Silver LEEDS certified facility, is a model for sustainable design that set the pattern for the four star “Built Green” standard used for the renovation work completed throughout the larger Birch Creek community.

At the same time, KCHA has continued efforts to significantly upgrade Public Housing unit interiors as units become vacant, utilizing in-house crews rather than outside contractors and property-wide remodels. During FY 2009, KCHA's in-house skilled workforce completely renovated 147 apartments; installing new flooring, cabinets and fixtures that are projected to extend the useful life of unit interiors by 20 years. The project, initiated in FY 2007, is saving KCHA an estimated \$17,000 per unit in rehabilitation costs.

Savings generated from these and other initiatives have allowed KCHA to expand its reach to assist more households in more areas of the County than would have been possible absent MTW program

flexibility. In order to ensure that these new initiatives remain connected to stakeholder needs it is imperative that we develop policies and procedures through an open and inclusive process and that we solicit resident feedback at every step, including assessing overall levels of satisfaction with KCHA delivered services. In support of this effort, during FY 2009 KCHA piloted the use of its own Customer Satisfaction Survey for Public Housing residents, HCV landlords and voucher holders. Information obtained through this project has enabled KCHA to establish baseline data to measure the impact of policy changes and assisted in ensuring policies and procedures remain customer focused.

SECTION I: HOUSEHOLDS SERVED

While the MTW demonstration provides flexibility, a core requirement is that participating housing authorities continue to serve approximately the same number of households – including extremely low income households – as served prior to entry into the program. However, given the growing number of unsheltered individuals and families in King County, simply maintaining the status quo seems grossly negligent. For homeless families and individuals living in their cars and on the street, couch surfing or in emergency shelters, it is imperative KCHA seek every opportunity to increase its capacity to assist the low income residents of the County. Rather than holding numbers stable, KCHA is committed to developing strategies that allow it to increase the number of households served while ensuring shelter burdens remain affordable, housing choice is expanded, the long-term viability of its Public Housing inventory is secured and programs operate in a fiscally responsible manner.

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A. NUMBERS SERVED

During FY 2009, in line with expectations outlined in its FY 2009 MTW Annual Plan, the overall number of households KCHA served continued to grow. Gains in the Section 8 program continue to reflect reductions in the number of households within the Public Housing inventory as a result of the Section 8 conversion of KCHA's Birch Creek (formerly Springwood) community and the demolition of Park Lake Homes Site II. As projected, public housing inventory reductions were also offset by new units within KCHA's Greenbridge community coming on-line. In addition, as discussed earlier in this report, during FY 2009 KCHA used its MTW authority to activate banked Public Housing ACC using a "subsidy only" approach at the newly acquired Pacific Court and Pepper Tree properties. At the same time, KCHA's tenant-based Section 8 program continued to expand through the successful acquisition of new incremental vouchers under the FUP, Allocation and VASH programs.

In addition, KCHA's Sponsor-based program also increased the number of households assisted in FY 2009. The addition of a new program serving chronically homeless young adults (age 18-25) and youth transitioning out of foster care has allowed KCHA to expand its reach to another high need population targeted under the County's 10-Year Plan to End Homelessness.

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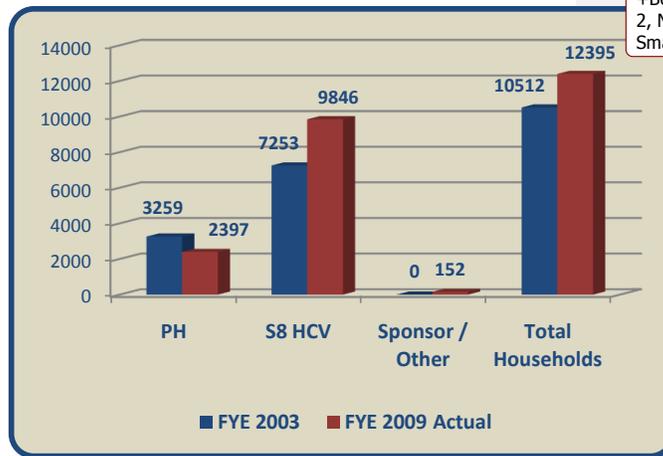


Chart I-A-1: Since 2003, KCHA has consistently expanded capacity to serve low-income households. At the end of FY 2009, a total of 12,395 households were assisted through KCHA's deep subsidy programs – an 18% increase over those reported in FY 2003.

B. CHANGES IN TENANT AND PARTICIPANT CHARACTERISTICS

Committed to ensuring that MTW participation does not fundamentally alter the demographic makeup of participants in ways that fail to accurately reflect community needs, KCHA has developed internal systems that track and compare current tenant characteristics - occupancy by bedroom size, family type, race and ethnicity and income range – in order to track success in meeting this key tenet of the MTW demonstration. At the same time, this information assists KCHA efforts to ensure that programs and policies continue to operate in a manner that ensures diverse populations equal access to its affordable housing opportunities and affirmatively furthers fair housing.

The following data provides a snapshot of KCHA data as of the end of fiscal year 2009 in each of the key areas noted under its MTW program agreement. As anticipated, no significant change in tenant and participant demographics has resulted from KCHA’s efforts to preserve and increase the supply of affordable housing in the region and expand its role as a safety net for homeless and special needs populations in King County.

- **Unit Sizes.** Figures 1-B-1 through 1-B-3 illustrate the change in the distribution of units, by bedroom size, for KCHA’s Public Housing and Section 8 programs at the end of FY 2009 compared to FY 2003, when KCHA entered the MTW demonstration. As illustrated, the shift in distribution of bedroom sizes has occurred as a result of KCHA’s efforts to utilized MTW program flexibility in order to support Public Housing redevelopment, “right size” occupancy standards and subsidy allocations for program participants and to increase access to underserved disabled and homeless populations of the County.

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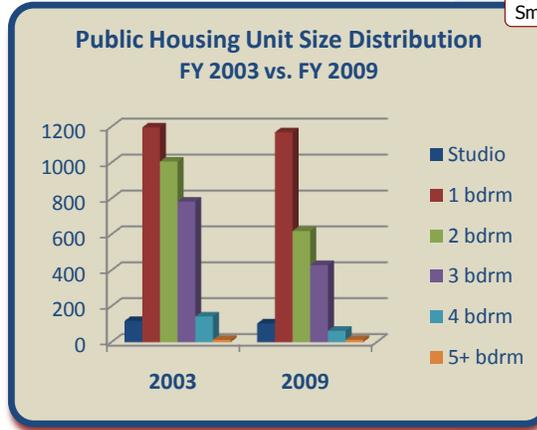


Figure 1-B-1

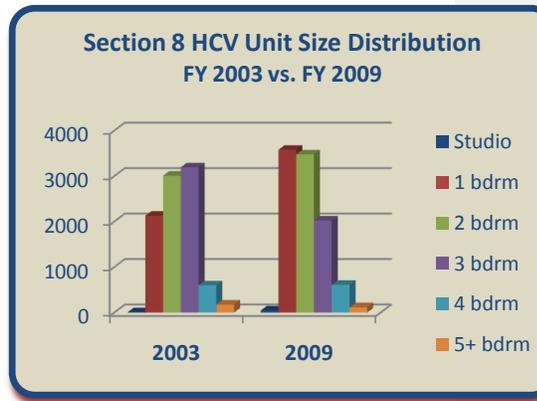


Figure 1-B-2



Figure 1-B-3

Table 1-B-4: Households by Type

Family Type. Table 1-B-4 illustrates the change in the distribution of elderly, disabled and family households participating in KCHA programs at the end of FY 2009 compared to FY 2003. The totals shown for FY 2009, illustrate a slight up-tick in the number of elderly and disabled households among Section 8 HCV participants. KCHA's

| | FYE 2003 | | | FYE 2009 | | |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Actual | | | Actual | | |
| | Disabled | Elderly | Family | Disabled | Elderly | Family |
| PH Family Hshlds | 392 | 345 | 1363 | 248 | 233 | 740 |
| PH Mixed Hshlds | 360 | 789 | 10 | 386 | 782 | 8 |
| <i>Subtotal:</i> | 752 | 1134 | 1373 | 634 | 1015 | 748 |
| Section 8 Hshlds | 2259 | 982 | 4012 | 3343 | 1674 | 4829 |
| <i>Grand Total:</i> | 3,011 | 2,116 | 5,385 | 3,977 | 2,689 | 5,577 |
| | 28.7% | 20.1% | 51.2% | 32.5% | 21.9% | 45.6% |

efforts to address the shortfall of affordable housing available to the County's most vulnerable, at-risk households and the award of incremental (Designated, Certain Development, FUP and VASH) vouchers targeted to these populations, is a key driver behind this increase.

Table 1-B-5: Race and Ethnicity

Race and Ethnicity. Table 1-B-5 illustrates the change in the racial and ethnic distribution of households in KCHA's Public Housing and HCV programs at the end of FY 2009 compared to FY 2003, when KCHA entered the MTW demonstration. Together these programs house a diverse multi-ethnic population. When compared to FY 2003, current statistics indicate a slight shift in

| | FYE 2003 | | | | | | FYE 2009 | | | | | |
|------------------|----------|-------|-----------------|-------|--------|-------|----------|-------|-----------------|-------|--------|-------|
| | White | Black | Native American | Asian | Latino | Other | White | Black | Native American | Asian | Latino | Other |
| PH Family Hshlds | 1026 | 418 | 19 | 596 | 41 | 0 | 639 | 313 | 12 | 185 | 72 | 0 |
| PH Mixed Hshlds | 875 | 76 | 5 | 180 | 23 | 0 | 799 | 190 | 9 | 150 | 28 | 0 |
| <i>Subtotal:</i> | 1901 | 494 | 24 | 776 | 64 | 0 | 1438 | 503 | 21 | 335 | 100 | 0 |
| S8 HCV Hshlds | 4,022 | 2,554 | 93 | 313 | 152 | 119 | 4707 | 3797 | 145 | 679 | 518 | 0 |
| <i>Total:</i> | 5923 | 3048 | 117 | 1089 | 216 | 119 | 6145 | 4300 | 166 | 1014 | 618 | 0 |
| | 56.3% | 29% | 1.1% | 10.4% | 2.1% | 1.1% | 50.2% | 35.1% | 1.4% | 8.3% | 5.0% | 0% |

racial makeup of KCHA residents, reflecting the changing demographics of the region and the influx of refugee / immigrant populations from Africa.

□ **Income Range.** Figure 1-B-6 illustrates the distribution of extremely low, very low, low, and moderate income households for KCHA’s combined Public Housing and Section 8 HCV households. As shown, 97 percent of households served are extremely-low and low income households with income under 50 percent of the Area Median Income (AMI). This level is identical to the percentage of low and extremely-low income households served in 2003 when KCHA entered the MTW demonstration. The average income of households participating in KCHA’s Public Housing and Section 8 HCV programs is \$14,322 – less than 17 percent of the HUD published Area Median Income in King County.

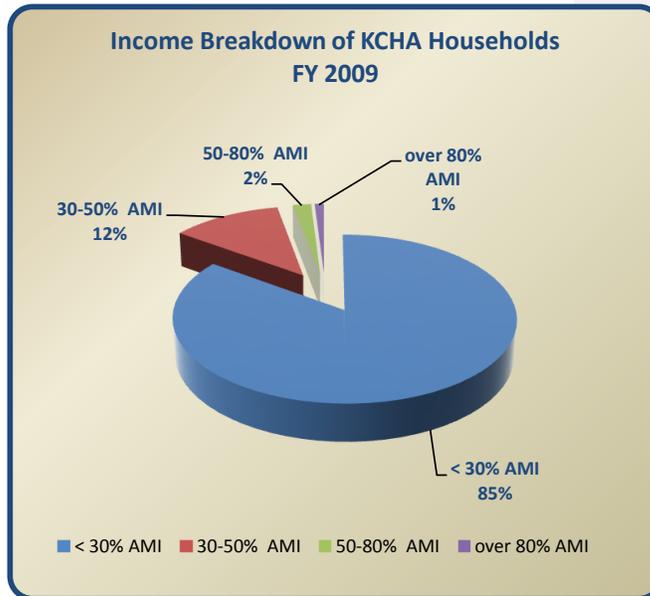


Figure 1-B-6

C. APPLICANTS

As anticipated, unemployment and economic instability in the Puget Sound region continued to drive substantial increases in the number of applicants on KCHA’s Public Housing waiting lists. With household incomes dropping, affordable housing in King County moved out of reach for an increasing number of low-income households. Responding to escalating demand, KCHA applied lean engineering analysis to determine where efficiencies might ease administrative bottlenecks at its Central Applications Center and allow staff to more efficiently process the increased volume of applicants. Though the review did not result in a need to use MTW authority to implement program changes, the resulting administrative reforms have improved intake efficiency.

At the same time, although KCHA continues to see a growing demand for Section 8 vouchers, its HCV waiting list remained closed to new applicants. As assisted households

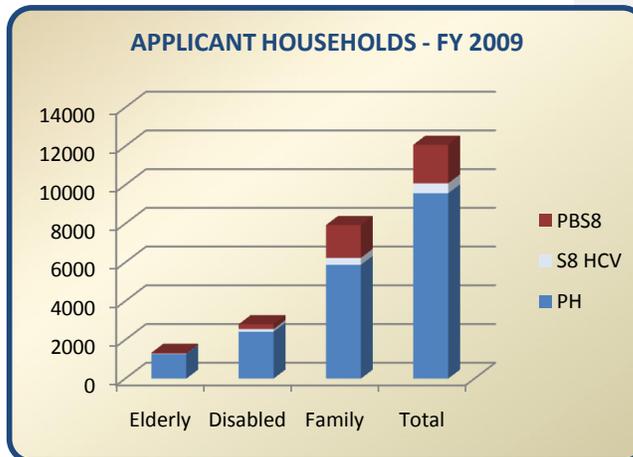


Figure 1-B-7

felt the impact of the recession, voluntary turnover of housing vouchers slowed considerably. As a result, KCHA was unable to move forward with the planned re-opening of the waiting list during FY 2009. When the waiting list was last opened in the spring of 2007 almost 10,000 households applied. Rather than feed unrealistic hopes of short term waits for assistance among thousands of applicant households, KCHA limited the actual number of households placed on the waiting list to 2,500. The 514 total HCV program applicants shown on Figure 1-B-8 represents those who remain on the waiting lists from the original 2,500 selected by lottery in 2007.

SECTION II: OCCUPANCY POLICIES

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MTW participation has provided KCHA with the freedom to think strategically about the manner, design and management of its federally subsidized housing programs and to implement new policies and procedures that make sense for its residents, staff and local communities. Working outside the constraints of 1937 Housing Act regulations and related HUD handbooks, notices and guidance, KCHA is challenged to apply common sense and innovative solutions to increase program cost effectiveness and operational efficiency.

A complete listing of policies and procedures established by KCHA, including those adopted using MTW program flexibility, are compiled for reference in its Public Housing Admissions and Continued Occupancy Policy (ACOP) and Section 8 Tenant-based and Project-based Administrative Plans.

An integral part of new policy development is ensuring opportunity for resident and community education and feedback. Therefore, KCHA ensures that MTW initiatives are developed through an open and inclusive process that includes appropriate opportunity for review and comment on proposed changes by residents, the Resident Advisory Committee, community stakeholders, legal services agencies, and the general public. As new policies are implemented KCHA takes careful steps to ensure that information is properly disseminated to clients and staff, changes are implemented consistently and appropriate appeal mechanisms are in place. Following these protocols, KCHA has used MTW authority to implement a number of occupancy policy and program modifications including:

- ❑ Created new pathways into housing by expanding partnerships that link transitional housing to public housing. Connecting with the regional network of transitional programs developed under the Gates Foundation’s Sound Families initiative, KCHA ensures access to affordable housing and a continuity of services to formerly homeless families who graduate from transitional housing programs but require more time to fully acquire the skills and assets necessary to become self-sufficient. Over the past four years, 170 households have taken advantage of this program to move directly from transitional housing into KCHA’s subsidized housing programs.
- ❑ Increased access to higher-income neighborhoods of the County, with their promise of stronger schools and greater employment opportunities, by changing how we determine maximum subsidy amounts for private market rentals assisted through our Section 8 program.
- ❑ Continued preferences that ensure that those in greatest need – including displaced households, victims of domestic violence, and families who are homeless or living in substandard housing – have priority access to our limited housing resources. And we have expanded preferences to include extremely low-income families (those whose income is below 30% of the area median); without housing subsidy, these households are economically displaced from virtually every rental

A total of 1,142 households currently utilize KCHA’s “exception rents” to reside in the higher income suburbs east of Lake Washington.

in King County. The average income of households in our Public Housing and Section 8 programs is 16.6% percent of the Area Median Income (AMI) in King County.

- ❑ Implemented a comprehensive Transfer Policy that allows residents to move within their current program or to another housing program when such a move is warranted based upon a review of relevant factors. During FY 2009, KCHA continued to monitor policy impact, making slight modifications to address its goals to “right-size” units, facilitate relocation processes, and increase its ability to match disabled households with reasonable accommodation (“RA”) needs to appropriately modified units. Results of these policy changes have allowed KCHA to more quickly process RA transfer requests and have resulted in re-occupancy of 92 previously under-utilized bedrooms.
- ❑ Implemented a Designated Housing Plan to resolve conflicts arising from an imbalance of senior and younger disabled households residing in sites once reserved for the elderly. Under the approved Plan, 78 percent of the occupancy in KCHA’s mixed population buildings is targeted to elderly or near-elderly disabled (age 55 or above) households.
- ❑ Developed our own Project-based assistance policy that addresses local needs and reflects KCHA’s innovative and varied use of this form of housing assistance and supports KCHA’s dual goals of deconcentration and one-for-one replacement of public housing lost through comprehensive community revitalization projects.
- ❑ Developed flexible screening criteria that has eliminated barriers to housing for households entering our “housing first” and supportive housing programs.
- ❑ Developed a Sponsor-based housing program to provide access to service-enriched housing for underserved, hard-to-house populations, including those who are chronically homeless and patients transitioning from long-term care in state psychiatric institutions. During FY 2009, KCHA expanded the use of the Sponsor-based program to assist young adults (age 18-25) who are homeless or transitioning out of foster care.
- ❑ Streamlined program administration by clustering Section 8 inspections; allowing owners to certify completion of minor repairs; flexing up annual review schedules and data verification dates; and simplifying the calculation of asset income. Using “lean engineering” techniques, we are ensuring efficient operation and the best use of our financial and staff resources.
- ❑ Implemented revised documentation and verification procedures to eliminate non-value added activity from the workday - freeing valuable staff time for customer service and other more constructive uses.
- ❑ Implemented a revised approach to Asset Income by eliminating assets valued under \$50,000 from the calculation of household income and allowing residents to self-certify amounts under the \$50,000 threshold.
- ❑ Developed a Resident Opportunity Plan to assist households to acquire the tools needed to transition along the path toward economic self-sufficiency. With final policy recommendations adopted by the Board in FY 2009, by year’s end the program had enrolled its first six households in this intensive 5-year program designed to build independence and move families up and out of federally assisted housing. An additional sixteen families had applied and were pending approval

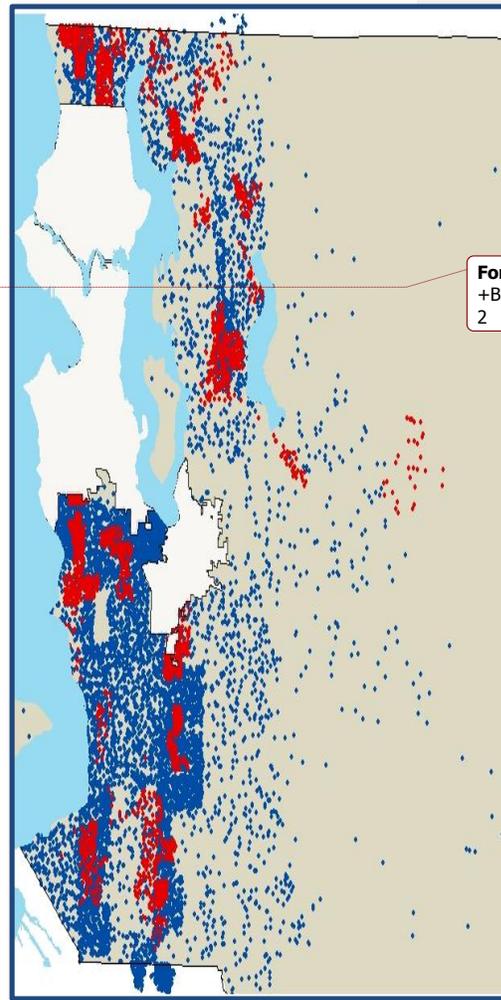
for program entry upon final screening of eligibility. Policy innovations included a “right of return” for graduating households who lose employment through no fault of their own.

Savings accumulated from these MTW policy initiatives have freed up critical resources needed to ensure KCHA’s ability to manage its programs with a high standard of operational excellence and quality of service. Efficiencies gained allow KCHA to respond to changing market conditions, effectively address the diverse needs of its residents and ensure access to safe, secure and welcoming communities. A critical challenge is ensuring that clients understand all program requirements. However, KCHA residents speak more than 20 different languages and come from diverse cultural backgrounds. As a result, in FY 2009, KCHA developed, adopted and implemented a comprehensive Language Assistance Plan (LAP) that bridges the “communication gap” between KCHA and its clients with limited English proficiency. The plan ensures KCHA’s participants with limited English skills have ready access to trained interpreters and that vital documents are available in a variety of languages.

A. DECONCENTRATION OF LOW INCOME HOUSEHOLDS

The program flexibility of the MTW program allows KCHA a unique opportunity to develop new programs and policies that directly assist its overriding goals of reducing poverty concentrations and increasing access to affordable housing throughout King County. Key elements of KCHA’s deconcentration strategies include:

- ❑ Redevelopment or renovation of our largest developments - Park Lake Homes Site I, Springwood Apartments and Park Lake Homes Site II – located in overly impacted low income communities. Subsidized housing concentrations at these sites are either being reduced or integrated into mixed income developments.
- ❑ One-for-one replacement of “hard units” lost through renovations. Using Project-based subsidies, KCHA has targeted replacement units in small clusters to more affluent neighborhoods on the County’s eastside where client access to affordable housing is extremely limited.
- ❑ Aggressive use of a two-tiered Payment Standard system - ensuring adequate subsidy levels for Section 8 program participants in higher-end housing markets and providing increased access to more affluent neighborhoods of the County, with their promise of stronger schools and greater employment opportunities.



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Figure 2-A-1: Distribution of KCHA Public Housing (red) and Section 8 program (blue) participants. MTW program flexibility has been essential to KCHA’s ability to ensure low-income households have access to affordable housing throughout our jurisdiction.

- ❑ Implementation of tenant selection preferences that provide low-income households in greatest need with priority access to Public Housing.
- ❑ Use of Public Housing flat rents that ensure units remain affordable for residents as they build independence and work toward economic self-sufficiency.

In tandem with this approach, KCHA continues to support a deconcentration policy within the Public Housing program consistent with HUD requirements. The policy allows for the “skipping” of applicants on the waiting list if conditions warrant to ensure a development remains economically diverse. It should be noted, however, that to date concentrations of low-income households within KCHA developments have not reached a level that would require such intervention.

B. STATEMENT OF RENT POLICIES

Using a two-phased approach, KCHA has embarked on an ambitious plan to revamp HUD regulations regarding the calculation of household income, deductions, utility allowances and tenant rent. KCHA’s Rent Reform Initiative centers on the following goals:

- ❑ Streamlining existing policies and simplifying procedures so they are easy to understand, comply with and administer.
- ❑ Minimizing intrusiveness into the lives of KCHA residents.
- ❑ Implementing policies that encourage increased employment and economic self-sufficiency.
- ❑ Maintaining KCHA’s financial viability.

Phase I, covering changes to income and rent calculations for qualified elderly and disabled households living on fixed incomes, was launched in June 2008. Promoted as KCHA’s **Easy Rent** program, the policy provides modified rent calculations for residents of KCHA’s mixed population developments, as well as other Public Housing and HCV participants who are either elderly or disabled **and** derive at least 90 percent of household income from a fixed source such as Social Security, SSI, pensions, or a Washington State’s General Assistance (GAU) subsidy. Key program features include:

- ❑ Rent calculations at 28.3% of household income;
- ❑ Elimination of all deductions except when out-of-pocket medical expenses exceed \$3000 – a deduction for full out-of-pocket medical costs allowed for these households;
- ❑ Recertification reviews conducted just once every three years rather than annually;

Table 2-B-1: Easy Rent Impact Analysis

| | Public Housing | Section 8 HCV |
|-------------------------------------|----------------|---------------|
| # Residents | 1,372 | 3,089 |
| % with Increase: | 21.4% | 22.3% |
| % with Decrease | 77.0% | 77.4% |
| % without Change: | 1.6% | 0.3% |
| Low Projected Savings (hrs) | 1,162 | 2,815 |
| High Projected Savings (hrs) | 2,134 | 8,600 |
| % Change in HAP | N/A | 0.0% |
| % Change in Rent Roll | 0.0% | N/A |

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- ❑ Social Security Cost of Living adjustment (COLA) applied to Social Security and SSI income in intervening years;
- ❑ Minimum Rent of \$0;
- ❑ Elimination of utility reimbursements beyond six months – referral to Resident Services for assistance in accessing additional resources – rent set to \$0 if income is not restored at end of six month window;
- ❑ Hardship policy and appeals process for residents who experience a high shelter burden as a result of policy changes. Table 2-B-2 provides detail regarding the outcome of hardship reviews requested during FY 2009.

To date, results of the changes have been encouraging and overall resident response positive. Within the first six months of implementation time savings generated by the Easy Rent policies allowed HCV program staff to reallocate a full FTE to other tasks.

With the Easy Rent program fully in place, staff began to investigate policy changes in FY 2009 that could be implemented under Phase II of KCHA’s Rent Reform initiative. Primary changes under this phase include policy modifications that encourage employment among KCHA’s “work-able” residents and increase the economic self-sufficiency of our households. In addition, policy changes are being developed that would simplify KCHA’s approach to the determination of utility allowances for its Public Housing and HCV programs.

Though initial plans called for implementation of revised policies during FY 2009, the task of developing program modifications that will achieve program objectives is both challenging and immensely time-consuming. Of primary importance is ensuring a thorough understanding of the impact of proposed policy changes on Public Housing residents, Section 8 HCV program participants and KCHA operations. At the end of FY 2009, KCHA was continuing to evaluate proposed changes and working toward final policy development – with an eye toward adoption in July 2010. Throughout the process, KCHA has worked extensively with residents, the Resident Advisory Committee, community stakeholders, legal services agencies, and the public to ensure that all interested parties have the opportunity to review and provide input on the proposed changes. In addition, KCHA has utilized the expertise of a financial modeling consultant to assist in measuring the impact policy modifications would have on current projections of tenant rent and total shelter burdens, as well as KCHA’s own financial resources. Baseline data captured through this process will allow KCHA to track overall

Table 2-B-2: Hardship Requests Detail

| | Public Housing | Section 8 HCV |
|---|----------------|---------------|
| # of Hardship Requests | 3 | 2 |
| # of Hardship Requests Granted: | 0 | 2 |
| <i>Extend 6 mos. Credit Rent</i> | <i>n/a</i> | <i>1</i> |
| <i>Phase in Rent Increase</i> | <i>n/a</i> | <i>1</i> |
| # of Hardship Requests Denied: | 2 | 0 |
| <i>Ineligible – Shelter burden < 50%</i> | 2 | <i>n/a</i> |
| # of Hardship Requests Rescinded | 1 | <i>n/a</i> |

program impact and establish the framework for effective longitudinal measurement of the impact upon KCHA residents and family self-sufficiency outcomes.

SECTION III: CHANGES IN HOUSING STOCK

Utilizing MTW program flexibility to preserve and increase the region’s supply of affordable housing is one of the primary objectives established by KCHA upon entering the program. Since 2003, KCHA has worked to ensure that its Public Housing inventory remains a viable asset over the long-term and has opened new doors to affordable housing for the region’s increasing population of homeless and economically displaced households. Through innovative partnerships, creative financing and strategic planning KCHA has expanded its reach to help more families in better buildings and more neighborhoods than ever before.

Key to our success has been the ability to flexibly blend federal subsidies with private financing in order to leverage substantial private investment into KCHA’s inventory. KCHA has utilized this strategy to redevelop its oldest, most dilapidated public housing developments: Park Lake Homes Site I, Springwood and Park Lake Homes Site II. A total of \$ 213.7 million has been leveraged through this approach since KCHA’s entry into the MTW program. In implementing this approach, KCHA committed to ensuring that the number of units serving extremely low-income households did not decrease as a result of the planned revitalization activities. Under the auspices of the MTW program, KCHA has developed a locally designed Project-based Section 8 program that allows it to assign voucher subsidies to targeted areas of the County, facilitate non-profit housing production and fulfill its commitment for one-for-one replacement of units lost through renovation.

At the end of FY 2009, efforts to increase the supply of affordable housing in HUD funded programs brought KCHA’s combined unit inventory to 11,235 units, exceeding the target of 10,716 set at the beginning of the fiscal year. This does not include the more than 2,360 families who had “ported” to KCHA’s jurisdiction by the end of FY 2009 and are current participants of the Authority’s HCV program. Not counting “port-ins”, KCHA has added a total of 1,129 units to its “deep subsidy” program inventory since 2003.

As anticipated, during FY 2009, KCHA continued to expand its local HCV program, funding additional vouchers above HUD’s established baseline in order to increase the number of affordable housing units in the region. At the end of FY 2009, a total of 275

KCHA Subsidized Programs in 2003: 9

- Public Housing - Conventional
- Section 8 HCV - General Vouchers
- Section 8 HCV - Mainstream
- Section 8 HCV - Housing Access
- Section 8 HCV - Family Unification
- Section 8 HCV - Allocation
- Section 8 HCV - Welfare to Work
- Section 8 New Construction
- Preservation Program

KCHA Subsidized Programs in 2009: 19

- Public Housing – Conventional
- Public Housing - Mixed Finance
- Public Housing – Permanent Supportive
- Section 8 HCV - General Vouchers
- Section 8 HCV - Mainstream
- Section 8 HCV - Housing Access
- Section 8 HCV - Family Unification
- Section 8 HCV - Allocation
- Section 8 HCV - Welfare to Work
- Section 8 HCV - VASH Vouchers
- Project-Based Section 8 - Replacement
- Project-Based Section 8 - Redevelopment
- Project-Based Section 8 - Local Preservation
- Project-Based Section 8 - Supportive Housing
- Project-Based Section 8 - Transitional
- Local Sponsor-Based – Chronically Homeless
- Local Sponsor-Based – Young Adult
- Section 8 New Construction
- Preservation Program

KCHA Units Available in 2003: 10,107



KCHA Units Available at FYE 2009: 11,235

TABLE 3-1: Since 2003, the number of subsidized housing programs available through KCHA has more than doubled. KCHA has successfully utilized innovative financing tools, blended resources and developed new partnerships to preserve affordable housing resources and increase housing choices for the low-income residents of King County.

families had access to a home within their financial reach under this program. In addition, during FY 2009, KCHA's HCV subsidies increased through incremental awards received under the Veterans Affairs Supportive Housing (VASH), Certain Developments, Designated Housing and the Family Unification (FUP) programs. Together these awards added an additional 352 subsidies to KCHA's Section 8 program. Further increases in KCHA's Section 8 HCV baseline during FY 2009 resulted from the receipt of replacement vouchers linked to the renovation of Park Lake Homes Site II and the decision by KCHA during FY 2009 to shift units from HUD's Preservation program its Section 8 Project-based program. KCHA's ability to partner with local service systems and providers has made it one of the most successful Housing Authorities in the country in competing for new Section 8 vouchers made available by HUD.

While working to expand its HCV program, KCHA has also sought new approaches to add "hard units" to its Public Housing inventory. Under an MTW initiative approved and implemented in FY 2009, KCHA utilized banked Public Housing ACC – resulting from the revitalization of Park Lake Site I and Springwood – in conjunction with the purchase of Pacific Court, in Tukwila and Pepper Tree Apartments, in Shoreline. Collectively, these apartment complexes add 62 new units of Public Housing to KCHA's housing stock. In addition, as FY 2009 neared its end, KCHA had initiated purchase negotiations for the Westminster Manor Apartments; a 60 unit apartment complex in Shoreline serving primarily elderly and disabled residents. At the same time, KCHA has continued to bring new units back on-line at Greenbridge and Birch Creek. During FY 2009, a total of 294 new Public Housing and Project-based Section 8 units were added to KCHA's inventory at these two sites.

Realizing that certain households face significant barriers to private market rentals even with voucher assistance, KCHA has developed a local **Sponsor-based housing program**. The program links the County's most at risk populations - chronically homeless, mentally ill individuals and households transitioning out of long-term care facilities – with access to affordable permanent supportive housing designed to assist them in successfully integrating into the community. This program, which began with a pilot of 25 units in 2007, steadily increased in size and provided subsidy for up to 155 households by the end of FY 2008. The Authority further expanded the program's scope in FY 2009 with the allocation of 25 subsidies to assist young adults (age 18-25) who are homeless or transitioning out of foster care.

TABLE 3-2, shown to the right, provides a breakdown of KCHA authorized units at the end of FY 2009, compares those totals to projections contained in the FY 2009 MTW Annual Plan and to those actual units reported in service when KCHA entered the MTW program in 2003.

TABLE 3-2: BREAKDOWN OF KCHA AUTHORIZED UNITS – FYE 2009

| Housing Program | July 1, 2003 ACTUAL UNITS | FYE 2009 UNITS PROJECTED | FYE 2009 ACTUAL UNITS |
|--|------------------------------|--------------------------------|--------------------------|
| Section 8 Vouchers* | 6,374 | 7,692 | 8,145 |
| Low Income Public Housing (LIPH) Units | 3,288 | 2,424 | 2,617 |
| Section 8 New Construction | 174 | 174 | 174 |
| Preservation Program | 271 | 271 | 119 |
| Sponsor-based Program | 0 | 155 | 180 |
| Total Subsidized Units | 10,107 | 10,716 | 11,235 |

**Does not include HCV "port-ins".*

Table 4-A-2: Revenues outside the Consolidated MTW Budget – FY 2009 Planned vs. Actual

| SOURCE OF REVENUES | FY 2009 PLANNED | FY 2009 ACTUAL | VARIANCE |
|---|----------------------|----------------------|------------------------|
| Dwelling Rental Income | \$ 1,492,065 | \$ 1,951,515 | \$ 459,450 |
| Investment Income [1] | 281,879 | 107,423 | (174,456) |
| Other Income | 5,874 | 148,026 | 142,152 |
| Section 8 Subsidy and Admin Fees | 2,841,160 | 2,565,909 | (275,251) |
| Capital Subsidy | 120,000 | 275,591 | 155,591 |
| Operating Subsidy and non-CFP Grants * | 1,353,197 | 1,576,809 | 223,612 |
| ARRA CFP Funding [4] | 7,442,556 | 3,224,272 | (4,218,284) |
| Bond Proceeds and Tax Credit Equity [5] | 28,237,451 | 13,738,170 | (14,499,281) |
| Total Revenues | \$ 41,774,182 | \$ 23,587,715 | \$ (18,186,467) |

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Table 4-A-3: Consolidated Budget Statement - FY Planned vs. Actual Revenues

| SOURCE OF REVENUES | FY 2009 PLANNED | FY 2009 ACTUAL | VARIANCE |
|--|-----------------------|-----------------------|------------------------|
| Dwelling Rental Income | \$ 10,956,979 | \$ 10,705,005 | \$ (251,974) |
| Investment Income [1] | 5,301,213 | 3,537,349 | (1,763,864) |
| Other Income | 6,179,658 | 5,998,504 | (181,154) |
| Section 8 Block Grant [2] | 76,490,072 | 82,061,379 | 5,571,307 |
| Section 8 Subsidy and Admin Fee [2] | 6,148,978 | 10,638,886 | 4,489,908 |
| Capital Subsidy [3] | 8,433,313 | 10,745,419 | 2,312,106 |
| ARRA CFP Funding [4] | 7,442,556 | 3,224,272 | (4,218,284) |
| Operating Subsidy and non-CFP Grants * | 9,135,909 | 10,171,523 | 1,035,614 |
| Bonds and Tax Credit Equity [5] | 65,570,030 | 21,740,023 | (43,830,007) |
| Total Revenues | \$ 195,655,708 | \$ 158,822,360 | \$ (36,836,348) |

*Combines amounts previously reported as individual line items.

□ **Explanation of Variances in PLANNED and ACTUAL Revenues**

- [1] Investment income continued to be lower than that projected during FY 2009 due to declines in anticipated returns on investments. In addition, significant amounts of interest earnings were forecast on bond reserves held prior to their use in construction at Springwood. These reserves actually were drawn on an accelerated schedule reducing interest-earning balances.
- [2] Section 8 HCV revenues for HAP subsidy and program administration fees were higher than anticipated as a result of program growth occurring during FY 2009.

- [3] FY 2009 Budget amounts shown did not include approximately \$1.7 million in replacement housing factor (RHF) funding.
- [4] ARRA funds awarded during FY 2009 were originally budgeted as received in total during FY 2009. In reality, only about half of this funding was drawn and received for work completed during the fiscal year. KCHA anticipates remaining funds will be fully drawn in 2010.
- [5] Bond and Tax Credit Equity proceeds were lower than expected due to the timing of mixed-finance closings. Proceeds which had been budgeted for FY 2009 were actually received prior to the end of FY 2008. The change in KCHA's fiscal year end and the timing of preparation of the FY 2009 budget resulted in an inaccurate calendar year forecast of the date of these receipts. All anticipated proceeds were received over the two year period.

B. PLANNED USES OF FUNDS VS. ACTUAL AMOUNTS EXPENDED

This section compares FY 2009 planned expenditures, as detailed in the FY 2009 MTW Annual Plan, with actual FY 2009 expenditures by line item. This information is presented in the same format used in the FY 2009 Plan, which breaks out MTW initiative expenditures separately. All KCHA block grant funding is considered expended in the year received. The FY 2009 budget assumes all funding is expended in the Section 8 HCV program; the FY 2009 actual amounts shown more accurately reflect utilization for MTW eligible activities.

Following are the amounts budgeted in FY 2009 compared to actual expenditures in FY 2009 by line item:

Table 4-B-1: Planned vs. Actual Expenditures - FY 2009

| PROJECTED EXPENSES | FY 2009 BUDGET | FY 2009 ACTUAL | VARIANCE |
|-------------------------------|----------------------|-----------------------|---------------------|
| Administration and General | \$ 26,826,433 | \$ 26,334,360 | \$ (492,073) |
| Section 811/Mainstream HAP | 1,845,360 | 2,008,862 | 163,502 |
| Section 8 Block Grant HAP [1] | 59,226,144 | 63,105,829 | 3,879,685 |
| Utilities | 2,819,220 | 3,091,933 | 272,713 |
| Maintenance | 4,484,510 | 4,890,316 | 405,806 |
| MTW Initiatives [2] | 15,516,513 | 7,149,652 | (8,366,861) |
| Capital Projects [3] | 50,374,630 | 53,715,638 | 3,341,008 |
| Total Expenses | \$161,092,810 | \$ 160,296,590 | \$ (796,220) |

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□ **Explanation of Variances in *PLANNED* and *ACTUAL* Expenses**

- [1] Section 8 HCV expenses for HAP subsidy and program administration fees were higher than anticipated as a result of program growth occurring during FY 2009.
- [2] Expenses relating to MTW initiatives were lower than expected. During FY 2009, KCHA allocated \$5 million for additional land and apartment acquisition that had not been expended prior to year end. In addition, \$2.3 million and \$1.5 million budgeted for working capital needs at Greenbridge and Park Lake Homes Site II, respectively, was not required during the fiscal year.
- [3] Actual expenses include partial cost (\$2.5 million) to purchase the Pepper Tree Apartments.

C. LEVEL AND ADEQUACY OF RESERVES

As shown in Table 4-C-1, overall MTW reserves, accumulated as a result of KCHA’s combined Public Housing and Section 8 HCV operations, exceeded their estimated year-end cash balances. Reserves remain adequate to support both program operations and outstanding liabilities.

Table 4-C-1: FYE 2009 Reserves

| PROJECTED RESERVES | FY 2009 BUDGET | FY 2009 ACTUAL | VARIANCE |
|---|----------------------|----------------------|----------------------|
| Public Housing: Project Reserves | \$ 6,087,717 | \$ 4,440,088 | \$ (1,647,629) |
| Public Housing: Operating Reserve | 3,206,647 | 2,752,181 | (454,466) |
| Section 8 Project Reserve | 4,800,000 | 5,700,000 | 900,000 |
| Section 8 Admin Fee and HAP Reserve [1] | 1,271,898 | 3,181,273 | 1,909,375 |
| Section 8 Designated Reserve [2] | 4,440,408 | 3,366,611 | (1,499,477) |
| Other Restricted Project Funds [3] | 15,262,047 | 10,627,787 | (4,634,260) |
| Credit Enhancement Surety Reserve [4] | 0 | 9,000,000 | 9,000,000 |
| Unrestricted MTW Reserve | 26,181,500 | 30,543,481 | 4,361,981 |
| Total Reserves | \$ 61,250,217 | \$ 72,184,695 | \$ 10,934,478 |

Footnotes to Reserve Table:

- [1] Numerous non-MTW vouchers awarded during FY 2009 created incremental, unused contract authority categorized as unrestricted reserve;
- [2] Sponsor-based housing funding for the five-year contract period;
- [3] Debt service reserve for Egis Project drawn as planned prior to December 31;
- [4] Requirement of King County Credit Enhancement transactions for HOPE VI financing.

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SECTION V: CAPITAL PLANNING

KCHA's Public Housing inventory has the reputation of being well run and, in most cases, blends easily into its surrounding environment. However, with the average age of its inventory exceeding 33 years, the impact of HUD's consistent failure to adequately fund needed repairs has been significant. Conscious of the critical role its Public Housing inventory plays in meeting regional demands for housing affordable to extremely low-income households, KCHA has aggressively sought to leverage outside investment to enable completion of necessary capital improvements. MTW flexibility has been a critical tool in this effort. Using a three-pronged approach, KCHA has taken proactive steps to:

- ❑ Address the need for redevelopment and substantial renovation of its oldest and most deteriorated communities;
- ❑ Complete major fire and life-safety improvements within its mixed-population mid-rise developments; and
- ❑ Prioritize and undertake general repair work to address the most urgent repair needs within its housing stock.

These efforts have been crucial as KCHA has worked to ensure that the number of units available to those in need does not decrease and its Public Housing inventory remains a viable and affordable resource for the County's extremely low-income households over the long term. More specific detail regarding KCHA's progress under this initiative, including activities completed in FY 2009 is included below.

A. REDEVELOPMENT / MAJOR RENOVATION OF PUBLIC HOUSING COMMUNITIES

- ❑ **Park Lake Homes Site I.** Park Lake Homes Site I is undergoing complete redevelopment under HUD's HOPE VI grant program. Once KCHA's oldest and most dilapidated Public Housing development, the site is being transformed into a completely revitalized community. The new mixed income neighborhood will combine subsidized and workforce rental housing and affordable and market rate for-sale homes. Organized around White Center's 8th Avenue main corridor, the new Greenbridge campus combines Public Housing live-work units with retail storefronts and community educational and recreational facilities, including a new library, elementary school and Head Start/Educare facility. The master-planned design replaces the original 569 Public Housing units with 324 on-site units affordable to very low-income households and up to 700 affordable and market-rate rentals and for-sale homes. To fulfill KCHA's commitment for one-for-one replacement of subsidized units not rebuilt on-site, an additional 269 subsidized units have been located off-site in targeted low-poverty neighborhoods, primarily on King County's eastside, with access to high-performing school systems and greater opportunities for employment. During FY 2009, occupancy of Salmon Creek development, with 88 rental units, was completed and construction of the 90-unit

Eastbridge development commenced. With the completion of Eastbridge in 2010, relocation of former Park Lake residents back to the site will have been completed. Approximately 42 percent of the prior residents are expected to have returned to the revitalized community upon completion of this final phase of renovation.

- ❑ **Park Lake Homes Site II.** Located just a few blocks from Park Lake Homes Site I, this 165 unit Public Housing community suffered from inadequate and deteriorating site infrastructure, moisture problems attributed to poorly designed heating and ventilation systems, insufficient site drainage and a high water table. In late 2008, KCHA received a \$20 million HOPE VI award to help finance needed reconstruction. During FY 2009, all 160 remaining households were relocated off-site as preparation for the new **Seola Gardens** Hope VI redevelopment project got underway. KCHA's intent is to preserve the site as affordable housing for low-income households with one-for-one replacement of the 165 demolished units directly on-site. Affordable and market rate homeownership and workforce rental units will round out the approximately 300 units expected to be included in the final site design. Construction of the first replacement housing will commence in FY 2010.

- ❑ **Springwood Apartments.** As detailed in its FY 2008 MTW Plan, this aging and physically distressed 346-unit property required significant rehabilitation that was beyond the capacity of KCHA's capital grant program. To leverage necessary financing, KCHA disposed of the Springwood Apartments to a Limited Partnership and is utilizing a combination of LIHTC equity contributions, housing bonds, RHF funds and state and county grants to complete more than \$55 million in substantial renovations. The redeveloped site will include 262 project-based units, ensuring the revitalized community remains affordable to extremely low-income households for the long-term. Units lost as a result of renovation work that began in May 2008 will be replaced one-for-one elsewhere in King County through the use of project-based Section 8 subsidies and "banked" Public Housing units. The completed site will include a mix of one, two, three, four and five bedroom units, of which 18 will be made ADA accessible, new parks and open spaces and two community facilities, providing Head Start classrooms, a Woman, Infant and Children's (WIC) health clinic, a career development center and a youth after-school and recreational facility. During FY 2009, following completion of the first stage of construction, residents began to return to the revitalized Birch Creek community – a total of 206 units were occupied by the end of the fiscal year. KCHA anticipates renovations will be completed and the site will be fully re-occupied by the end of FY 2010. As planned, all existing tenants were provided the opportunity to move back to the development and it is anticipated that 73 percent will return.

B. FIRE, LIFE-SAFETY UPGRADES IN MIXED POPULATION BUILDINGS

Conscious of its role as a principal provider of affordable housing for this region's aging and disabled population, KCHA set a goal in 1999 of upgrading its entire inventory of 21 HUD-funded mid-rise apartment buildings to current fire and life-safety standards. Unfortunately, continued reductions in HUD's Capital Grant funding allocations had effectively stalled the initiative by 2003. In FY 2007, KCHA

utilized MTW flexibility to streamline the Capital Fund Financing program (CFFP) process and leverage tax credit equity to complete the installation of fire sprinkler systems at the remaining eight apartment complexes: Casa Madrona, Brittany Park, Mardi Gras, Gustaves Manor, Munro Manor, Paramount House, Plaza Seventeen, and Riverton Terrace. Collectively known as the “Egis” developments, KCHA utilized a mixed finance approach that leveraged nearly \$25 million in LIHTC equity into the project. To complement life/safety improvements, additional interior common area upgrades were also completed – substantially improving tenant satisfaction with their living environment for the 439 households included in the project’s scope. The first four “Egis” developments were completed in 2007. In late FY 2008, with the completion of renovations at the four remaining sites, 100% of KCHA’s mid-rise inventory had been fully sprinklered and equipped with modern fire detection, alarm and communication systems. Final payment of \$12.3 million in private equity investments was received in FY 2009.

C. GENERAL CAPITAL FUND EXPENDITURES

Through the use of new financing tools KCHA has made significant progress in addressing the major redevelopment, renovation and upgrade needs of its Public Housing inventory. However, with 51 Public Housing sites, much of the work identified in KCHA’s 10-Year Capital Plan does not rise to the level of major reconstruction. Smaller, less intensive repairs to infrastructure and building systems including paving, deck and balcony replacements, building envelope upgrades, water line and boiler replacements and general site improvements are examples of work typically targeted for completion using HUD’s Capital Fund Program (CFP) allocations. Multi-year budget cuts at the federal level, coupled with CFFP financing obligations, have placed a serious strain on KCHA’s ability to adequately address these backlogged and ongoing needs for capital improvements. In response, KCHA has implemented a priority system – sequencing work to address the most critical and urgent repairs first and at the earliest point possible, before the problem deteriorates to a far more expensive level.

Given the size of KCHA’s inventory and limited HUD funding, it is imperative that the Authority control costs and ensure every dollar is spent wisely. MTW flexibility has been a key driver in this effort. KCHA’s development of its highly successful **Unit Upgrade Demonstration program** is a model of how innovative, cost effective solutions can be crafted. Seeking a simpler means of bringing unit interiors up to current standards, KCHA has shifted from approaching this work through whole building renovation projects “farmed out” to general contractors to completing significant interior upgrades as vacancies occurred. Using skilled in-house labor and careful scheduling, KCHA can complete major interior renovations – such as new flooring, cabinets, and fixtures – on a unit by unit basis and benefit from substantial savings in soft costs, contractor’s overhead and profit and tenant relocation costs. Funded as a pilot of 50 units in July 2008, the initial project expanded to include 85 units in its first 18 months. In FY 2009, KCHA completed work on an additional 147 units. While extending the life of unit interiors nearly 20 years, KCHA’s FY 2009 per unit costs averaged just \$20,200 – a savings of more than \$ 14,800 per unit over estimated costs under the general contractor model.

Additional Capital Fund projects completed during FY 2009 include:

- ❑ **Briarwood: Total Cost - \$1,054,643** - Common area upgrades including new resident entry doors, new carpet, wall treatments, energy efficient lighting and upgraded lobby with new mailbox area. In addition, work included renovation of the on-site management office, indoor air quality and ventilation upgrades, and new ADA accessibility upgrades including entry walkways.
- ❑ **Lakehouse: Total Cost - \$464,300** - Common area indoor ventilation and air quality improvements, replacement of existing decks, repairs to the brick façade and landscaping upgrades.
- ❑ **Cascade Homes: Total Cost - \$1,941,056** - Site infrastructure upgrades including new paving, sidewalks, energy efficient site lighting, storm drainage improvements, and landscaping improvements.
- ❑ **Eastside Terrace: Total Cost - \$1,295,562** - Site infrastructure upgrades including new paving, sidewalks, curbs, storm drainage, underground utilities, landscaping upgrades and new energy efficient site lighting.
- ❑ **Victorian Woods: Total Cost - \$254,497** - Site upgrades including site electrical service and new energy efficient site lighting.
- ❑ **Kings Court: Total Cost - \$358,805** - Expansion of the existing community building from 1,300 to 2,500 square feet. The building includes classrooms, activity rooms, and a computer lab.
- ❑ **Valli Kee: Total Cost - \$254,497** - Architectural design and engineering work for the planned building envelope upgrade. Installation of a sewer cleanout system for each unit.
- ❑ **Southridge: Total Cost - \$151,610** - Architectural design and engineering work for planned building envelope improvements. This project will provide a new energy efficient exterior finish including a rain screen element to divert water away from the structure extending the life cycle of the existing brick facade.
- ❑ **Green River: Total Cost - \$369,306** - Continued architectural design for major renovation work at this site. The scope includes extensive interior and exterior upgrades, layout changes and site infrastructure improvements including storm water mitigation and new underground utilities. This project cannot be supported through current CFP funding levels and KCHA is currently developing a financing strategy.
- ❑ **Wayland Arms: Total Cost - \$316,345** – Install new boiler, thermostats, interior and exterior site lighting, upgraded smoke detectors and sewer line repairs.
- ❑ **Multi-site Youth Facility Improvements: Total Cost - \$200,000** – Completed pre-design and architectural work for planned expansion and new construction of youth facilities at six Public Housing communities.

SECTION VI: OWNED AND MANAGED UNITS

To complement redevelopment and upgrade programs, KCHA is committed to a high degree of operational excellence in the management of its inventory. Through a concentrated focus on effective day-to-day management, KCHA continues to be designated a HUD “High Performer” and is considered one of the nation’s highest performing agencies. During FY 2009, overall occupancy of KCHA’s Public Housing developments averaged 98.4 percent and its property management teams combined forces to achieve an average rating of 94 percent for HUD REAC inspections completed in 2009 – one of the highest scores in the country among large Public Housing agencies.

A fundamental factor in KCHA’s ability to ensure program operations run efficiently and effectively is KCHA’s decision in 2004 to begin an early shift to property-based management and to incorporate the best practices of private property managers into daily operations. Building upon this framework, KCHA used MTW authority to establish an Asset Management model that provides local, regional and central administrative staff with the tools necessary to manage and monitor programs in the best interest of the agency and the residents it serves. As a result, in 2008, KCHA was well positioned to successfully apply for “Stop Loss” protection in its initial year of eligibility - holding reductions in subsidy under HUD’s revised funding formula to the lowest possible level.

To ensure that the MTW program and policy changes discussed throughout this report do not have an adverse impact upon overall program performance, KCHA continues to monitor the following key program indicators:

A. VACANCY RATES

In FY 2009, KCHA continued to maintain the highest possible occupancy within its Public Housing inventory. KCHA’s ability to effectively manage its waiting lists, together with sound unit turn and lease-up protocols are key components of KCHA’s ability to maintain occupancy above the established threshold of 98 percent. A snapshot of KCHA’s FY 2009 overall occupancy rate – adjusted for developments that have not yet ended initial occupancy period or those undergoing modernization or redevelopment - was 98.4 percent. Table 6-A-1 below lists actual vacancy rates for all Public Housing developments in KCHA’s inventory.

Table 6-A-1: Occupancy Rates of KCHA Public Housing

| Development Name | # Units | # Occupied | % Occupied |
|------------------|---------|------------|------------|
| AVONDALE MANOR | 20 | 20 | 100.0% |
| BALLINGER HOMES | 110 | 109 | 99.1% |
| BELLEVUE 8 | 8 | 8 | 100.0% |
| BOULEVARD MANOR | 70 | 68 | 97.1% |
| BRIARWOOD | 70 | 69 | 98.6% |
| BRITTANY PARK | 43 | 43 | 100.0% |

| | | | |
|------------------------------|-------------|-------------|--------------|
| BURNDALE HOMES | 50 | 49 | 98.0% |
| CAMPUS COURT I & II | 13 | 13 | 100.0% |
| CASA JUANITA | 80 | 78 | 97.5% |
| CASA MADRONA | 70 | 68 | 97.1% |
| CASCADE APTS | 108 | 106 | 98.1% |
| CEDARWOOD | 25 | 25 | 100.0% |
| COLLEGE PLACE | 51 | 51 | 100.0% |
| EASTRIDGE HOUSE | 40 | 40 | 100.0% |
| EASTSIDE TERRACE | 50 | 50 | 100.0% |
| EVERGREEN COURT | 30 | 30 | 100.0% |
| FEDERAL WAY HOUSES | 3 | 3 | 100.0% |
| FIRWOOD CIRCLE | 50 | 50 | 100.0% |
| FOREST GLEN | 40 | 39 | 97.5% |
| FOREST GROVE | 25 | 25 | 100.0% |
| GLENVIEW HEIGHTS | 10 | 10 | 100.0% |
| GREEN LEAF | 27 | 27 | 100.0% |
| GREEN RIVER HOMES | 60 | 59 | 98.3% |
| GUSTAVES MANOR | 35 | 35 | 100.0% |
| JUANITA COURT | 30 | 30 | 100.0% |
| JUANITA TRACE | 30 | 30 | 100.0% |
| JUANITA TRACE II | 9 | 8 | 88.9% |
| KINGS COURT | 30 | 30 | 100.0% |
| KIRKWOOD TERRACE | 28 | 28 | 100.0% |
| MARDI GRAS | 61 | 61 | 100.0% |
| MUNRO MANOR | 60 | 59 | 98.3% |
| NIA LLC | 40 | 39 | 97.5% |
| NORTHRIDGE I | 70 | 68 | 97.1% |
| NORTHRIDGE II | 70 | 67 | 95.7% |
| PACIFIC COURT* | 32 | 26 | 81.3% |
| PARAMOUNT HOUSE | 70 | 70 | 100.0% |
| PARK LAKE HOMES SITE II * | 165 | 0 | 0.0% |
| PEPPER TREE* | 30 | 17 | 56.7% |
| PICKERING COURT | 30 | 30 | 100.0% |
| PLAZA SEVENTEEN | 70 | 70 | 100.0% |
| RIVERTON TERRACE | 30 | 30 | 100.0% |
| RIVERTON TERRACE - EGIS | 30 | 29 | 96.7% |
| SALMON CREEK | 50 | 50 | 100.0% |
| SEOLA CROSSING | 77 | 77 | 100.0% |
| SHOREHAM APTS | 18 | 18 | 100.0% |
| SOUTHRIDGE HOUSE | 80 | 77 | 96.3% |
| THE LAKE HOUSE | 70 | 68 | 97.1% |
| VALLI KEE | 114 | 110 | 96.5% |
| VICTORIAN WOODS | 15 | 15 | 100.0% |
| VISTA HEIGHTS | 30 | 30 | 100.0% |
| WAYLAND ARMS | 67 | 62 | 92.5% |
| WELLSWOOD | 30 | 30 | 100.0% |
| YARDLEY ARMS | 67 | 66 | 98.5% |
| YOUNG'S LAKE | 28 | 27 | 96.4% |
| Total ADJUSTED Units* | 2392 | 2354 | 98.4% |

- *Not included, units that are being held for modernization or have not reached EIOP.*

B. RENT COLLECTIONS

During FY 2009, KCHA successfully collected 99 percent of dwelling rent charged. The Authority continues to use a centralized rent collection system and automated reporting of rent delinquencies as a cost-effective tool in managing monthly receipts. In addition, rent collections continued to be monitored at the Central Administrative Office level to ensure policies were applied consistently by all property managers. KCHA's program oversight allows areas of concern to be identified and resolved early, before the problem escalates out of control. Table 6-B-1 compares actual FY 2009 collections to KCHA's established target of 98 percent.

Table 6-B-1

| Rent Collections – FY 2009 | | | | |
|-----------------------------------|---------------------------|-------------------------------|----------------------------------|----------------------------------|
| Region | Dwell Rent Charged | Dwell Rent Uncollected | FY 2009 Collection Target | FY 2009 Collection Actual |
| Northeast | \$ 2,696,757 | \$ 9,189 | | 99.66% |
| Southwest | 2,134,510 | 3,763 | | 99.83% |
| Southeast | 2,935,093 | 66,740 | | 97.73% |
| Totals: | \$7,766,360 | \$ 79,689 | + 98% | 98.97% |

C. WORK ORDERS

During FY 2009, KCHA's targeted response rates for routine work orders and emergency work orders were within established thresholds. Table 6-C-1 provides regional performance regarding the completion rates of routine, tenant requested work orders. Similarly, Table 6-C-2 provides a breakdown of emergency work order completion rates for FY 2009, by KCHA region and overall.

Table 6-C-1: Routine Work Orders

| Routine Work Order Completion Rates - FY 2009 | | | | |
|--|-----------------------------|-----------------------------------|-----------------------|-----------------------|
| Total Completed within 30 Days | | | | |
| Region | Total Orders Entered | # Completed within 30 Days | FY 2009 Target | FY 2009 Actual |
| Northeast | 4,537 | 4,321 | 97% | 95.3% |
| Southwest | 2,375 | 2,340 | 97% | 98.5% |
| Southeast | 3,815 | 3,782 | 97% | 99.1% |
| Totals: | 10,727 | 10,443 | 97% | 97.4% |

Table 6-C-2: Emergency Work Orders

| Emergency Work Order Completion Rates - FY 2009 | | | | |
|---|----------------------|--------------------------|----------------|----------------|
| Total Completed within 24 hrs | | | | |
| Region | Total Orders Entered | # Completed under 24 hrs | FY 2009 Target | FY 2009 Actual |
| Northeast | 894 | 894 | 100% | 100% |
| Southwest | 210 | 210 | 100% | 100% |
| Southeast | 160 | 160 | 100% | 100% |
| Totals: | 1,264 | 1264 | 100% | 100% |

D. HQS INSPECTIONS

During FY 2009, KCHA continued to inspect 100 percent of its Public Housing units at least annually, following HQS guidelines established by HUD. Although KCHA’s MTW Agreement provides exemption from other aspects of HUD’s Public Housing Assessment System, HUD assigned REAC inspectors completed a full cycle of physical inspections of Authority properties in January 2009. KCHA is pleased to note that its average score for developments inspected in FY 2009 was an outstanding 94 percent.



E. SECURITY

KCHA ensures resident and community safety and security through thorough and careful screening of applicants and proactive and consistent lease enforcement by its property management staff. Following established protocols, the Authority enforces strict “One-Strike” policies for its Public Housing developments and partners with the Washington State Patrol and National Criminal Information Clearinghouse to complete criminal history background checks of applicants prior to tenancy approval. During FY 2009, KCHA continued to collaborate with local law enforcement agencies – including 14 police departments operating in 19 individual cities – to monitor criminal activity in and around KCHA properties. Through cooperation agreements, KCHA property managers work closely with each law

enforcement agency exchanging information on an on-going basis to ensure that properties remain safe, peaceful communities for the low-income residents it serves. Information gathered through this collaborative effort provides a useful tool in curtailing criminal activity. Collected and viewed initially at the site level, the information is also reviewed monthly by key Central Administrative Office personnel. In addition, KCHA’s strategy for ensuring resident safety and security includes partnerships with local stakeholders, and the direct funding of community police officers and extensive after-school and summer programs for teens and children in targeted developments in order to prevent drug, gang-related and other criminal activity.

In addition, KCHA Property Managers work in close collaboration with Resident Services staff to intervene early and address lease violations before the problem escalates – providing the assistance needed to increase family stability and assist households in jeopardy of losing their housing. During FY 2009, KCHA’s proactive approach resulted in the eviction of just four households – a rate well below the industry norm.

Table 6-E-1

| SAFETY & SECURITY REPORT - 2009 | | | | |
|--|------------------------|-----------------|---------------|---------------|
| Region | POLICE CONTACTS | | PART 1 | PART 2 |
| | GIVEN | RECEIVED | CRIMES | CRIMES |
| | | | # | # |
| Northeast | 70 | 60 | 14 | 26 |
| Southeast | 40 | 69 | 7 | 55 |
| Southwest | 39 | 168 | 43 | 41 |
| Grand Total: | 149 | 297 | 64 | 122 |

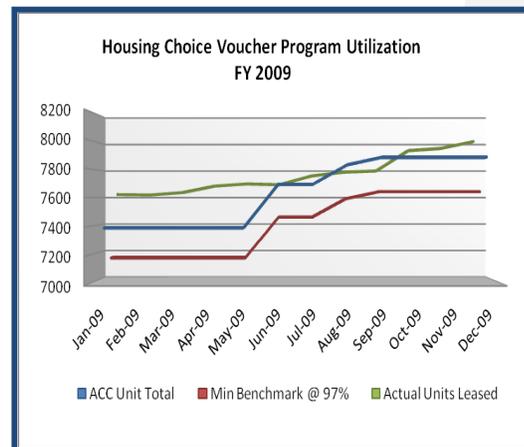
SECTION VII: LEASED HOUSING

Since entering the MTW demonstration program in 2003, KCHA has steadily expanded its Section 8 Housing Choice Voucher program. Driven by dual objectives of expanding the availability of affordable housing and deconcentrating poverty in the Puget Sound region, KCHA has sought every opportunity to stretch its limited program resources. At the end of FY 2009, a total of 9,846 households were participants in KCHA's HCV program - an increase of more than 30 percent over total HCV participants served when KCHA entered the MTW demonstration.

Mirroring its Public Housing program, KCHA has taken proactive steps to ensure a high level of operational excellence in managing its HCV program. To ensure efficient operations, KCHA has incorporated "lean engineering" analysis to streamline operations and remove non-value added activities from its workload. At the same time, KCHA closely monitors program performance – tracking key indicators to ensure that the HCV program operates smoothly and KCHA's limited resources are utilized in the most cost-effective manner. During FY 2009, KCHA staff continued to track performance in the following key strategic areas:

A. LEASE-UP RATES

Upon entering the MTW program in 2003 KCHA established a minimum HCV utilization benchmark of 97 percent. To support KCHA's goal of maximizing affordable housing opportunities within its jurisdiction, the Authority has consistently operated with a utilization rate well above this established minimum. KCHA's overall lease-up rate – the percentage of annual units under lease, compared to those authorized under HUD established baseline – averaged nearly 102 percent for FY 2009. KCHA has utilized its MTW funding flexibility to support a significant number of additional vouchers above and beyond HUD's established baseline. During FY



2009, KCHA continued to utilize this approach to support more than 275 additional vouchers. In addition, by decoupling Payment Standards from HUD's standard Fair Market Rents, KCHA is able to set reasonable subsidy amounts that more accurately reflect local sub-market conditions and expand access to available housing - especially in low-poverty markets of the County's eastside – while sustaining "shopping success" rates for program participants. As a result, KCHA's shopping success rate during FY 2009 averaged 88.5 percent – comfortably above both the 84 percent average reported in 2003 and the 75 percent benchmark of established as KCHA entered the MTW program.

B. RENT REASONABLENESS STRATEGY

During FY 2009, KCHA's Section 8 inspectors continued to use a customized instrument produced by Dupre+Scott Apartment Advisors to ensure that contract rents approved for units subsidized under the Section 8 program remained reasonable in relation to the market rent of similar non-subsidized units. The instrument is based on an extensive survey of over 75,000 rental housing units in KCHA's jurisdiction and is updated annually. It establishes the maximum rent for housing units based on location, size, quality, type, amenities, utilities and general condition.

In addition, utilizing MTW program modifications implemented in prior years, KCHA inspectors conducted rent reasonableness determinations for units directly owned by KCHA, thus eliminating potential delays in new lease-ups and streamlining the completion of annual reviews. Furthermore, KCHA continues to forego rent reasonableness determinations at annual re-certification unless a request for an increase in the contract rent is received or a review is warranted by a measureable shift in the local rental market. These and other efforts continue to streamline the program while ensuring that contract rents approved by the Authority do not exceed market value.

C. PROJECT-BASED STRATEGY

Over the term of its MTW participation, KCHA has utilized its ability to modify standard program policies to develop a Project-based HCV program that responds to local needs. As an active partner in King County's 10-Year Plan to End Homelessness, KCHA seeks every opportunity to eliminate barriers to affordable housing for "hard-to-house populations" and, as a regional housing authority, to deconcentrate poverty and affirmatively further fair housing in the Puget Sound region. KCHA's local Project-based and Sponsor-based Assistance policies address these dual MTW initiatives through a three-tiered approach:

- **Preserving KCHA's Housing Stock while Deconcentrating Poverty:** KCHA has moved aggressively, through the HOPE VI program and using MTW flexibility, to leverage the resources needed to preserve or rebuild its aging Public Housing inventory. Project-based assistance has been a critical tool in this endeavor. By project-basing subsidy at redeveloped sites and leveraging necessary bond and tax credit financing, KCHA ensures that newly renovated housing remains a resource for low-income residents of the community over the long-term. In tandem with this approach, KCHA has adopted policies that allow the administration of project-based units to mirror Public Housing program guidelines. This "combined program" approach allows KCHA to utilize a single set of program rules for side-by-side use of HAP and ACC subsidy systems in mixed-finance developments. At the same time, through redevelopment efforts, KCHA has taken the opportunity to deconcentrate poverty in overly impacted communities of the County by replacing demolished Public Housing units elsewhere – in low-poverty neighborhoods with greater access to good schools and a stable employment base. A breakdown of Project-based HCV units authorized under this initiative is detailed below. Vouchers planned but not currently under contract have been issued as tenant-based vouchers. Project-based targets will be met through reallocation of tenant-based vouchers on turnover as new project-based units come on-line.

| Program | Housing Type | Vouchers Authorized | Units Under Contract @ FY End |
|------------------------------|------------------------------------|---------------------|-------------------------------|
| Public Housing Redevelopment | Former Public Housing Developments | 479 | 479 |
| Replacement Housing | Non-subsidized Apartment Complexes | 353 | 219 |
| Local Preservation | Non-subsidized Apartment Complexes | 211 | 211 |
| Total | | 1043 | 909 |

- **Ending Homelessness:** Bundling housing and services to successfully bring homeless families and individuals off of the streets and out of institutions is vital in addressing the unmet housing needs of the region’s most at-risk households. Working closely with its funding partners, including King County, local suburban cities, United Way and the Gates Foundation, KCHA provides Project-based HCV assistance linked with wrap-around services in order to provide safe, secure and affordable housing opportunities in a supportive housing environment. Project-based HCV units currently authorized under this initiative include:

| Program | Purpose | Vouchers Authorized | Unit Under Contract @ FY End |
|------------------------------|---|---------------------|------------------------------|
| Transitional Housing | Homeless Families | 256 | 201 |
| Permanent Supportive Housing | Permanent Supportive Housing for People with Disabilities | 157 | 74 |
| Total | | 413 | 275 |

- **Sponsor-based Housing for targeted populations:** Neither the Section 8 tenant or project-based programs, adequately respond to the needs of all low-income households or housing markets. Certain households are not going to be successful in securing and maintaining housing stability even with the availability of rental assistance. These at-risk populations, including chronically homeless, mentally ill individuals and households transitioning out of long-term care facilities require access to intensive services in a flexible housing model where they can build a solid network of support and successfully assimilate into the community. Often credit problems, poor rental histories and criminal records place significant barriers to housing access. With few options, these households are often relegated to cycling between life on the streets, local jails and County and State institutions. In order to serve this vulnerable population, KCHA has used its MTW authority to design and implement a Sponsor-

based Permanent Supportive Housing Subsidy program that reflects a “housing first” approach for this population. The program allows KCHA to provide subsidies to contracted service providers, rather than directly to the tenant. These agencies such as Sound Mental Health, a regional mental health service provider, negotiate master leases with private landlords to secure affordable housing for their clients. Under the program, sponsor-based subsidy contracts are linked directly with local government and philanthropic service funding to closely coordinate housing and services. During FY 2009, KCHA’s Sponsor-based program steadily ramped up its chronically homeless and deinstitutionalization programs and expanded efforts to include up to 25 subsidies for young adults, age 18-25, who were chronically homeless or transitioning out of the foster care system. Sponsor-based subsidy contracts in place at the end of FY 2009 include:

| Program | Purpose | Vouchers Authorized | Units Under Contract @ FY End |
|--|--|---------------------|-------------------------------|
| South County Pilot | Chronically Homeless Individuals | 50 | 50 |
| Forensic Assertive Community Treatment (FACT) | Chronically mentally ill | 15 | 15 |
| Program for Assertive Community Treatment (PACT) | Chronically mentally ill | 90 | 90 |
| Young Adult | Young Adults (18-25): Homeless or transitioning out of foster care | 25 | 25 |
| Total | | 180 | 180 |

D. INSPECTION STRATEGY

Building upon program modifications implemented in prior years, in FY 2009 KCHA continued to operate using MTW-modified HQS inspection protocols in order to increase overall operating efficiency. KCHA’s inspection strategy eases the burden on participants and landlords while streamlining procedures. Highlights of changes in inspection protocols adopted under the auspices of the MTW demonstration include:

- ❑ Allowing owners and participants to self-certify corrections of minor fail items identified during initial and annual HQS inspections;
- ❑ Implementing a geographic “clustering model” for efficient completion of annual inspections. The model decouples the annual inspection from the client’s annual review date - allowing staff to group inspections geographically in order to reduce travel time and expense. To accommodate this change, KCHA considers an “annual inspection” to include any inspection completed within 120 days of the 12-month deadline imposed by

regulation and allows the first annual inspection for each unit to be completed within 8-20 months of the original lease date.

- ❑ Implementation of an automated call system to remind participants of their scheduled inspections in order to reduce the number of inspections that must be rescheduled because inspectors were not able to access units.
- ❑ Allowing trained staff at transitional housing facilities funded with KCHA Project-based assistance to complete initial HQS unit inspections for their site. Because these units turn over more frequently than permanent housing and assist homeless families who are in emergency shelters, KCHA developed a training program to enable project owners to conduct initial (turnover) inspections and certify HQS compliance. KCHA’s inspectors continue to inspect each of these units on an annual basis.

These initiatives have enabled KCHA to limit the need for additional staff as the Section 8 HCV and Project-based programs have continued to grow. However, conscious of its commitment to provide safe, decent and sanitary housing, KCHA carefully tracks and monitors the results of revised inspection policies to ensure that streamlining efforts do not have an adverse effect on the quality of units in which participants reside. Table 7-D-1, shown below, illustrates the FY 2009 savings that have resulted through implementation of revised HQS inspection protocols that have eliminated the need to re-inspect units when only minor deficiencies were noted during an annual or initial inspection.

Table 7-D-1: FY 2009 HQS “Minor Fail” Self-Certification Savings

| Month | Total Inspections | Total Fails | Fail Minor | % Reduction in Re-Inspection | Hours Saved (@15 min/ea) |
|--------|-------------------|--------------|--------------|------------------------------|--------------------------|
| Jan-09 | 848 | 532 | 341 | 64.1% | 85 |
| Feb-09 | 1111 | 543 | 338 | 62.2% | 85 |
| Mar-09 | 1141 | 548 | 338 | 61.7% | 85 |
| Apr-09 | 937 | 361 | 209 | 57.9% | 52 |
| May-09 | 836 | 343 | 181 | 52.8% | 45 |
| Jun-09 | 1008 | 510 | 273 | 53.5% | 68 |
| Jul-09 | 998 | 507 | 299 | 59.0% | 75 |
| Aug-09 | 899 | 445 | 228 | 51.2% | 57 |
| Sep-09 | 1044 | 497 | 280 | 56.3% | 70 |
| Oct-09 | 960 | 498 | 255 | 51.2% | 64 |
| Nov-09 | 741 | 400 | 194 | 48.5% | 49 |
| Dec-09 | 827 | 405 | 207 | 51.1% | 52 |
| | 11,350 | 5,589 | 3,143 | 56.2% | 787 |

SECTION VIII: RESIDENT SERVICES

Finding ways to move families along the path to self sufficiency and unsubsidized housing is critical if KCHA is to effectively respond to the housing crisis facing the region. In an economy characterized by rising unemployment, KCHA believes that skill building, education and asset development are key to supporting self-reliant families who are able to successfully transition out of Public Housing or Section 8 and into market-rate apartments or homes of their own. At the same time, for elderly and disabled households, ready access to appropriate community-based resources and services is critical to their quality of life and housing stability. With this in mind, KCHA has utilized the flexibility of its MTW block grant to build a solid network of support for the low-income elderly and disabled households and families with children that it serves.

During FY 2009, guided by the MTW program's directive to develop local solutions that break down barriers to employment and economic self-sufficiency, KCHA completed design and began implementation of its Resident Opportunity Plan (ROP). Developed as a pilot program for up to 100 households, the ROP seeks to improve the economic independence of residents while increasing positive graduation rates from subsidized housing. Through close coordination with the Workforce Development Council, Bellevue College, Hopelink and the YWCA, the ROP will initially target participation to residents of the County's eastside Public Housing and Section 8 programs and to former residents of Park Lake Homes Site II in White Center. This intensive program is designed to provide wrap-around services and support leading to income progression, economic security and successful transition out of KCHA's federally subsidized Public Housing and Section 8 programs within five years. Key strategies of the ROP include:

- ❑ Skill-development initiatives that focus on ESL, pre-vocation, apprenticeship, vocation, and general education with community colleges, unions, and other key stakeholders.
- ❑ Monthly deposits into "escrow-like" accounts that reward progress toward meeting self-sufficiency goals, but are payable only upon successful program graduation and the participant's move out of subsidized housing within five years of program entry.
- ❑ Small-business development and micro-lending opportunities that support home-based businesses such as licensed family childcare or landscaping.
- ❑ Asset-building programs that combine skill development such as credit repair and budgeting tools with programs such as individual development accounts, to help families build and maintain equity over time.
- ❑ Exit strategies, including coordination with KCHA-controlled workforce housing, which enable residents to graduate from subsidized housing into market-rate apartments and a "safety net" that allows a priority return to KCHA's Public Housing program for graduates who subsequently experience significant loss of income.

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KCHA realizes that to be effective, resident services must be brought directly on-site, within easy reach of program participants. As a result, KCHA's redevelopment plans are designed to include adequate on-site facilities for supportive services. These facilities complement KCHA's financial support and partnerships to promote academic achievement for children, family self-sufficiency and strong communities. To date, through collaboration with key community partners, KCHA has developed or expanded the following facilities:

- ❑ **The Kent Family Center.** Through the Building Better Futures partnership, a group effort of the Puget Sound Educational Service District, KCHA and community-based non-profit providers, this two-story, 20,000 square foot facility provides Head Start early learning opportunities for the Birch Creek neighborhood's preschool age children, a WIC health clinic and a career development center that services one of KCHA's largest subsidized housing developments.
- ❑ **The Birch Creek Youth Center.** Upon completion of the Kent Family Center in 2004, the Building Better Futures partnership focused on securing funding for the substantial reconstruction of the former Springwood Recreation Center. The rebuilt facility opened in FY 2006 and includes 10,800 square feet of state-of-the-art space for recreational and after-school educational programs and late-night youth activities.
- ❑ **The Jim Wiley Community Center at Greenbridge.** Extensively rehabilitated in FY 2007, the facility serves KCHA's revitalized Greenbridge community and is home to the Southwest Boys and Girls Club, Neighborhood House and Highline Community College. Programming available at the site includes youth tutoring, mentoring and after-school homework assistance, recreation, family and individual case management, adult basic education, ESL and citizenship classes, senior activities, cultural education classes, energy assistance and a flexible community meeting and gathering space.
- ❑ **YWCA Learning Center at Greenbridge.** Opened in November 2008, the Learning Center includes the YWCA's Career Development Center and a new branch of the King County Library system. Available programs and services include job search assistance, employment case management, youth leadership programs, literacy programs, distance learning opportunities, and basic computer education classes.
- ❑ **The Greenbridge Early Learning Center.** Scheduled for completion in early 2010, this 44,000 square foot center will serve as the hub for a community-wide early learning initiative in one of Washington State's poorest neighborhoods. In addition to Head Start/Educare classrooms that will serve 132 children, the facility will offer parenting classes, employment services, regional training programs, support and training for childcare providers and prenatal, infant and toddler services.
- ❑ **The Kings Court Community Center.** In FY 2009, leveraging Community Develop Block Grant (CDBG) and MTW resources, KCHA renovated this facility – nearly doubling the size of the building from 1,300 to 2,500 square feet. The expanded Community Center includes classroom space, a new computer center and meeting space for residents of KCHA's Kings Court and nearby Evergreen Court Public Housing communities.

Building upon these foundations, KCHA has actively sought to leverage available resources and develop new partnerships and funding streams to support the wide array of services and economic development activities targeted to the needs of household members of all ages and abilities.

❑ **Child and Youth programs.** KCHA recognizes that to break or prevent patterns of generational poverty it must support academic opportunity and achievement for its resident children and youth. During FY 2009, KCHA continued to support the following programs:

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❖ **White Center Early Learning Initiative:** The White Center Early Learning Initiative (WCELI) is a partnership of community members including KCHA, the Puget Sound Educational Service District and public and private organizations. Supported by grants from Thrive by Five Washington and the Bill & Melinda Gates Foundation, the initiative seeks to help all children in White Center/Boulevard Park begin school ready to succeed. As one of two “Thrive by Five Washington” early learning demonstration sites in Washington State the program will model strategies and approaches that can be replicated statewide. The new Greenbridge Early Learning Center will serve as the hub for this initiative.

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❖ **Head Start Programming:** In partnership with PSESD, KCHA ensures easy access to Head Start school readiness programs for its resident children by bringing the classrooms directly on-site within its largest, most populated Public Housing developments. At the end of FY 2009, Head Start facilities were in operation at two of KCHA’s largest housing communities. A third program was temporarily off-line at Seola Gardens, with programs scheduled to resume upon completion of redevelopment activities in 2012. Access to full and half-day Head Start programs are essential in providing KCHA’s youngest residents, particularly those coming from households where English is not spoken in the homes, with the boost they need to be active, ready learners as they enter elementary school.

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❖ **Family Childcare Network:** Access to affordable childcare is imperative for KCHA’s low-income families who work or are enrolled in educational and training programs. KCHA sponsored family in-home childcare centers have a tremendous potential to fill the unmet need for convenient, affordable, and culturally appropriate childcare within its subsidized housing communities.

At the end of FY 2009, a total of six family childcare facilities were operational within KCHA’s Public Housing developments; an additional 3 sites were in development and are expected to begin enrolling children in FY 2010.

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❖ **Youth Education and Development:** In partnership with Neighborhood House, Kent Youth and Family Services, the Center for Human Services, the Center for Career Alternatives and various Boys and Girls Clubs, KCHA provided more than 1,535 children, ages 6 to 18, with access to youth literacy programs, homework assistance, school tracking, attendance and grade monitoring, computer training, life skills classes and mentoring programs, recreation programs, late-night activities for teens and employment and job search assistance.

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Programs supported by KCHA are designed to improve the academic success of area youth while they develop socialization skills and engage in their local communities.

❑ **Services for Senior and Disabled Households.** KCHA continues to support an array of services available to over 1,160 households residing within its mixed-population mid-rise buildings throughout King County. KCHA Support Service Coordination (SSC) teams advocate for and provide assistance in linking residents with community-based services and activities that reduce the isolation of this vulnerable population. In addition, SSC staff closely collaborates with KCHA housing management staff to avoid unnecessary evictions. While working to ensure resident stability, KCHA has also taken steps to improve resident health, handicapped accessibility and resident satisfaction with their living environment. Primary tools utilized in meeting these objectives include:

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❖ **Development of Smoke-Free Housing:** During FY 2008, in response to a growing demand from KCHA residents, for smoke-free units, KCHA designated two Public Housing developments, Northridge I in Shoreline and Plaza Seventeen in Auburn as “non-smoking” buildings. In addition, Nia - KCHA’s newest mid-rise development - opened to occupancy during FY 2008 as an entirely “Smoke-Free” development. During FY 2009, KCHA continued to expand use of EnviroCare products and low-VOC materials at all developments in order to ensure the safety and health of our residents.

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❖ **ADA improvements in Public Housing:** KCHA’s FY 2009 MTW Annual Plan, highlighted the Authority’s focus on ensuring that its developments and units are fully accessible to households with physical or mobility impairments. In addition, KCHA continues to provide a Section 504 Reasonable Accommodation program which coordinates responses to resident and applicant requests for reasonable accommodation in the Public Housing and Section 8 programs. As noted in the FY 2009 MTW Annual Plan, KCHA had intended to fund this project with MTW reserves. However, during FY 2009, KCHA received funding through the ARRA (American Reinvestment and Recovery Act) competitive grant cycle to allow modification of 65 units to full accessibility standards. Completion of work is anticipated in FY 2010 and will allow KCHA to meet its goal of ensuring that 5 percent of available units are ADA accessible.

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❑ **Self-Sufficiency Services.** To ensure a strong system of support and provide tools to assist families move up and out of poverty, KCHA works with a wide array of social service partners to bring self-sufficiency programs within close reach of its residents. Economic self-sufficiency and training programs in addition to the Resident Opportunities Plan (ROP) discussed earlier in this Report include:

❖ **Employment and Training Services:** In partnership with the YWCA and the Center for Career Alternatives, residents have access to employment and training services delivered through three Career Development Centers located within KCHA properties. Each center provides an array of English literacy, adult basic education, short-term training, pre-employment skills, job search and post-employment retention services to residents living in or near KCHA Public Housing communities. In addition, KCHA continues to partner with

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community based agencies such as Hopelink to expand employment and training services to more than 300 adult residents living in eight public housing communities in north and east King County.

- ❖ **Section 8 Family Self-Sufficiency program:** The Family Self-Sufficiency program had 178 HCV participants enrolled at the end of FY 2009. To date, the program has assisted 138 households in their transition to unsubsidized housing. Among the 15 program graduates in FY 2009, six were able to successfully transition from the program into homes of their own. The average escrow award of exiting households is nearly \$4,500.
- ❖ **AmeriCorps program:** During FY 2009, KCHA's extensive AmeriCorps program focused efforts on building partnerships through community gardens. During the year a total of 2,129 volunteers logged 13,000 hours of service alongside AmeriCorps team members to create 13 new community gardens for use by KCHA's low-income residents.
- ❖ **HOPE VI Family Services – Greenbridge Re-Occupancy:** The HOPE VI Family Service staff continued to provide housing stability assistance, referrals to social services and updates on the Greenbridge redevelopment and re-occupancy process to former Park Lake Homes Site I residents who had not yet returned to the development. Located on-site at Greenbridge, the staff provided counseling to families – allowing them to make informed decisions regarding whether to return to Greenbridge or remain in their current unit. The re-occupancy process continues to work toward an anticipated FY 2010 completion. Approximately 42 percent of the initial Park Lake households are expected to return to Greenbridge when this process is complete – a level significantly above the national average. In addition, during FY 2009 the Family Services staff provided relocation, referral and information services to residents of Park Lake Homes Site II in order to ensure as smooth transition as the HOPE VI redevelopment of the site commenced.

MTW ANNUAL REPORT

FY 2009

APPENDICES