Moving to Work (MTW) 2010 Annual Report

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

September 30, 2010
Revised January 20, 2011

HOUSING AUTHORITY of the COUNTY of SANTA CLARA

Leaders in *Making a Difference.*

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HOUSING AUTHORITY of the COUNTY of SANTA CLARA

HACSC's mission is to improve the lives of low-income families, persons with disabilities, and seniors in the County of Santa Clara by providing affordable, high-quality housing.

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I. INTRODUCTION AND OVERVIEW

Purpose of This Report

This document provides a report on how the Housing Authority of the County of Santa Clara (HACSC) performed in carrying out its planned Moving to Work (MTW) program during a 12-month period ending June 30, 2010. HACSC signed a ten-year MTW Agreement with the U.S. Department of Housing and Urban Development (HUD) in early 2008. (This agreement also applies to the Housing Authority of the City of San Jose, which is administered by HACSC.)

This annual report is HACSC's second since entering the MTW program, and is a companion to the approved 2008, 2009, 2010 and 2011 Annual MTW Plans.

HACSC is an independent local government agency established by the Santa Clara County Board of Supervisors in 1967. Its purpose is to provide rental housing assistance in various forms to low- and very-low income households across the county. Currently assisting over 17,000 households and working with over 9,000 property owners, HACSC is the largest housing authority in Northern California and the third largest in the state. It is one of just 33 MTW agencies out of more than 3,000 public housing authorities across the United States.

Purpose of MTW

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

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

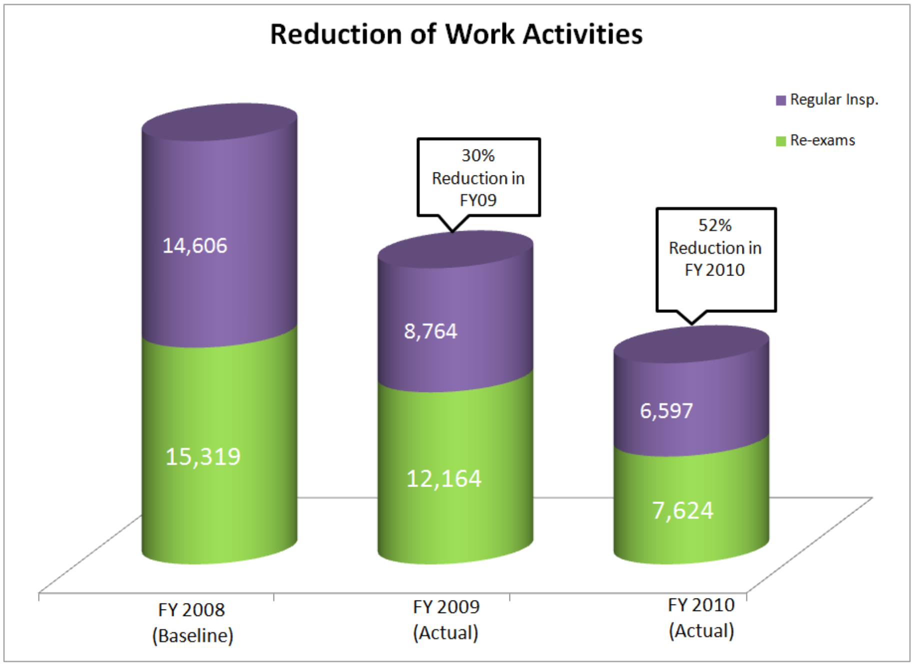
MTW requires HACSC to strive for these goals while ensuring that the Agency continues to serve substantially the same mix of tenants (in terms of income level and family size) and at least as many households as before it had MTW status.

Fiscal Year 2010: HACSC's Overall MTW Progress and Operational Context

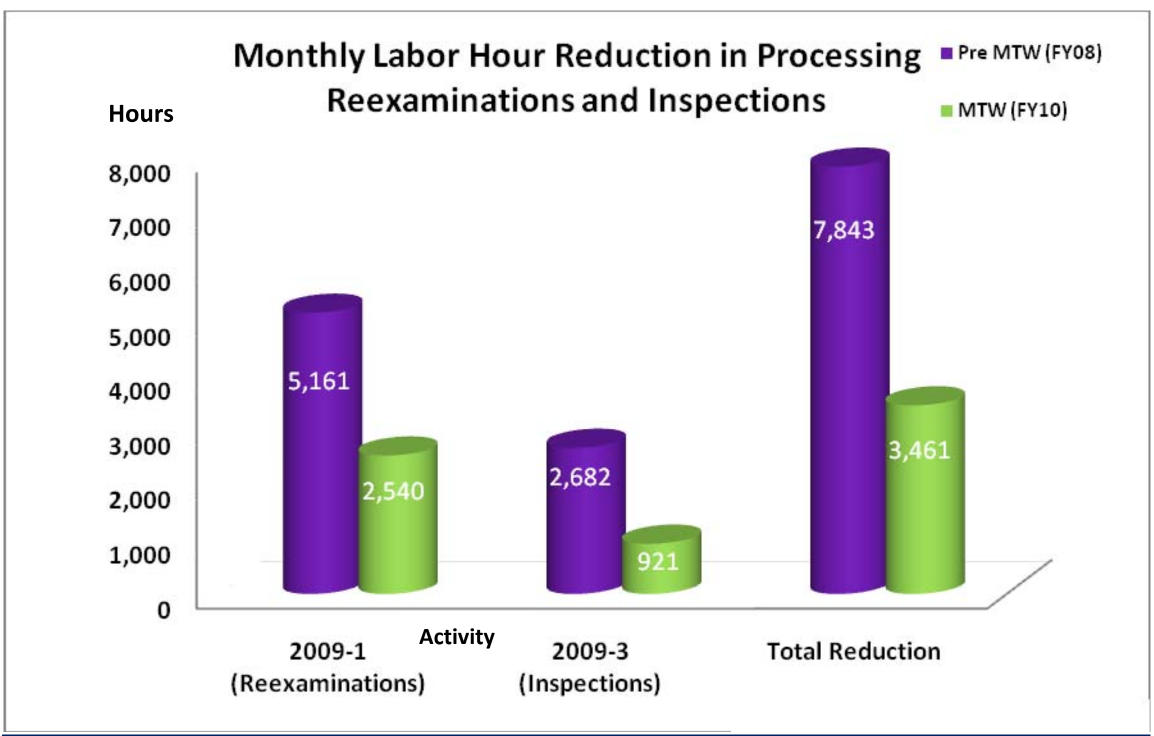
In its second full year under MTW, HACSC was successful in:

- anchoring its initial MTW focus on increasing the cost-effectiveness of its Section 8 program administration,
- making progress on more proactively assisting the chronically homeless, and
- setting the stage for anticipated MTW initiatives in the areas of expanding tenant services, piloting rent reform to encourage tenant self-sufficiency, and developing affordable housing.

HACSC experienced a 50% reduction in key work tasks (Section 8 regular unit inspections and tenant reexaminations) since the FY2008 baseline year as a result of the combined effect of MTW Activities 1 and 3~~2.~~



This reduction in work activities resulted in a 56% reduction in staff time spent in processing monthly reexaminations and inspections.



The cumulative FY2009 and FY2010 savings from administrative streamlining activities can be summarized as follows:

Capacity has been increased by approximately 36 full-time equivalent (FTE) positions by:

- ✓ Reducing the frequency of tenant reexaminations (16 FTE's)
- ✓ Simplifying the 3rd party verification requirements (2.7 FTE's)
- ✓ Reducing the frequency of regular inspections (11 FTE's)
- ✓ Increasing the timeline to correct HQS deficiencies (6 FTE's)

The increase in efficiency has reduced the cost to administer reexaminations, new admissions, interims, and inspections by approximately $1.4 million.

Program administration costs have decreased by $586,000, including the avoidance of:

- ✓ $219,000 in outsourced inspections
- ✓ $170,000 in outsourced administrative assistance
- ✓ $136,000 in postage
- ✓ $45,000 in office supplies
- ✓ $12,000 in HACSC compensation for lost rent to PBV owners
- ✓ $4,000 in gasoline expense

HACSC also launched implementation of several additional MTW Activities that further streamline Section 8 program operations, increase client housing choices, and strengthen partnerships with property owners. While these Activities are more modest in scope and impact than the initial major streamlining activities, they represent valuable improvements for all program participants and long-term savings from the additional efficiencies created.

As staff launched or fined-tuned Activities, they also focused on increasing training and cross-training for all Section 8 staff, with an emphasis on quality and customer service, and began design of an envisioned "MTW University" staff development program. In addition, staff teams were reorganized and new positions were created to improve operational consistency and to increase capacity for development of future MTW initiatives, for expanding partnerships with local service providers, and for evaluating and reporting on the results of all of HACSC's MTW activities.

At the close of the fiscal year, staff completed the program design for the chronically homeless direct referral program, capping a complex but successful collaboration with local service providers. The program will serve its first clients through direct referral beginning in the second quarter of FY2011.

HACSC staff across the agency were challenged in FY2010 with managing a uniquely wide range of planned initiatives and unplanned operational realities. Examples include:

- completing a major Request for Proposal and vendor/product selection process for replacement of the Section 8 program's antiquated system software;

- successfully taking on and leasing up more special purpose vouchers both under and outside the MTW umbrella;
- navigating an historically tight credit market and inhospitable tax credit season to support the disposition and preservation of the agency's remaining public housing;
- assessing an electronic data loss, designing and executing a data recovery plan (including quarterly reports to HUD under a memorandum of understanding), and developing an improved data back-up system; and
- completing a two-year analysis of the agency's property management business model.

While these and other special projects caused staff to temporarily slow the pace of planning for future MTW activities, they also represent essential steps toward positioning the organization to be well-prepared to design and demonstrate substantive program and policy innovations.

In FY2011, HACSC will conduct an assessment of local need for affordable housing and services for special needs populations. The results of this analysis, which will be conducted in partnership with local service providers, will help inform the MTW policy development process going forward. Similarly, staff will research successful Section 8 rent reform initiatives and will propose the Agency's first rent reform Activity aimed squarely at encouraging participants to strive for economic self-sufficiency. And to continue to address the statutory goal of increasing housing choices for low-income families, HACSC intends to explore affordable housing development opportunities. Finally, HACSC will complete the disposition of its remaining public housing in FY2011. While not an MTW Activity, this milestone will be celebrated by staff and the community as a major achievement in the increasingly challenging world of affordable housing preservation, and will bolster the financial integrity of the agency for decades.

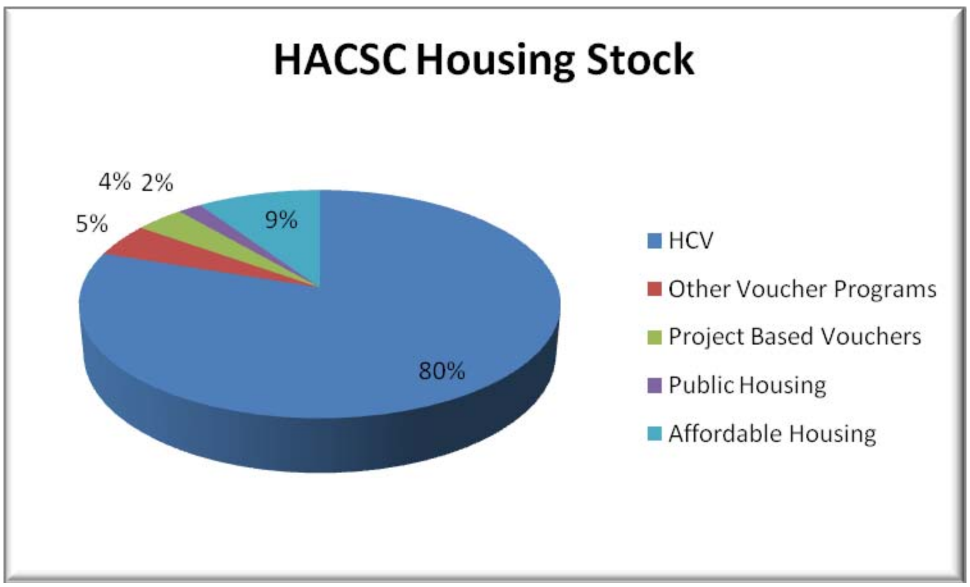
HACSC staff and the HACSC Board of Commissioners are proud of the agency's ability to "hit the ground running" under MTW, and are equally enthusiastic about entering the next stage of MTW innovation. The staff and Board believe that the organization has the potential to significantly expand the tangible impact of its programs and dedicated resources. It is understood that this will only be possible through careful planning and quality implementation, and through the ongoing cultivation of partnerships with organizations that share a vision with HACSC and that have a proven ability to deliver. In all its activities, HACSC maintains its commitment to an MTW "philosophy" of working collaboratively with local, state and federal partners and of taking actions that ensure the long-term financial strength and stability of the Agency and its affiliated properties.

Sections V and VI of this report describe the status and impact of HACSC's MTW Activities that were approved by HUD for this reporting period (i.e., prior to FY2010). Appendix Three of this report provides a summary table that lists each approved MTW Activity for the FY2010 reporting period and gives an indication of its implementation status and the MTW statutory objective(s) to which it relates.

II. GENERAL HACSC OPERATING INFORMATION

This section provides information about the types and number of HACSC's housing units and vouchers, the anticipated number of units leased in FY2010, and any changes anticipated for the Agency's waiting lists.

HACSC provides over 17,000 low-income families with rental assistance through the Housing Choice Voucher, Mainstream, Veterans Affairs Supportive Housing (VASH), Moderate Rehabilitation, and Shelter Plus Care (S+C) programs and has 355 public housing units in its portfolio. The agency also manages over 1,800 units of affordable housing throughout Santa Clara County.



A. Housing Stock Information

1. Public Housing Units and Planned Capital Expenditures

HACSC was granted HUD approval on September 26, 2007, for the disposition of its 555 public housing units to improve supportive services and rehabilitation of the units using Low Income Housing Tax Credits (LIHTC).

On September 16, 2008, HACSC transferred ownership of 200 of its public housing units to a tax-credit limited partnership. Rincon Gardens, a property for senior residents, began a 15-year project-based voucher (PBV) contract on the same day. HACSC expects to similarly transfer ownership of the nine remaining public housing projects, representing 355 units, in FY2011.

Table 1: List of Public Housing properties/units to be transferred through disposition

Development	Type	Number of Units
Cypress Gardens	Senior	125
Lenzen Gardens	Senior	94
Sunset Gardens	Senior	75
Julian Gardens	Family	9
Lucretia Gardens	Family	16
Miramar Way	Family	16
Deborah Drive	Family	4
Eklund Gardens I	Family	10
Eklund Gardens II	Family	6
	TOTAL	**355** (includes 8 manager units)

As a part of the disposition and rehabilitation of the public housing projects, significant capital expenditures have been planned. The improvements for Cypress Gardens, Lenzen Gardens, Sunset Gardens, Julian Gardens, Lucretia Gardens and Miramar Way will occur after the sale of the properties has taken place.

In spring 2010, HACSC carried out the capital improvements described in the FY2010 MTW Annual Plan for the 3 public housing properties—Deborah Drive, Eklund Gardens I and Eklund Gardens II—using the remaining 2007 Capital Grant Funds ($17,544) and 2009 Capital Grant Funds ($530,560), 2009 American Recovery and Reinvestment Act Capital Funds ($1,099,383).

HACSC is currently working with the HUD Regional Office to update the proposed use of the 2009 Replacement Housing Factor Grant of $314,556. Upon approval, HACSC anticipates expending the funds during FY2011.

2. MTW and non-MTW Housing Choice Voucher Units Authorized

HACSC was authorized to serve 16,436 households through the County of Santa Clara under the MTW program as of June 30, 2010. These include the following programs:

15,693 Tenant-based vouchers
743 Project-based voucher units

In addition, HACSC had the following non-MTW units authorized as of June 30, 2010:

53 Mainstream vouchers
95 Moderate Rehabilitation units
166 Shelter Plus Care units serving homeless, disabled households
335 Veterans Affairs Supportive Housing (VASH) vouchers
277 Enhanced vouchers (Tenant Protection)

3. Number of HCV Units Project-Based during FY2009

HACSC transferred ownership of one of its public housing properties to a tax credit partnership in September, 2008. Rincon Gardens Apartments, a 200-unit complex for senior citizens in the City of Campbell, executed a PBV Agreement to Enter a Housing Assistance Payment contract (HAP) on September 16, 2008, for 198 of its units. When HACSC similarly completes disposition of the remaining nine public housing properties, HAP contracts will be executed per the HUD approved disposition.

The HAP for Corde Terra Senior Apartments went into effect on November 23, 2009. Pinmore HDC (a HACSC affiliate non-profit) is the Managing General Partner for Corde Terra Senior Apartments. Kings Crossing will enter into an AHAP contract in September 2010. Construction should begin once the AHAP is signed. Fair Oaks entered an AHAP contract in April 2010, and is due for completion of construction in early 2012.

4. Other Housing planned to be managed by the HACSC

a) The following tax credit properties are managed by Property Management, Inc., an affiliate of the Housing Authority:

Table 2: Tax Credit Senior Housing

Name and Location	Number of Units
El Parador, San Jose	125
Avenida Espana Gardens, San Jose	84
DeRose Gardens, San Jose	76
Morrone Gardens, San Jose	102
Villa Hermosa, San Jose	100
Bracher Senior Apartments, Santa Clara	72
Rincon Gardens, Campbell	200
John Burns Gardens, Santa Clara	100
Total	**859**

Table 3: Tax Credit Family Housing

Name and Location	Number of Units
San Pedro Gardens, Morgan Hill	20 units
Blossom River Apartments, San Jose	144
Helzer Courts Apartments, San Jose	155
Huff Gardens, San Jose	72 units (includes 36 PBV units)
Poco Way Apartments, San Jose	129 units (includes 10 PBV units)
Klamath Gardens, Santa Clara	17
RiverTown Apartments, Santa Clara	100
Opportunity Center for Homeless, Palo Alto	89
Total	**726**

Table 4: Farmworker Housing

Name and Location	Number of Units
Arturo Ochoa Migrant Housing Center, Gilroy	100 units (funded through State of CA OMS)
Total	**100**

Table 5: Other Housing

Name and Location	Number of Units
Villa Garcia Apartments, San Jose	80 Units PBV (HUD 236)
Villa San Pedro Apartments, San Jose	100 Units (SC8 221(D)3, CHRP)
Seifert House, San Jose	3 Bedroom House
Total	**183**

b) The following tax credit properties are managed by a third-party property management entity:

Table 6: Tax Credit Properties under Third-Party Management

Name and Location	Number of Units
Pinmore Gardens, San Jose	51
The Willows, San Jose	47
Total	**98**

B. Leasing Information

1. Public Housing

HACSC had 261 MTW public housing units occupied as of June 30, 2010. HACSC does not have any non-MTW public housing units in its housing stock.

2. Housing Choice Voucher Program

The Section 8 HCV Program was fully leased throughout FY2010. As of June 30, 2010, HACSC had ~~16,355~~ **16,339** MTW HCV units and ~~712~~ **728** non-MTW HCV units leased for a total of 17,067 units.

Table 7: Non-MTW HCV units leased

Non-MTW Voucher	Baseline	Leased
Mainstream Program	53	51
VASH Program	335	121
Family Unification Program	100	16
Shelter Plus Care	166	176
Moderate Rehabilitation	95	87
Enhanced	277	277
Total	**926**	**728**

During FY2010 we received 100 new **non–MTW voucher** allocations for the Family Unification Program (FUP) and 265 for Veteran's Affairs Supportive Housing (VASH). We expect these to be fully leased within the next fiscal year.

3. Issues Related to Leasing HCV or Public Housing Units

In preparation for the disposition and rehabilitation of its remaining public housing units, HACSC has not filled any public housing vacancies since HUD approval of the disposition. As a result, the percentage of leased public housing units dropped from 93% to 74% during FY2010. **Under the terms of disposition, each public housing tenant was offered a Section 8 voucher and the opportunity to move out of their unit. A significant number chose this option. Since disposition approvals in 2007, a number of tenants have passed away, moved or been evicted for cause. HACSC chose not to re-occupy the vacant units in six of the projects (335 units) that were on schedule to be disposed of in November 2010 until the rehabilitation work was completed. These units are being used as hospitality units at the senior sites for tenants temporarily displaced while their unit is being rehabbed. Outreach to those on the waiting lists has been done so that the unoccupied units will be filled promptly with permanent tenants upon rehab completion. It is anticipated that the properties will be 100% occupied by December 31, 2011.**

HACSC will continue to transition its public housing units to project-based voucher (non-public housing) units during FY 2010. **HACSC is awaiting HUD approval of its modified disposition application for HACSC's three remaining public housing developments (20 units).**

4. Project-Based Vouchers

HACSC had 743 project-based vouchers allocated and 714 leased as of June 30, 2010.

C. Waiting List Information

HACSC maintains the following waiting lists:

- Housing Choice Voucher (HCV) – merged list for the City and County
- Moderate Rehabilitation – merged list for the City and County
- Project-Based Voucher (PBV) – merged list for the City and County
- Public Housing for Family Housing
- Site-based Public Housing for Senior Housing

In April 2006, HACSC opened the waiting list for the HCV program, including tenant-based assistance, PBV assistance, and the Moderate Rehabilitation program. As of July 2010, HACSC's Section 8 HCV waiting list included 53,279 eligible registrants; 48,262 of these registrants also registered for the PBV and Moderate Rehabilitation programs. The average wait time for assistance is approximately seven (7) years.

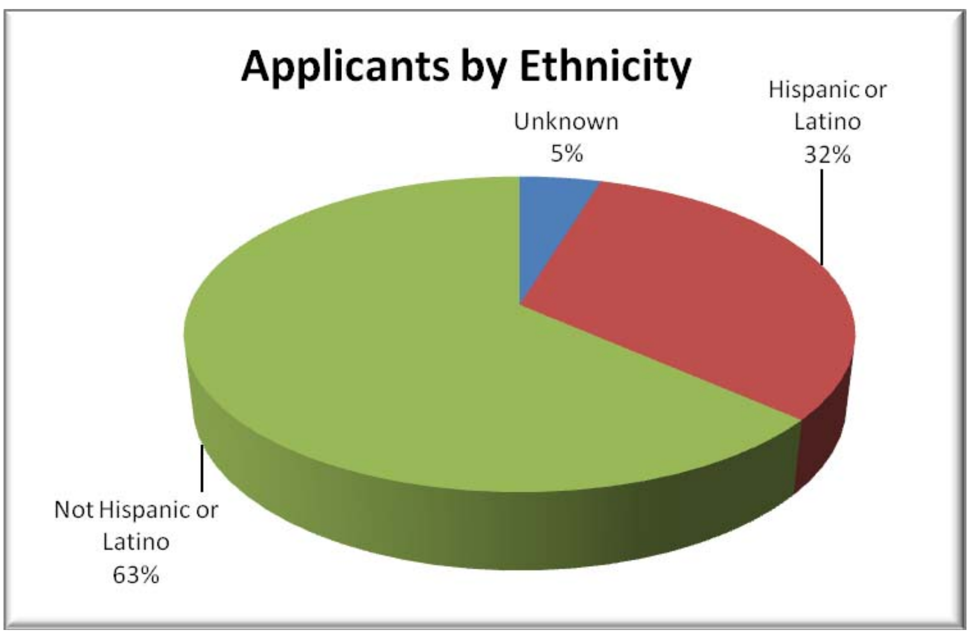
Seventy-five percent (75%) of HCV waiting list applicants had extremely low incomes (less than or equal to 30% of the Area Median Income). The income demographics of the current registrants on the Section 8 HCV waiting lists are shown in Table 5. The race and ethnicity demographics of this population are illustrated in the pie charts that follow.

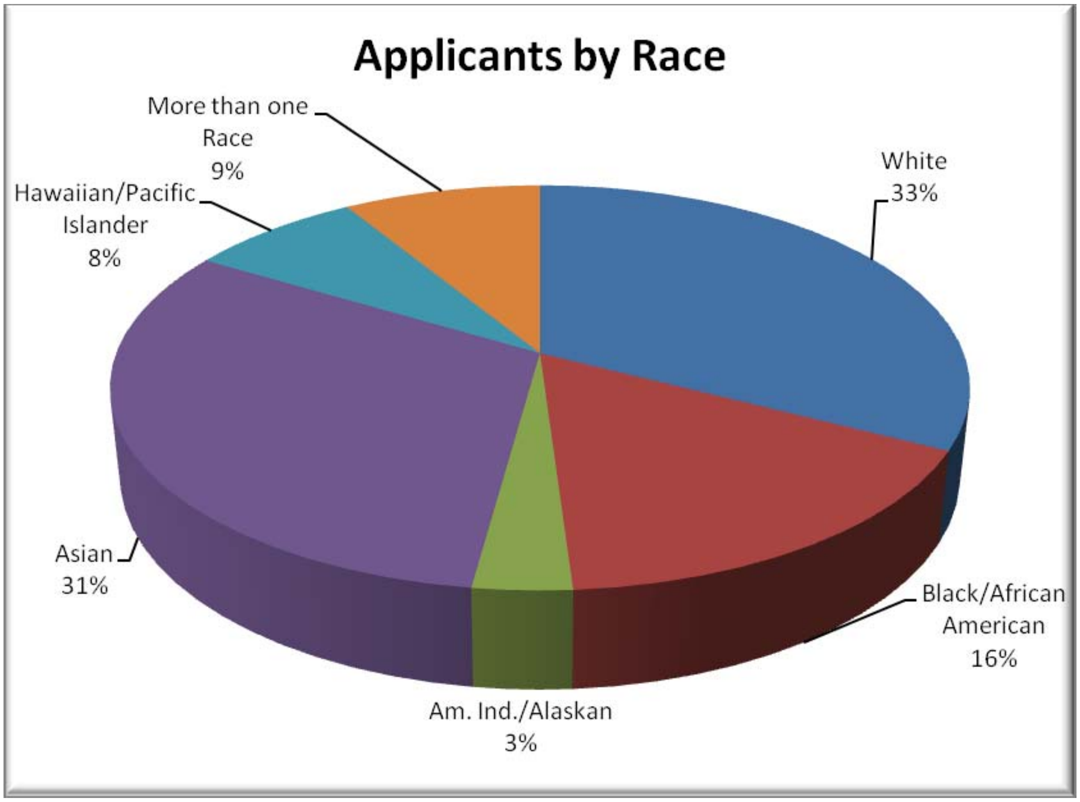
Table 8: Applicant Income Levels by Family Type

	Extremely Low Income	Very Low Income	Low Income	Over Low Income	Total
Elderly/Disabled	2712	381	33	18	3,144
Elderly Only	5,534	984	88	25	6,631
Disabled Only	6,757	943	105	51	7,856
Not Elderly/Disabled	24,801	9,621	1137	89	35,648
TOTAL	39,804	11,929	1363	183	53,279
	75%	22%	3%	0%	

The above chart shows a more diverse range of incomes than from the FY 2009 report. This is not due to additions to the waiting list but to the use of a more dynamic database software system that allowed us to calculate AMI using the exact number of family members instead of an estimate.

Race and Ethnicity Demographics – Section 8 HCV Waiting Lists





HACSC maintains a separate waiting list for its public housing units. The public housing waiting lists were closed throughout FY2010.

At the end of HACSC's 2010 Fiscal Year, the public housing waiting lists consisted of 785 applicant households, including 650 applicants for all site-based senior housing and 135 applicants for family housing. Earlier in the year, the waiting lists were updated and many applicants' names were purged from the list either because the applicants were no longer in need of housing or were not able to be contacted (or did not reply).

HACSC plans to transition its nine remaining public housing projects to non-public housing, 100% project-based units. After a Project-Based Housing Assistance Payments Contract has been executed for a particular development and its waiting list has been exhausted, vacancies will be filled from the PBV waiting list.

D. Supportive Services

During FY2010, HACSC continued to provide support services, directly and through community partners, to residents of public housing and non-public housing sites, to participants in the Family Self-Sufficiency (FSS) Program, and to a limited number of Section 8 participants. While the specific services vary widely, their fundamental purpose is to enhance the effectiveness of the housing subsidy by availing participants of assistance that empowers them to live as independently as possible (fixed-income seniors and disabled residents) or to progress toward financial independence (individuals and families).

As part of the public housing Disposition approved by HUD and HACSC's commitment to enhancing resident services, HACSC has entered into agreements for on-site support services for all of its public housing units as well as for Rincon Gardens. LifeSTEPS, Inc., a nonprofit social services agency, has conducted a Resident Needs Assessment and is contracted to implement services targeting the unique needs of each property such as after school programs, educational classes, one-on-one counseling, assistance with daily living, crisis intervention, mediation and social activities.

Monthly service reports provided by LifeSTEPS, Inc., document all social services on the premises for ownership, management and regulatory agencies. These on-site services are resulting in tangible benefits for residents, as well as relief from fair housing issues, confidentiality, liability and the inherent problems of conflicts of interest when ownership or property management performs social services for residents.

In addition, in providing vouchers to 216 chronically homeless families in 2010, HACSC worked with local homeless services providers to begin to link case management services with housing location and client-based services to support their families' success. Through our initial certification process and via referrals to United Way-funded homeless case managers (made available through Destination Home), HACSC facilitated service provision that resulted in very low turnover and termination rates. These linkages laid the groundwork for our FY2011 implementation of the direct referral program where the provision of client-based case management is built into the program design.

To prepare for the expanded variety of services that HACSC will embrace to successfully launch upcoming rent reform initiatives, we have continued to build local partnerships and participate on boards with key providers. A further step to be launched in FY 2011 is a planned needs assessment which will provide a comprehensive evaluation of current socioeconomic, housing and support service needs for current and future participants. The assessment will identify needs along several dimensions including housing, jobs and social services. To inform HACSC's planning for MTW activities, the assessment will identify opportunities for linkage and as well as gaps in service, and will recommend strategies for improving client self-sufficiency based on a review of best practices.

III. NON-MTW RELATED HACSC INFORMATION

Veterans Affairs Supportive Housing (VASH) Program

In May 2008, HACSC applied for and received funding for 70 VASH vouchers. The HUD–VASH program combines Housing Choice Voucher rental assistance for homeless veterans with case management and clinical services provided by the U.S. Department of Veterans Affairs at its medical centers and in the community.

By June 2008, HACSC had met with the local Veterans Administration Medical Center (Palo Alto VAMC) and established the contacts, guidelines and procedures for the partnership. In July 2008, HACSC received its first VASH referral from the VAMC.

HACSC's early establishment of cooperative communications with the Palo Alto VAMC and rapid response in developing the VASH program was essential to the success of meeting all HUD and VA targets for voucher issuance and housing of referred veterans. Because of this successful partnership, Palo Alto VAMC applied for additional VASH vouchers in FY2009 and specifically requested that HACSC administer the vouchers, even for outlying counties. HACSC received a total of 140 additional vouchers in July 2009. In June of 2010, HACSC received an additional 125 VASH vouchers, bringing the total to 335.

City of Sunnyvale Tenant-Based Rental Assistance (TBRA) Program

In FY2010, HACSC began negotiations on an agreement to partner with the City of Sunnyvale to establish a TBRA program that will be funded through the HOME program and administered by HACSC. The Sunnyvale TBRA Program, which will be launched in FY2011, will provide medium-term rental assistance to approximately ten very low-income Sunnyvale residents who meet the following criteria: currently on the HACSC Section 8 waiting list, may be at risk of homelessness due to unemployment or other factors, and actively working toward re-employment and/or self-sufficiency within a one- to two-year timeframe. This small program will initiate HACSC's expansion into linking voucher assistance with job preparation and has possibility for expansion to localities throughout the County. Through this effort, HACSC will venture into areas and relationships that will support future rent reform activities under MTW.

Family Unification Program (FUP) Vouchers

HACSC partnered with the Santa Clara County Social Services Agency in 2009 to apply for 100 FUP vouchers. HUD awarded the vouchers during FY2010 and HACSC worked with the County Department of Family and Children's Services (DFCS) to design the program's administration. The program assists families who are in danger of losing their children to out-of-home care or have experienced delays in the discharge of their children from out-of-home care due to inadequate housing. FUP-eligible family referrals started in March, 2010; many come from Drug Court and Family Wellness Court, and judges in these courts are strong FUP supporters. As of this writing, 51 families are housed, 24 have vouchers in hand and are searching for housing, and ten are being determined for voucher eligibility. In cross-agency meetings, the partnership has been lauded as an example of effective and successful collaboration to house disadvantaged families.

IV. LONG-TERM MTW PLAN

HACSC seeks to use its MTW status to design and carry out a range of programs and activities that will increase housing opportunities for low-, very low-, and extremely low-income families. Some of these activities may be proposed under the additional flexibility recently granted to HACSC with the "broader use of funds" amendment to HACSC's MTW Agreement. Specific activities to be proposed will relate to one or more of the following strategic directions:

- preserving, modernizing, rehabilitating and reconfiguring HACSC- and affiliate-owned properties that are at risk of physical deterioration or obsolescence;

- planning for, financing and developing new affordable housing;

- operating, managing and maintaining affordable housing;

- designing and adopting rent reform policies that will link tenant rent restructures with access to HACSC partnerships (such as job training and placement programs and other appropriate services) to create incentives for non-disabled and non-elderly participants to increase their earning capacity and strive for economic self-sufficiency;

- increasing opportunities for those especially vulnerable families and individuals—including the chronically homeless, disabled, and elderly fixed income—to obtain and retain affordable housing and supportive services to help them live as independently as possible;

- partnering with for-profit and non-profit entities to achieve MTW goals;

- increasing the number of families receiving tenant-based rental assistance, including over-leasing in the HCV program as needed based on local rental market conditions; and

- continuing to design and implement innovative strategies to use funds in more cost-effective ways.

HACSC will continue to propose and carry out MTW activities within its stated core values of working collaboratively with all stakeholders and creating a superior business model for its operations.

V. PROPOSED MTW ACTIVITIES (Awaiting Implementation)

The following MTW activities were proposed by HACSC and approved by HUD, and are pending implementation in FY2011:

2010- 4: Allocating Project Based Vouchers to HACSC-Owned Projects Without Competition
2010-5: Assisting Over-income Families Residing at HACSC-owned PBV Properties

This section briefly describes and explains the status of each of these activities. (Note that Appendix Three of this report provides a summary table that lists each approved MTW Activity for the FY2010 reporting period and gives an indication of its implementation status and the MTW statutory objective(s) to which it relates.)

Allocate Project Based Vouchers to HACSC-Owned Housing Projects Without Competition (Activity #2010-4)

DESCRIPTION OF MTW ACTIVITY

HACSC will select HACSC-owned non-public housing sites for project-based assistance without a competitive process. As a long-time developer of affordable housing, and as an administrator of project-based vouchers, HACSC has first-hand knowledge of the value of project-basing units in order to create a stable long-term financing package and preserve the affordability of housing units for decades. Engaging in a competitive process for PBV adds steps that increase costs and can create delays in developing affordable housing. By project-basing its properties without conducting a competitive process, HACSC can accelerate its production and/or preservation of affordable housing units.

STATUS OF THE ACTIVITY

HUD approved this activity on July 1, 2009. HACSC did not project-base any of its non-public housing affordable housing projects in FY2010. The Agency is currently reviewing its tax-credit housing portfolio to determine if any might benefit from PBV in order to preserve their affordability and long-term viability.

The baselines, benchmarks and metrics for this activity as established in the FY2010 MTW Plan (see below) have not been revised at this time. No changes have been made to the MTW authorization for this activity.

Activity 2010-4: Allocate Project Based Vouchers to HACSC-Owned Housing Projects Without Competition		
Metrics	**Baselines (FY2010)**	**Benchmarks**
Processing time to select applications for PBV in a competitive process	13 weeks	0 weeks
Labor hours/cost to develop, write and issue an RFP (using in-house labor)	65 hours/$2,340	0 hours/$0

Labor hours/cost to respond to public inquiries and meet with RFP responders	35 hours/$1,260	0 hours/$0
Labor hours/cost to review and process applications submitted	50 hours/$1,800	0 hours/$0
Cost to publish RFP in San Jose Mercury Newspaper	$2,890	$0

Assisting Over-Income Families Residing at HACSC-Owned Project-Based Voucher Properties (Activity #2010-5)

DESCRIPTION OF MTW ACTIVITY

On September 26, 2007, HACSC was granted HUD approval for the disposition of its public housing stock. The transition of these housing units into Project Based Voucher (PBV) subsidies with the use of tax-exempt bonds and tax credits kept the properties affordable to low-income families. However, this method also required the families already living in these units to have incomes at or below 50% of the area median income (AMI). This activity waived a PBV regulation regarding in-place families and established the policy that allowed HACSC to apply the very low-income limit required by other financing to those low-income families that would have otherwise been eligible under PBV. For those residents with incomes above the very low-income limit (but still at or below the 80% of AMI limit for PBV assistance) HACSC will supply Housing Choice Vouchers and other relocation assistance.

HACSC created this MTW activity to ensure that none of the in-place public housing residents was adversely affected as a result of the public housing disposition. The activity preserves housing choices for low-income families by providing voucher and relocation assistance to in-place families whose incomes are below the normal PBV limit but are above the limit required at properties with tax-exempt bond financing.

STATUS OF THE ACTIVITY

HACSC originally planned to transition all of its public housing into tax-credit limited partnership properties with PBV during FY2010. Due to economic factors affecting the availability of low-income tax credit financing, disposition has been delayed beyond the end of the fiscal year. Therefore, this MTW activity was not required in FY2010.

The transition of these properties is moving forward, however. Staff was able to secure necessary funding earlier this year and the plan to convert public housing to PBV units is scheduled in FY2011 for nine properties and a total of 355 units.

Staff reviewed incomes of the families currently living in the public housing units and found that none of them are above the very-low income restriction. Although no one is potentially being affected by this lower income limit at this time, staff will reevaluate resident incomes at a time closer to the PBV conversion.

Preliminary baselines and benchmarks were identified in the FY2010 Plan proposal for this activity. These measurement criteria may be revised once this activity is implemented.

VI. ONGOING MTW ACTIVITIES (Implemented)

The following MTW activities were approved by HUD and were implemented by HACSC in FY2010:

2009 – 1: **Reduced Frequency of Tenant Reexaminations**
2009 – 2: **Simplification and Expediting of the Income Verification Process**
2009 – 3: **Reduced Frequency of Inspections**
2009 – 4: **Timeline to Correct HQS Deficiencies**
2009 – 5: **Exploring New Housing Opportunities for the Chronically Homeless**
2009 – 8: **30-Day Referral for Project-Based Vacancies**
2009 – 9: **Utilization of LIHTC Tenant Income Certification for Income and Asset Verification**
2009 – 10: **Selection of HACSC-owned Public Housing Projects for PBV without Competition**
2009 – 11: **Project-Base 100% of Units in Family Projects**
2009 – 13: **Combined Waiting Lists for the County of Santa Clara and the City of San Jose**
2009 – 14: **Payment Standard Changes Between Regular Reexaminations**
2010 – 1: **Eliminating 100% Excluded Income from the Income Calculation Process**
2010 – 2: **Excluding Asset Income from Income Calculations for Families with Assets Under $50,000**
2010 – 3: **Applying Current Increased Payment Standards at Interim Reexaminations**

This section of the report briefly describes each activity and explains its implementation status and impacts to date. (Note that Appendix Three of this report provides a summary table that lists each approved MTW Activity for the FY2010 reporting period and lists its implementation status and the MTW statutory objective(s) to which it relates.)

Reduced Frequency of Tenant Reexaminations (Activity #2009-1)

DESCRIPTION OF MTW ACTIVITY

HACSC used its MTW status to institute a new two-year or three-year reexamination period depending on the type of fixed or non-fixed income a client receives. The new procedure took effect part-way through FY2009; FY2010 was the first full year of implementation and therefore the first year for which staff could fully collect and analyze data on this activity. The goal of this initiative was to achieve greater cost effectiveness in federal expenditures by reducing the frequency of tenant reexaminations in the Section 8 program.

IMPACT OF THE ACTIVITY

By reducing the number of labor-intensive reexaminations, this activity allowed the Agency to focus on improving the quality of service provided to clients, stakeholders, and partners. The reduction in workload allowed staff additional time to re-train in fundamental processes, cross-train in other work functions, take more time when interviewing clients, and generally respond more quickly to participant questions. Client services staff received classroom and on-the-job training, supported by a new interviewer's checklist, specifically to improve their client interviewing skills.

FY2010 Results

The Agency completed 51% fewer reexaminations in FY2010 than in the baseline year of FY2008 (7,624 in FY2010 and 15,319 in FY2008). This workload reduction is valued at approximately $767,547 in total labor cost savings. In addition, HACSC spent an estimated $29,571 in materials costs related to this activity during FY2010, resulting in a 71% reduction in paper and postage costs from FY2008.

Activity 2009-1: Reduced Frequency of Tenant Reexaminations				
Metrics	**Baselines (FY2008)**	**Benchmark**	**Actual (FY2009)**	**Actual (FY2010)**
Number of Biennial reexaminations completed	8,272	4,136	6,569	3,807
Number of Triennial reexaminations completed	7,047	3,524	5,595	3,817
Labor hours to conduct reexaminations	61,930	30,965	49,175	30,477
Labor dollars to conduct reexaminations	$1,537,097	$768,548	$1,220,526	$769,549
Materials costs of conducting reexaminations*	**$103,412**	**$51,706**	**$82,115**	**$29,571**
Rent calculation error rate (for biennials and triennials)	11%	5%	13%	10%
Number of interim reexaminations completed	3,768	3,955	3,813	4,853

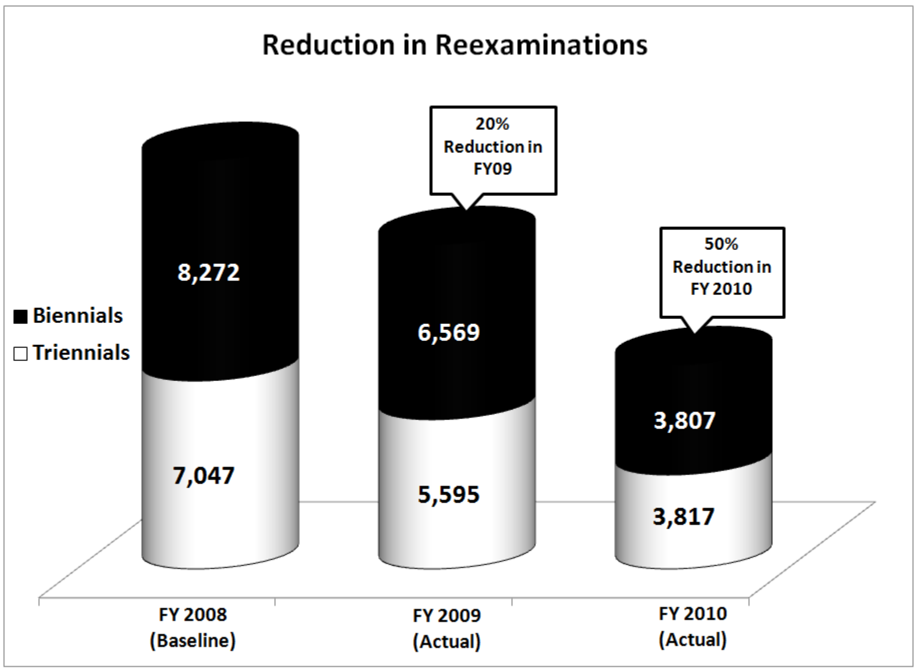
***The baseline of this newly added metric was formulated using estimated cost of paper, postage, and envelopes**.

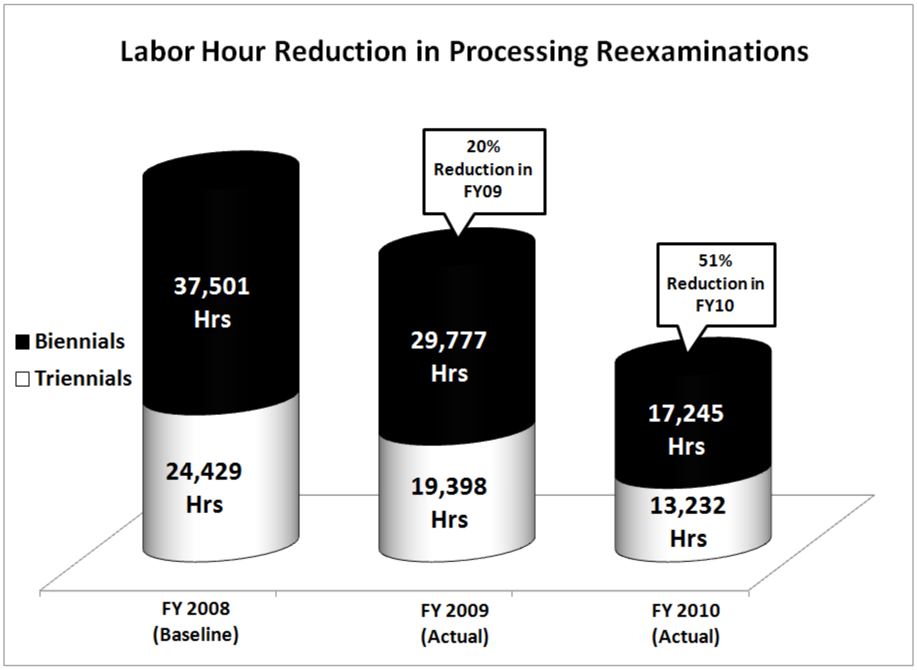
~~The Agency completed 7,624 MTW reexaminations in FY2010 as compared to 15,319 pre-MTW reexaminations in FY2008. This equates to an overall 51% reduction in reexaminations from the baseline fiscal year. This reduction is valued at $767,547 in labor cost saving~~

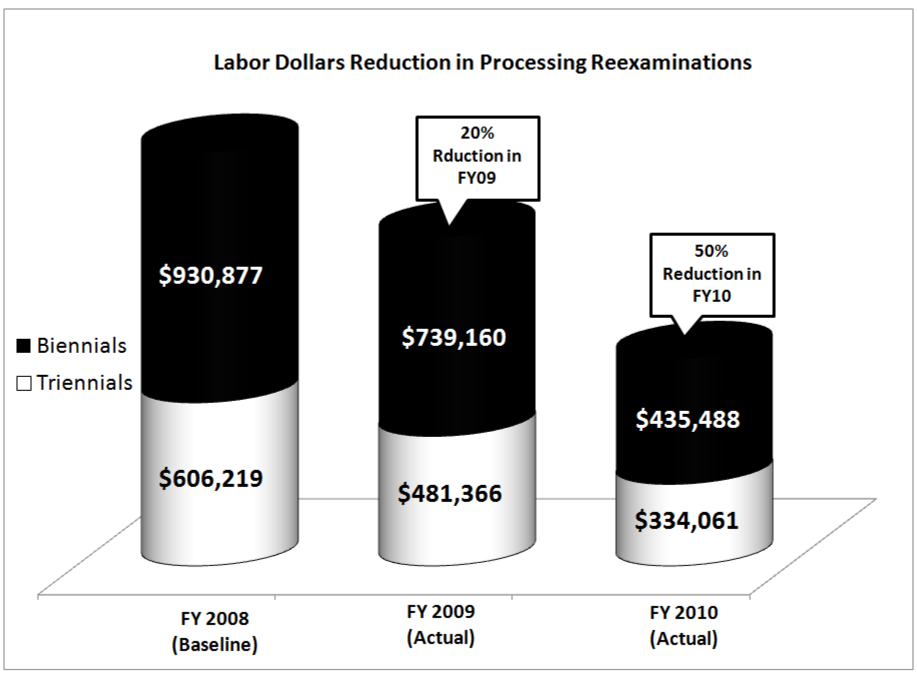
The number of triennial reexaminations slightly exceeded the benchmark, while the number of biennial reexaminations was under the benchmark. The number of labor hours spent (not distinguishing between biennial and triennial reexaminations) was under the established benchmark. The benchmark and actual labor dollar values associated with conducting reexamination calculations were within $1,000 of each other. All factors taken into consideration, HACSC was able to meet most of its projected benchmarks and achieve the goals related to administrative efficiency.

Section 8 staff did not expect to meet the benchmark of 5% for the rent calculation error rate for biennial and triennial reexaminations in the first full year of implementation. This activity is large in scale and complex to implement, and it produced more than the predicted increase in the number of interim reexaminations. Notably, when interim reexaminations are included, the overall rent calculation error rate for FY2010 decreased to 7% from 10%.

This MTW activity allowed staff more time to provide higher quality customer service and put together client files. This extra time also allowed staff to conduct more audits and to audit more closely. At the same time, with the implementation of extensive new procedures and the hiring of new staff, HACSC experienced training and quality control challenges. Staff will continue to address these areas and to monitor this metric through ongoing quality control.







HACSC met its projected goal to reduce the total number of biennial and triennial reexaminations by half in FY2010. By achieving this goal over the last three fiscal years, the Agency realized significant operational staff time savings, valued at approximately $768,547.

Breaking down the aggregate data further, materials costs (which include postage, envelopes, and paper supplies) average $3.88 for one reexamination. Savings in materials costs are attributable not only to this Activity, but also to the decreased number of third party verification requests achieved through MTW Activity 2009-2. HACSC staff spend an average of 4.5 hours processing each biennial reexamination (for families with non-fixed income) and 3.5 hours per triennial reexamination (for families with fixed income). This time difference is due to the increased income sources that must be verified and calculated for families with non-fixed income.

Although baseline measurements in FY2009 identified 46% of MTW households with fixed income as their only source of income and 54% with non-fixed incomes, current fiscal year data presents a picture of demographic change for families in Santa Clara County. FY2010 data indicate an increase in the number of households with fixed income as their only source of income, with a 50/50 split between biennial and triennial reexaminations. This trend may be explained by job losses and other adverse effects of the recession.

In addition, while HACSC anticipated that the number of interim reexaminations would increase as a result of longer time periods between annual reexaminations, the results exceeded expectations. While 3,768 interims were completed in the baseline year (FY2008), that figure jumped to 4,853 in FY2010.

Again, economic factors, including reductions in fixed incomes from SSI and other sources, spurred the increase in interim reexaminations. Coupled with the newly implemented MTW activity to apply higher payment standards at interim reexaminations, focusing interim rent calculations on reductions ensures families avoid additional rent burden. This MTW activity produces the added result of incentivizing and supporting tenant self-sufficiency because any increase in tenant income does not affect the rent calculation until the next regularly-scheduled reexamination.

Overall, HACSC is making progress with this MTW activity since the baseline year:

- Fifty percent (50%) reduction in the total number of annual reexaminations performed; and
- Fifty-one (51%) reduction in hours spent on performing annual reexaminations, resulting in more time to cross-train employees and provide higher quality customer service to clients.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

A benchmark was added to include an anticipated 5% increase in the number of interim reexaminations **due to reduced frequency of regularly scheduled reexaminations per year**. ~~each fiscal year.~~ **The Agency expects that the increase in interims because of the reduction in regular reexaminations will continue at 5% in succeeding years. HACSC also added a metric to measure the materials costs related to this activity.** Beyond ~~this~~ **these** addition**s**, HACSC did not change any benchmarks, metrics, or data collection methodologies for measuring the impacts of this activity. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do **an** additional survey-based evaluation in FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving to Work Agreement, Attachment C, Paragraph D (1)(c) and waives certain provisions of Section (o)(5)of the 1937 Act, and 24 CFR 982.516 as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require annual reexaminations.

IMPACT OF RENT REFORM INITIATIVE

This activity qualifies as a rent reform initiative as defined by HUD as it changes the method by which rent is calculated for a Section 8 participant by reducing the frequency of regular reexaminations.

Staff anticipated that this activity would benefit families who qualify for it by allowing them to retain the rent portion of income increases for a longer period of time. Under this provision, families are only required to report a change in the *type* of income and even if this change would have resulted in a higher rent calculation for that family, HACSC will not apply a higher TRO (tenant rent to owner) payment until the next scheduled reexamination time. This activity promotes economic self-sufficiency and creates an incentive for families to find a job, increase hours at a current job, or otherwise look for additional ways to increase or supplement their income.

HACSC allowed administrative flexibility to handle hardship cases on a case by case basis should this activity ever adversely affect a family. There were no applications for hardships reported in FY2010.

Simplification and Expediting of Income Verification Process (Activity #2009-2)

DESCRIPTION OF MTW ACTIVITY

HACSC has streamlined the applicant and participant verification processes. This was done because the reexamination process took an inordinate amount of time for the following reasons:

- Third party verifications were not being returned to HACSC in a timely manner which delayed the entire reexamination process which could affect the participant's portion of the rent.
- Participants were experiencing a significant burden because 3rd parties were not responding so the participant would have to provide the required documents to HACSC.
- Applicants were experiencing a delay in being housed.
- HACSC was mailing 4-8 pieces of paper related to 3rd party verification per participant; this created significant administrative costs.

This activity was proposed in the FY2009 MTW Plan. A procedure was implemented in January, 2009 to eliminate 3rd party verification. The new verification hierarchy is as follows:

- Up-front income verification (UIV) allows access to other income source databases, such as HUD's Enterprise Income Verification (EIV) program, when available.
- If UIV systems are not available, HACSC will accept family-provided documents.
- Family self-certification will be used as a last resort.

HACSC may continue to use third-party verification to resolve income discrepancies or in the absence of other verification or participant provided documents. (HACSC may also mail out 3rd party verifications related to reasonable accommodation requests, which are not part of this activity.) In addition to the verification hierarchy, HACSC also implemented a change in the documentation submission window from 60 to 120 days.

IMPACT OF THE ACTIVITY

The increase in the documentation submission window has significantly benefited families affected by the public housing disposition. Due to the complexities of the public housing disposition process, 60 days can be too restrictive when submitting required documentation. If the documents are older than 60 days, the process has to be started again; this would delay the applicant's ability to obtain housing as soon as possible.

The financial impact of this activity continues to be realized in operational cost savings. This activity has significantly reduced the "cycle time" for processing new tenant admissions and for reexamination and interims. The only 3rd party verifications mailed out are related to reasonable accommodation requests and possible discrepancies.

HACSC has taken the opportunity to utilize the savings in staff time by providing additional training and cross-training to improve customer service and increase housing programs knowledge.

FY2010 Results

Applicants have been able to obtain housing faster as a result of this activity. In FY2010, there were a total of 13,219 MTW families that went through the reexamination, interim or new admission process.

Activity 2009-2: Simplification and Expediting of Income Verification				
Metrics	**Baselines (FY2008)**	**Benchmarks**	**Actual (FY2009)**	**Actual (FY2010)**
Number of 3rd Party Verifications sent	53,573	0	21,656*	0
Hours of direct labor	5,357 hours	Reduce associated staff time to zero	2,166*	0
Labor Dollars to send 3rd Party Verifications	$119,021	0	$48,107*	0
Amount of direct labor hours to recertify applicant income documentation	29.7 hours	Reduce associated staff time to zero	0	0

*This activity was fully implemented beginning in March 2009, near the end of the 3rd quarter of the fiscal year.

HACSC has also been able to take advantage of the significant labor savings to enhance on-going quality control of all unit processes and to improve customer service. Client services staff have received classroom and on-the-job training, supported by a new interviewer's checklist, to improve their client interviewing skills. This activity meets the statutory objective of increasing cost effectiveness in housing programs operations.

The MTW Annual Report FY2009 projected this activity would reduce the number of third party verifications mailed or faxed to zero, and staff time associated with 3rd party verifications (for other than those related to reasonable accommodation requests) would be reduced to zero (100% reduction).

On May 17, 2010, HUD issued Public and Indian Housing Notice #2010-19 which eliminates the need for this activity by aligning the HUD income verification hierarchy with this MTW activity. As a direct result of this Notice, HACSC will be modifying this activity in future reporting to remove the hierarchy of verification portion, retaining the document submission timeline as an activity requiring an MTW waiver.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The baselines, benchmarks, metrics and data collection methodologies for this activity have not been revised from those identified in the FY2009 MTW Report. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do additional survey-based evaluation in FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This proposed activity is authorized in the HACSC Moving to Work Agreement, Attachment C, Paragraph D (3)(b) and waives certain provisions of CFR 982.516 and 982 Subpart E as necessary to implement HACSC's MTW Plan. As a result of PIH Notice #2010-19, an MTW waiver is no longer required for HACSC to follow its approved income verification hierarchy. Therefore, in future MTW plans and reports, HACSC will only track and report on the 120-day document submission timeline under this activity.

IMPACT OF RENT REFORM INITIATIVE

This activity qualifies as a rent reform initiative because it changes the way rent is calculated for a participant's household by verifying income and expenses through participant-provided documents. This activity will have no impact on families because HACSC allowed administrative flexibility to provide income and expense verification as a back-up to third-party verification. Because there was no change in requirements to participants, there was no transition period for implementing this activity. As HACSC anticipates that no hardship will result from this activity, requests for a hardship waiver to this initiative will be handled on a case-by-case basis. There were no applications for hardships reported in FY2010.

Reduced Frequency of Inspections (Activity #2009-3)

DESCRIPTION OF MTW ACTIVITY

The annual inspection of units under continued occupancy in the Section 8 program creates a disproportionate staffing and cost burden and an unnecessary intrusion for participants when compared to the benefits of the resulting information, particularly for units with no history of deficiencies from year to year. Therefore, HACSC has modified the frequency of inspections by inspecting housing stock biennially. HACSC is providing educational programs for participants and property owners to ensure continued compliance with Housing Quality Standards (HQS). HACSC has provided for exceptions to this inspection schedule for landlords and properties that do not comply on a consistent basis with HQS.

IMPACT OF THE ACTIVITY

This activity was implemented in September 2008 and has continued to meet the MTW objective of achieving cost effectiveness in federal programs by decreasing the inspections of units in continued occupancy to once every two years. FY2010 was the first full year of implementation of this activity. 6,597 units in continued occupancy were inspected. Staff spent 11,052 hours conducting these inspections, a decrease of 21,134 staff labor hours compared to the baseline year.

Activity 2009-3: Reduced Frequency of Inspections for Units Under Continued Occupancy				
Metrics	**Baselines (FY2008)**	**Benchmarks**	**Actual (FY2009)**	**Actual (FY2010)**
Total # of units that had regular Inspections	14,606	7,303	8,764	6,597
Total labor hours spent conducting regular inspections	32,186	12,331	19,130	11,052
Direct labor cost to conduct regular inspections	$804,770	$308,867	$326,420	$282,218
Cost of gasoline*	$14,354	$7,177	$10,236	$8,692
Cost of postage	$12,853	$6,427	$7,712	$5,805

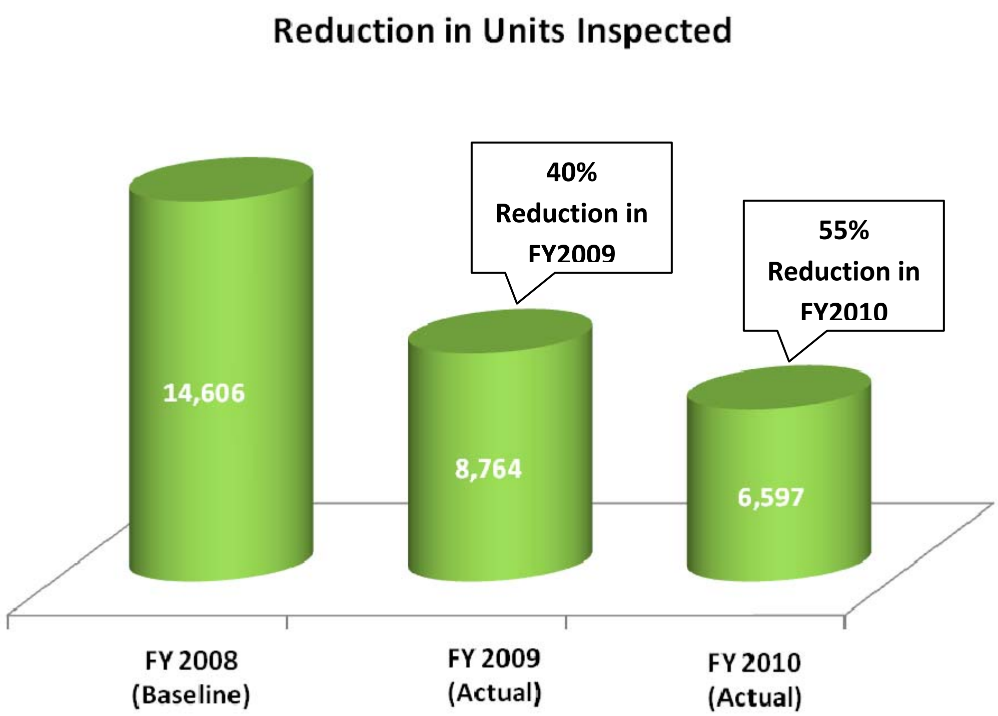
***Gasoline expenses represent a combined savings in gas between MTW Activity 2009-3 (Reduced Frequency of Inspections), and MTW Activity 2009-4 (Timeline to Correct HQS Deficiencies). It is not possible to separate the gas savings between the two activities because gasoline costs are based on the number of trips/miles to each unit.

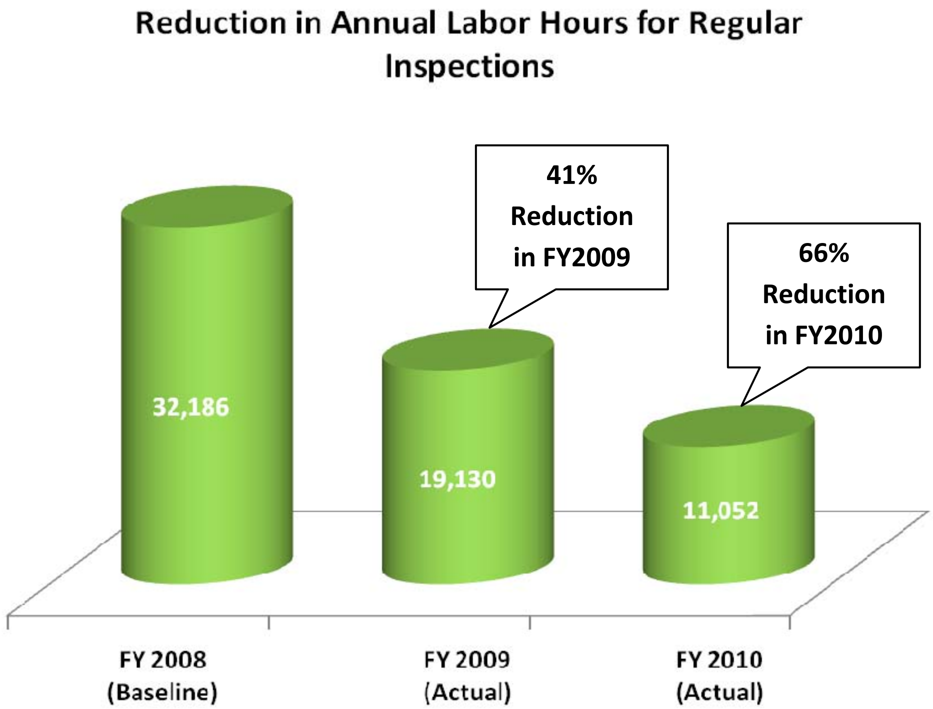
FY2010 Results

- 6,597 units had regular (continued occupancy) inspections, a 55% decrease from the baseline year.
- 11,052 labor hours were spent in performing regular inspections, a 66% reduction from FY2008.
- $12,710 was saved in gasoline and postage expenses related to this activity. This amounts to a 47% reduction from the FY2008 cost of $27,913.

HACSC anticipated that it would reduce its regular inspections by 50% and its labor hours by 62% in FY2010 and in both cases has exceeded its benchmark. The larger than expected decrease in unit inspections may be attributed to program participants who change units or leave the program to be replaced by applicants newly admitted to the program. These moves will reduce the number of inspections needed each year for units in continued occupancy while increasing the number of initial unit inspections. During FY2010, 2,524 Section 8 participants moved to new units and approximately 636 left the program.

The graphics below illustrate the reduction of units inspected and the reduction of labor hours spent to conduct these regular (continued occupancy) inspections from FY2008 (baseline year) to FY2010.





HACSC has used the labor time saved through this activity to provide increased training for staff, with the focus on cross-training in other positions, customer service and quality control.

HACSC has also augmented its educational program for participants and property owners. Inspections staff have spent additional time at unit inspections educating Section 8 owners and participants on topics such as HQS inspections, rent reasonableness and the new contract process. The Agency is currently revamping its participant voucher briefing presentations and materials to include more information on a family's obligations under the program and their rights and responsibilities as tenants.

In FY2009, as a result of this activity, staff had increased capacity to plan and conduct numerous types of owner outreach, including owner workshops. These workshops covered topics such as the required elements in HQS inspections and fair housing laws. Staff also spent time after the workshops talking with the owners about their concerns and questions. The most recent owner workshop was well received—more than 336 owners attended, and evaluations reflected that owners appreciated the depth and breadth of the information provided and the knowledge and collaborative attitude of staff. HACSC has also increased unit owner workshops to twice a year.

The decreased frequency of inspections has not resulted in an appreciably higher rate of failed inspections. In FY2008, the pre-MTW baseline year, 27% of the 14,606 units inspected reported HQS deficiencies and had to be scheduled for re-check inspections. In FY2010, approximately 30% of the 6,597 units inspected had HQS deficiencies. This small increase in deficiencies may also be due to increased staff training on HQS acceptability requirements.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The baselines, benchmarks, metrics and data collection methodologies identified in the FY2009 MTW Report for this activity have been updated to include the administrative cost of gasoline and postage related to this activity. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do additional survey-based evaluation in FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving to Work Agreement, Attachment D, Paragraph C and waives certain provisions of Section 8 (o) of the 1937 Act and 24 CFR 982 & 985, as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that the PHA must inspect the unit leased to a family at least annually during assisted occupancy.

Timeline to Correct Housing Quality Standards (HQS) Deficiencies (Activity #2009-4)

DESCRIPTION OF MTW ACTIVITY

HACSC created a longer timeline for Section 8 property owners and tenants to correct minor non-life-threatening HQS deficiencies. Prior to this activity's approval, owners or participants were provided 30 days from the date of the actual inspection to make the required repairs. This MTW activity allows owners or participants 30 days from the date of the deficiency notification letter to correct minor HQS deficiencies. HACSC anticipated that this longer timeline would result in a reduction of requests for extensions to make the required repairs.

IMPACT OF THE MTW ACTIVITY

Upon evaluation, HACSC determined that the MTW activity of additional time to correct HQS non-life threatening deficiencies was not fully implemented in FY2010. HACSC will analyze and report on the outcomes of this activity in the FY2011 report.

Activity 2009-4: Timeline to Correct HQS Deficiencies			
Metrics	**Baselines (FY2010)**	**Benchmarks**	**Actual**
Number of extension requests	**88**	**79**	**To be determined**
Number of abatements due to HQS deficiencies	**85**	**76**	**To be determined**

In FY2010, HACSC focused its efforts on the execution of the self-certification process described with this activity. The self-certification process resulted in significant outcomes in our on-going objective to reduce program administrative costs.

~~Unfortunately, due to software constraints, HACSC cannot access nor report on data to evaluate the full impact of this activity. The Agency's Section 8 program software is antiquated and has been slated for replacement for several years. An RFP process for up-to-date software and system support was completed in FY2010 and conversion to new software is scheduled to be launched in FY2011. This new system will ultimately allow for a wider range of data to be collected, tracked, and analyzed for management review and MTW reporting purposes.~~

FY2010 Results

In conjunction with this activity a new policy (not requiring an MTW waiver) was established allowing owners and participants to provide self-certification when they have corrected HQS deficiencies. This change in policy and the MTW Activity extending the timeline will together provide administrative relief through two reductions in staff tasks: processing fewer extension requests, and conducting fewer or even zero physical re-check inspections when a unit does not meet the HQS for non-life threatening deficiencies.

The self-certification policy achieves greater cost effectiveness in federal expenditures by reducing a labor intensive process that realizes little cost benefit. Staff is able to use the time savings to engage in cross training, focus on improving customer service, and expand its owner outreach program.
The results have been significant in relation to labor hours saved and the cost of gasoline.

Results of Implementing Policy to Allow Self-certification of Minor HQS Deficiencies				
Metrics	**Baselines (FY2008)**	**Benchmarks**	**Actual (FY2009)**	**Actual (FY2010)**
Total Labor Hours Spent Conducting Recheck Inspections	11,473 hours for 5,255 recheck inspections	0	0	0
Cost of Gasoline*	$14,354	$6,427	$7,712	$8,692

*Gasoline expenses represent a combined savings in gas between MTW Activity 2009-3 (Reduced Frequency of Inspections), and MTW Activity 2009-4 (Timeline to Correct HQS Deficiencies). It is not possible to separate the gas savings between the two activities because gasoline costs are based on the number of trips/miles to each unit. Note: Recheck inspections are still conducted for 24-hour deficiencies, or if a unit does not pass an initial inspection.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The baselines, benchmarks, metrics and data collection methodologies for this activity have been revised from those identified in the FY2009 MTW Report to include the number of extension requests and number of abatements resulting from HQS deficiencies. **HACSC is also conducting a time study to determine the time savings in processing fewer extensions and abatements**. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do additional survey-based evaluation in FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This proposed activity is authorized in the HACSC Moving to Work Agreement, Attachment C, Paragraph D (5) and waives certain provisions of Section 8(o) of the 1937 Act, and 24 CFR 982 Subpart I, as necessary to implement the HACSC MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that Housing Quality Standards deficiencies must be corrected no more than 30 calendar days from the inspection.

Explore New Housing Opportunities for the Chronically Homeless (Activity #2009-5)

DESCRIPTION OF MTW ACTIVITY

HACSC has taken steps to target increased assistance to chronically homeless families by giving preference to chronically homeless families from the HACSC Section 8 waiting list and coordinating the creation of a direct referral process.

At its discretion, HACSC created a waiting list preference for chronically homeless families. HACSC exhausted its waiting list of all 9,057 applicants who identified themselves as chronically homeless in December, 2009. Over 8,000 of these families (who had originally applied in 2007) did not respond to HACSC's outreach. Approximately 300 more responded but were not able to provide sufficient verification from a supportive service agency of their chronic homelessness status. It took an average of 970 days from the day the family registered on the waiting list to the day they were housed with a voucher. Only 6% of these self-identified chronically homeless families (531 applicants) were housed. The lapse of time between the date of application and issuance of a voucher underscores the need to develop and implement a more rapid referral method to address the housing needs of this population.

Under MTW, HACSC has explored new methods for assisting chronically homeless families and has designed the following housing initiative:

- Increasing the number of vouchers set aside for the chronically homeless in FY2010 to 200;
- Establishing partnerships and communication with local homeless providers and revising the certification process, ensuring that chronically homeless families who receive vouchers from the waiting list are connected to supportive programs with designated service providers; and
- Establishing a direct referral process for non-profit agencies to refer their chronically homeless clients for voucher assistance

In partnership with the Collaborative on Housing and Homeless Issues (Collaborative), HACSC formed a task force to create a direct referral process that supports timelier voucher issuance and effective assistance for the target population. The task force continued to meet throughout FY2010 and reached the end of the design stage, including the creation of finalized program responsibilities, processes and forms. To be launched in the first half of FY2011, the program is broadly outlined below:

- Santa Clara County case management programs that have demonstrated experience in working with the homeless will refer chronically homeless individuals or families from their caseload to HACSC and provide ongoing case management to these clients.
- HACSC will determine client eligibility for a voucher and will administer the rental assistance.
- The Collaborative will conduct certification and will coordinate communication, trainings and meetings with the case management programs.
- HACSC and the Collaborative will together provide program direction, evaluation and quality control.

HACSC set aside 200 vouchers for the chronically homeless in FY2011 specifically for the direct referral program.

IMPACT OF THE ACTIVITY

HACSC implemented this activity in FY2009. HACSC anticipates that once the direct referral program begins, the activity will increase housing choice by assisting the homeless population through a more targeted process. HACSC will ensure that those referred are receiving case management, which can include assistance with the initial process of securing housing (completing the voucher application and eligibility process, finding a suitable unit, and obtaining money for security deposits) as well as various referrals and services to help families maintain housing stability and achieve reintegration into the community.

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

The metrics, baselines and benchmarks for this activity, including case management outcomes, types of services provided, and average length of time housed under the program, will be developed in conjunction with the launch of the direct referral program in the first half of FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving to Work Agreement, Attachment C, Paragraph D (4) and waives certain provisions of Sections 8(o)(6), 8(o)(13)(J) and 8(o)(16) of the 1937 Act and 24 CFR 982 Subpart E, 982.204 and 98.3 Subpart F as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that applicants be admitted to the Section 8 program either as a special admission (as identified in 24 CFR 982.203) or from the Housing Authority's waiting list.

30-DAY Referral Process for Project-Based Vacancies (Activity #2009-8)

DESCRIPTION OF MTW ACTIVITY

In keeping with the spirit of maximizing efficiency and delivering the best customer service to both tenants and owners participating in our Agency's programs, HACSC proposed to allow direct owner referrals of applicants after 30 days of unsuccessful attempts by owners of project-based units to process referrals from the HACSC waiting list. The activity was proposed and implemented to expedite the housing of special needs populations.

This policy is part of the project-based *certificate* regulations but was not included in the project-based *Final Rule* issued in 2005. The original project-based *certificate* policy reduces the number of days a unit is vacant by allowing owner referral. For certain types of PBV units, hundreds of applicants from the PHA waiting list are contacted before a sufficient number of interested applicants are found to refer to the PBV owner for selection. More specifically, the SRO (single room occupancy) units are difficult to fill. The outreach required to fill these units and the time required to find an eligible, interested candidate can be costly to the Housing Authority and to PBV owners.

IMPACT OF THE ACTIVITY

Staff recognizes the priority to help the abundance of families on the waiting list. Of 53,279 households on HACSC's waiting list as of June 30, 2010, 48,262 indicated an interest in taking a vacant PBV unit. Since the last MTW FY2009 Report, staff not only implemented a new referral procedure that ensures tenants are better matched with owners in an efficient manner, but also has increased staff capacity (as a result of the implementation of MTW administrative streamlining activities) to promptly refer vacant PBV units to potential tenants.

In addition, during FY2010, HACSC permitted owners of special population units to make their own direct referral of applicants after 30 days of unsuccessful attempts to fill the vacancies from HACSC's PBV waiting list. These changes shortened PBV vacancies and better matched PBV owners with eligible tenants.

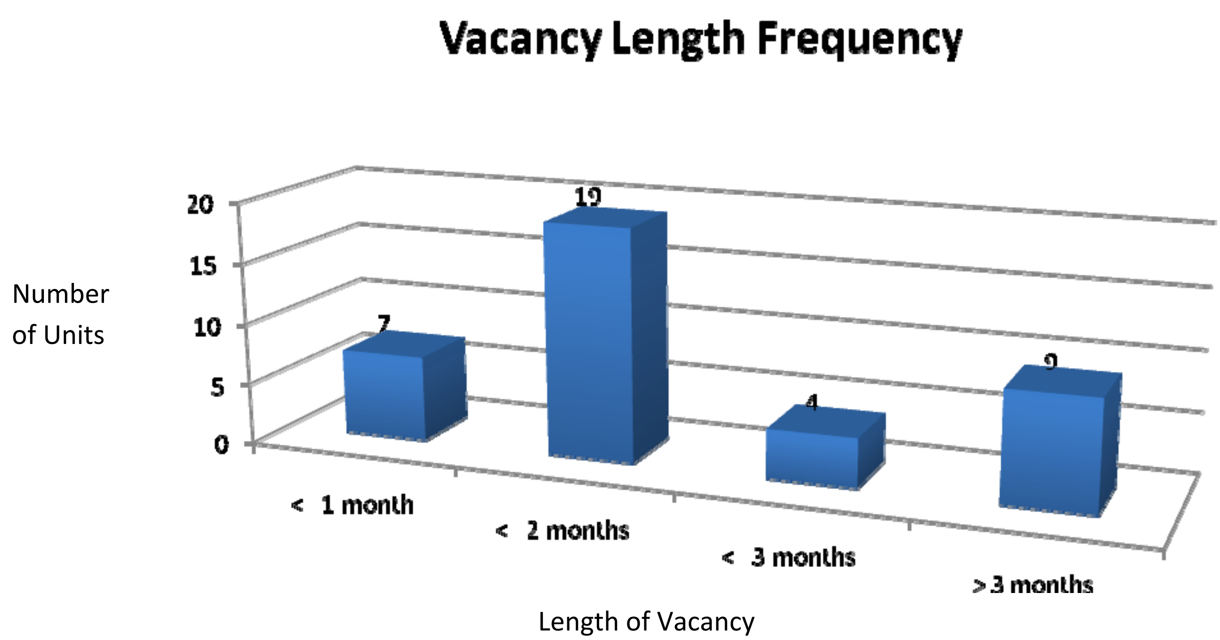
FY2010 Results

In comparison to the baseline figures, PBV vacancy statistics for FY2010 showed improvement in several areas:

- The number of PBV vacancies decreased by 16 units or 29%
- The average number of vacant days decreased by seven days, and out of the 39 reported FY2010 vacancies, only nine units were over three months in duration.
- HACSC compensation to PBV owners for lost rent decreased by $11,703.
- PBV owners kept $46,086 in potential lost contract rent due to vacancies.

Activity 2009-8: 30-Day Referral Process for Project-Based Vacancies			
Metrics	**FY2009 Baseline**	**Benchmarks**	**FY2010 Actual**
Average number of days unit was vacant	76 days	65 days	69 days
HACSC compensation to owners* (due to vacancies)	$45,289	$38,496	$33,586
Dollar amount owners lost* (due to vacancies)	$110,749	$94,137	$64,663

***** PBV owners receive 80% of the contract rent for the first 30 days of a vacancy
***** PBV owners lose 20% of the contract rent for the first 30 days of a vacancy; in addition, they lose 100% of the contract rent after 30 days.



HACSC has 743 of its vouchers under PBV contract and approximately 5% of these units were vacant in FY2010. This MTW activity was proposed to help create flexibility in how these units are filled. Its goal was to reduce lengthy vacancies for PBV owners and to improve owner satisfaction, thus contributing to a stable owner pool. A committed owner pool helps increase housing choices for low-income families, as these families will have a greater selection of housing from which to choose when they are searching for a unit.

The general statistics show that the PBV vacancy statistics improved this fiscal year. In addition, HACSC used this particular MTW activity to address some extended vacancy issues that certain special populations-focused PBV properties face. Staff was able to utilize this activity to house eight people in SROs that serve the elderly population and were experiencing extended vacancies.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The baselines, benchmarks, metrics and data collection methodologies for this activity have been revised as follows: eliminated the metric for the number of PBV vacancies, and defined benchmarks for each remaining metric. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do additional survey-based evaluation in FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This proposed activity is authorized in HACSC's Moving to Work Agreement, Attachment C, Paragraph D4 and D7, and waives certain provisions of Section 8(o)(6), 8(o)(13)(J) and 8(o)(16) of the 1937 Act and 24 CFR 982 Subpart E, 982.305 and 983 Subpart F as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require PHAs to provide project-based assistance to families selected from its waiting list.

Utilization of Low Income Housing Tax Credit (LIHTC) Tenant Income Certification (TIC) for Income and Asset Verification (Activity #2009-9)

DESCRIPTION OF MTW ACTIVITY

Owners of project-based units that utilize tax credits must comply with Federal LIHTC regulations. These regulations are nearly identical to Housing Choice Voucher regulations with regard to verification of income and assets when determining and recertifying residents' income eligibility. When properties utilize both tax credit and project-based voucher (PBV) subsidy, HACSC and the PBV owner are duplicating efforts in the income/asset verification process. This duplication causes unnecessary delays in processing new applicants when filling PBV vacancies, creates redundant demands on the clients every year for the same documentation, and causes HACSC to spend extra staff time to verify income and assets that have already been verified by the unit owner. Therefore, for project-based units that also utilize LIHTC, HACSC uses the Tenant Income Certification (TIC) form required under the LIHTC Program as verification of the family's income and assets.

As of June 30, 2010, HACSC has 645 PBV tax-credit units under contract. This number is expected to increase to 942 in FY2011 due to the disposition of HACSC's public housing portfolio. These units will be combining PBV subsidies with tax credits. As HACSC increases the number of units combining project-based subsidies with LIHTC, the value of this activity will increase.

IMPACT OF THE ACTIVITY

This activity was implemented in FY2010 through incorporation into the new admission eligibility process for Corde Terra Senior Apartments, a new construction PBV project for 199 units that is also a tax-credit property. The project entered into a PBV Housing Assistance Payment Contract in November, 2009. Staff saved 50 minutes on verification processing for each of the 199 new admissions by using the owner-provided TIC to establish and verify the family's annual income and assets. 597 labor hours were spent under this activity as compared to the 763 hours that would have been spent pre-MTW. This resulted in a labor savings of 166 hours.

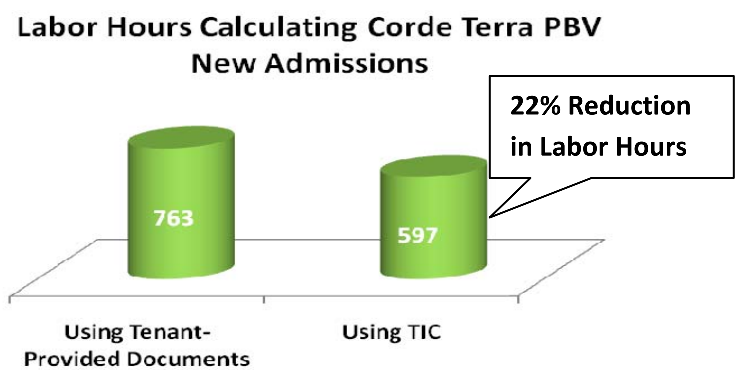
Using the owner-provided TIC to document and verify family income and assets reduces staff labor time by approximately 22% for each calculation. The staff time saved under this activity has been redirected to cross-training in other processes and positions and increased quality control audits.

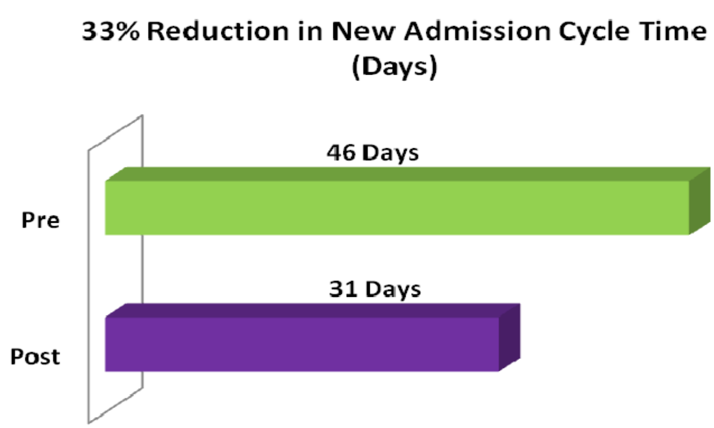
The average number of days required to complete the applicant eligibility process was also reduced with this activity. This will house an applicant faster and shorten the time a PBV tax-credit unit is vacant. Based on these initial results, this activity has met the MTW objective of achieving greater cost effectiveness in federal spending.

Activity 2009-9: Utilization of LIHTC TIC for Income and Asset Verification			
Metrics	**Baselines (FY2009)**	**Benchmarks**	**Actual (FY2010)**
Average # of labor hours it takes to process **ONE** PBV tax-credit new admission or reexamination	3 hours, 50 minutes	3 hours	3 hours
PBV tax-credit new admissions processing time	46 days	30 days	31 days

FY2010 Results

- 199 PBV tax-credit new admissions completed under the new process
- 50 minutes saved from each PBV tax-credit new admission process completed
- 166 labor hours saved in the new admissions process, a 22% reduction from pre-MTW activity
- Time cycle to complete a new admissions application reduced from 46 to 31 days





REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The baselines, benchmarks and metrics for this activity as reported in the FY2009 MTW Report have been revised as outlined in the table above. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do additional survey-based evaluation in FY2011.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving to Work Agreement, Attachment C, Paragraph D3 (b) and waives certain provisions of 24 CFR 982.516 and 982 Subpart E as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that PHA's must obtain and document in the file third party verification of reported family income, value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income.

Selection of HACSC-Owned Public Housing Projects for PBV Without Competition (Activity #2009-10)

DESCRIPTION OF MTW ACTIVITY

HACSC's aging public housing portfolio is in need of extensive renovation and the program's revenues haven't kept up with the maintenance needs of these developments. HUD approved the disposition of the properties to an Agency-affiliated non-profit entity with the requirement that HACSC maintain their affordability.

HACSC selected HACSC-owned public housing projects for project-based assistance (PBV) without a competitive process. As a long-time developer of affordable housing, and as an administrator of project-based vouchers, HACSC has first-hand knowledge of the value of project-basing units in order to create a stable long-term financing package and preserve the affordability of housing units for decades. Engaging in a competitive process for PBV adds steps that increase costs and can create delays in developing affordable housing. By project-basing its public housing properties without conducting a competitive process, HACSC can accelerate its production of affordable housing units.

IMPACT OF THE ACTIVITY

This activity was implemented in FY2009 to successfully convert the former public housing project Rincon Gardens Senior Apartments to PBV and meets the MTW objective of reducing cost and increasing cost effectiveness in federal expenditures. By avoiding a lengthy competitive PBV process in the context of its public housing disposition process, HACSC reduced direct labor and advertising costs and significantly shortened an already lengthy conversion schedule.

The recent economic downturn made the remaining public housing properties less attractive to investors and the originally anticipated FY2010 timeline for the conversion of the remaining 355 public housing units has been revised. Thus, no savings from this activity were realized in FY2010. The disposition of these properties is now set to occur in FY2011. Once these projects convert to PBV, this activity will be eliminated and no further reporting will be required.

Activity 2009-10: Selection of HACSC-Owned Public Housing Units for PBV Without Competition				
Metrics	**Baselines (FY2008)**	**Benchmarks**	**Actual (FY2009)**	**Actual (FY2010)**
Processing time to select applications for PBV in a competitive process	13 weeks	0 weeks	0 weeks	N/A
Labor hours/cost to develop, write and issue an RFP (using in-house labor)	65 hours/$2,340	0 hours/$0	0 hours/$0	N/A
Labor hours/cost to respond to public inquiries and meet with RFP responders	35 hours/$1,260	0 hours/$0	0 hours/$0	N/A
Labor hours/cost to review and process applications submitted	50 hours/$1,800	0 hours/$0	0 hours/$0	N/A
Cost to publish RFP in San Jose Mercury Newspaper	$2,890	$0	$0	N/A

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The table above identifies this activity's baselines, benchmarks and metrics which have not been revised from those identified in the FY2009 MTW Report.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving To Work Agreement, Attachment C, Paragraph D 7a, and waives certain provisions of Section 8 (o)(13)(B and D) of the 1937 Act and 24 CFR 982.1, 982.102 AND 24 CFR Part 983, as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD PBV regulations require that PHA-owned properties be selected competitively and that selection must be approved by HUD or a HUD-approved independent entity.

Project-Base 100% of Units in Family Projects (Activity #2009-11)

DESCRIPTION OF MTW ACTIVITY

Current project-based voucher regulations impose a 25% cap on project-based units per multi-family building (five or more units per building) in complexes serving families. In order to project-base additional units above the 25% cap, the owner must provide supportive services (e.g., employment training, daycare, education) and *require* families living in the "excepted" units above the cap to participate in those services.

HACSC has created the policy that it may project-base more than 25% of the units in an existing building in family complexes and provides supportive services while not *requiring* participation in those services. PBV owners will make services available, and families must be made aware of and encouraged to participate in those services, but participation would not be mandatory. HACSC anticipates that the implementation of this activity will allow in-place residents in "excepted" units to remain in their housing without requiring supportive services. The activity will increase housing choices for low-income families by making the units more attractive to ~~senior/disabled applicants or~~ families who do not ~~want or~~ require supportive services. It will also reduce administrative burden by removing the compliance monitoring that the Agency would need to do for families living in the "excepted" units.

IMPACT OF THE ACTIVITY

HACSC did not project-base any family complexes in FY 2010. The agency expects to implement this activity in early FY2011, when it will be project-basing six existing public housing family projects, four of which will be affected by this activity. (Neither the Deborah Drive nor Eklund II properties have buildings that are considered "multi-family.") The following family public housing sites will be affected by this activity: Miramar Apartments, Julian Gardens, Lucretia Gardens, and Eklund I Apartments.

Family Project	Number of Units that would be under PBV contract pre-MTW (25%)	Number of Units that will be under PBV contract post-activity (100%)
Miramar Apartments	3	15 (1 bldg for all 15)
Julian Gardens	5	9 (2 bldgs: 4/5)
Lucretia Gardens	3	15 (2 bldgs: 10/5)
Eklund I Apartments	2	10 (2 bldgs: 5/5)
Totals	**13**	**49**

Past experience with the project-basing of existing units shows that many in place residents at the time of PBV transition are already employed, so additional services and clear access to those services (rather than required participation) is expected to be adequate to assist current resident families in gaining self-sufficiency. In addition, HACSC anticipates that by project-basing units at these family projects without the requirement of supportive services, a wider range of families (including low-income working families) will have the opportunity to receive assistance. Finally, HACSC expects to save at least one hour per year per unit in direct staff labor by eliminating quarterly compliance

reviews of family service requirements and the processing of any resultant non-compliance terminations. HACSC will create a comprehensive service program for HACSC-owned family projects and a develop a plan to encourage residents to take advantage of the services available. Once these properties are project-based, HACSC will be surveying residents on their awareness of and use of services available and expects that approximately 25% of the families at the properties will avail themselves of the offered services.

Activity 2009-11: Project Base 100% of Units in Family Projects		
Metrics	Baselines (FY2010)	Benchmarks
Families who will receive PBV assistance at affected projects (without supportive service requirement)	13	49
Families participating in supportive services	36*	12
Direct labor hours associated with tasks required to insure 100% compliance with supportive service requirement (estimate based on the number of family units affected)	40	0

* This number is based on the assumption that if 100% of the units in these family projects are project-based, families in the "excepted" units would be participating in supportive services.

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

HACSC has now identified baselines, benchmarks and metrics for this activity. They are listed in the table above.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving To Work Agreement, Attachment C, Paragraph D 7, and waives certain provisions of 24 CFR 982.516 and 982 Subpart E and 983, as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD PBV regulations require a 25% per project cap on the number of PBV units at each project unless the units that exceed the 25% are for elderly or disabled families or families required to receive supportive services.

Combined Waiting List for the County of Santa Clara and the City of San Jose (Activity #2009-13)

DESCRIPTION OF MTW ACTIVITY

HACSC uses one Annual Plan and Administrative Plan for both the Housing Authority of the County of Santa Clara and the Housing Authority of the City of San Jose. HACSC developed a combined MTW plan for both housing authorities.

A 2009 HUD directive has interpreted HUD regulation 24 CFR 982.404(f) to mean that two or more housing authorities operating together must maintain separate waiting lists for each entity. HUD approval of this activity allowed HACSC to operate one combined waiting list for both housing authorities and for the Housing Choice Voucher (HCV) Program and the Project-Based Voucher (PBV) Program.

IMPACT OF THE ACTIVITY

This activity meets the statutory objective of decreasing costs and increasing cost effectiveness in housing programs operations.

2009-13: **Combined Waiting Lists for the County of Santa Clara and the City of San José**				
Metrics	**Baseline (FY2008)**	**Benchmarks**	**Actual (FY2009)**	**Actual (FY2010)**
Direct labor hours/cost associated with tasks required to maintain separate waiting lists	380/$8,325	0	380 hours/$8,479 savings	380 hours/$8,479 savings

FY2010 Results

As indicated in the table above, the value of the labor time saved under this activity in FY2010 is consistent with the identified baseline and benchmark.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The benchmarks and metrics for this activity have not changed. The actual value of labor time savings in FY2009 and FY2010 reflects salary increases since the baseline year.

AUTHORIZATION FOR APPROVED ACTIVITY

This proposed activity is authorized in the HACSC Moving to Work Agreement, Attachment C, Paragraph D (4) and waives certain provisions of Section 8(o)(6), 8(o)(13)(J) and 8(o) (16) of the 1937 Act, and 24 CFR 982 Subpart E, 982.305 and 983 Subpart F as necessary to implement the HACSC MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that each PHA must maintain separate waiting lists.

Payment Standard Changes Between Regular Reexaminations (Activity #2009-14)

DESCRIPTION OF MTW ACTIVITY

Current HUD regulations allow for payment standard changes at the first regularly scheduled reexamination following a change in family voucher size. Under the agency's MTW plan, the reduced frequency of tenant re-examinations may cause a family to be over-housed and HACSC to pay a higher portion of Housing Assistance Payment (HAP) for a longer period of time. Conversely, increases in the family's unit size may cause a family to pay a higher portion of rent than is necessary for a longer period of time.

With the implementation of this activity, when there is a decrease in the family's voucher size between regular reexaminations, when applicable, an interim reexamination reflecting the new, lower payment standard will be effective the first of the month 90 days after the decrease**.** The 90-day period allows families to move if their increased rent prohibits them from remaining in the unit. Example: a family living in a 3 bedroom unit reports the reduction in family size which also reduces their voucher size from a 3 bedroom to a 2 bedroom. The new 2 bedroom payment standard will be effective after a 90-day notice to the family of the decrease.

When there is an increase in the family's voucher size between regular reexaminations, when applicable, an interim reexamination reflecting the new, higher payment standard will be effective the first of the following month. Because HUD regulations require that the payment standard for the family be the lower of the voucher size or the unit size, an increased payment standard would only be effective in those cases where a family is living in a unit larger than their voucher size. When this occurs, the new lower rent will be effective as soon as possible. Example: a family eligible for a 2 bedroom voucher but living in a 3 bedroom unit reports an increase in family size which also increases their voucher size from a 2 bedroom to a 3 bedroom. The new 3 bedroom payment standard will be effective the first of the month following the report of the change.

IMPACT OF THE ACTIVITY

HACSC anticipates that by using the new payment standard at the interim calculation instead of at the next reexamination, HAP costs will be saved. HACSC began implementation of this activity in April, 2010. During the period of April to June, 2010, there were 84 interim reexaminations that involved a family voucher size change. These changes could result in a HAP savings of over $144,000. Based on the initial data as outlined below, this activity meets the MTW objective of reducing federal expenditures.

FY2010 Results

The following is a breakdown of the results of FY2010:

- 44 (52%) of the families had a voucher size decrease.

  These families were notified that the decreased voucher size would be applied the first day of the following month 90 days after the change was reported. Because the activity began late in the fiscal year, none of these families had the decreased payment standard applied by the end of FY2010. However, when these calculations are applied, HACSC will potentially be saving $144,072 in HAP from the time the interim calculation is effective until the family's next scheduled reexamination.

- 40 (48%) of the families had a voucher size increase.

None of the 40 families who had an increase in voucher size realized any lower rent portions due to the increase in payment standard.

Activity 2009-14: Payment Standard Changes Between Regular Reexaminations		
Metrics	**Baselines (FY2010)**	**Benchmarks**
Net annual decrease in HAP costs	$0	$500,000

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

HACSC has now identified baselines, benchmarks and metrics for this activity. They are listed in the table above. Based on the 4th quarter FY2010 potential HAP savings of $144,000, HACSC is projecting a benchmark net annual decrease in HAP costs of $500,000 for this activity.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving to Work Agreement, Attachment D, Paragraph D (1) (c) and waives certain provisions of Section 8 (o) (5) of the 1937 Act, and 24 CFR 982.505 (5) as necessary to implement the HACSC MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that Payment Standard changes that occur during the HAP contract term will be effective at the time of time of regular reexamination.

Eliminating 100% Excluded Income from the Income Calculation Process (Activity #2010-1)

DESCRIPTION OF MTW ACTIVITY

HACSC will not verify, count or report income that HUD specifies as 100% excluded from the income calculation process. Examples of 100% excluded income are food stamps, income from minors, and foster care payments. Although HUD regulates which income must not be included when calculating rental assistance, the HUD 50058 requires HACSC to report *all* family income, including income that is excluded from the rental assistance calculation process. Given the numerous sources of 100% excludable income, the cost and time related to verification and calculation of excluded income on the 50058 is significant and causes unnecessary administrative and financial burdens to the Agency.

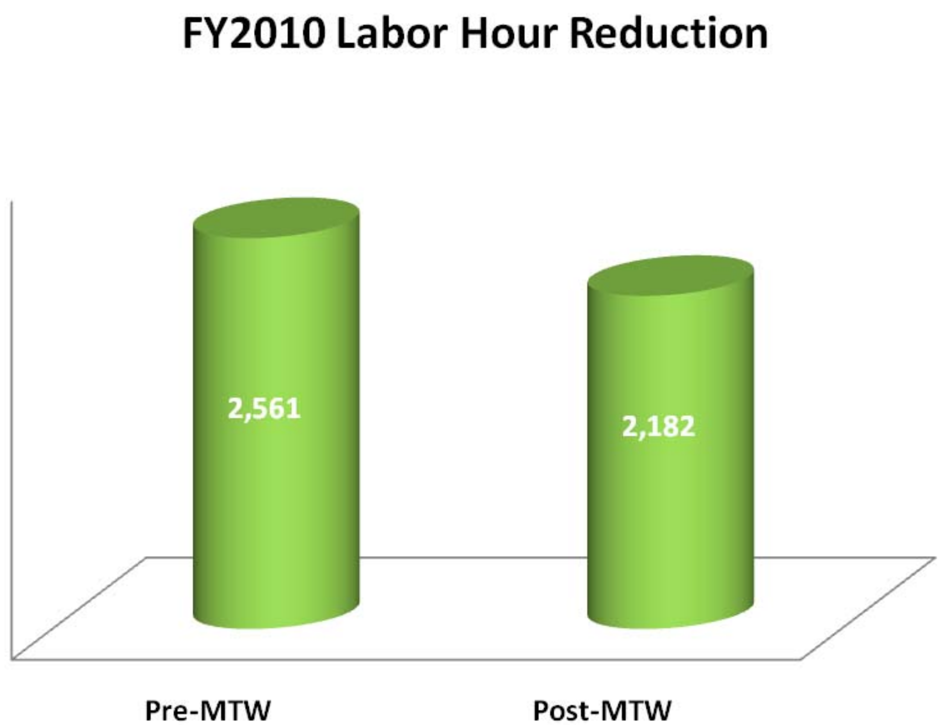
IMPACT OF THE ACTIVITY

HACSC implemented the activity in April, 2010. During the last quarter of the fiscal year, the agency processed 668 new admissions and reexaminations for families who reported one or more forms of 100% excluded income. Staff spend approximately 34 minutes per transaction requesting, verifying and calculating 100% excluded income. Because of this activity, 379 hours of labor were saved when completing these calculations. This resulted in increased staff productivity and thus has met the MTW statutory goal of increasing cost effectiveness. Staff time saved from this activity has been redirected to cross training in other positions and processes, increased customer service and increased quality control functions.

Activity 2010-1: Eliminating Excluded Income from the Income Calculation Process			
Metrics	**Baselines (FY2010)**	**Benchmarks**	**Actual (FY2010)**
Average # of labor hours it takes to process <u>one</u> new admission or reexamination for a family reporting excluded income	3 hours, 50 minutes	3 hours, 16 minutes	3 hours, 16 minutes

FY2010 Results

- 668 MTW families with at least one source of excluded income had income calculations completed.
- Staff spent 2,182 labor hours processing new admissions or reexaminations for families who reported one or more sources of excluded income.
- 367 labor hours were saved by not verifying and calculating this income.



REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The number of families with excluded income may vary from year to year. Therefore, HACSC has revised its baselines and benchmarks for this activity to reflect the average # of labor hours it takes to process one new admission or reexamination for a family reported excluded income instead of the aggregate number of labor hours per year based on the total number of families in this category. The table in the previous section charts the revised metrics.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving to Work Agreement, Attachment C, Paragraph D (1) (c) and Attachment C, Paragraph D (3) (b) and waives certain provision of Sections 8 (o) (5) of the 1937 Act and 24 C.F.R. 982.516, and 982 Subpart E, as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that PHA's must obtain and document in the file third party verification of reported family income.

Excluding Asset Income from Income Calculations for Families with Assets under $50,000 (Activity #2010-2)

DESCRIPTION OF MTW ACTIVITY

HACSC eliminated the tenant income verification step of calculating and including income received from family assets under $50,000. HACSC developed this activity because verification of asset income is often a cumbersome process that yields little benefit. Few applicants or participants have asset income in amounts that significantly affect their total income, yet the time required to make the required calculations is often significant. The new process under this activity is as follows:

- Collect information regarding assets of all family members.
- Obtain and verify applicant/tenant provided documents.
- If total assets of the family amount to less than $50,000, nothing further occurs—no reporting of family assets under $50,000 to HUD and no calculation of anticipated asset income to include in family's total annual income.

IMPACT OF THE ACTIVITY

This activity was proposed in the MTW Annual Plan FY2010 and addresses the statutory objective of reducing administrative costs and may help families move toward economic self-sufficiency by encouraging saving. The majority of participant families have assets under $50,000.

FY2010 Results

This activity was implemented in March 2010 and the time savings was realized immediately. HACSC anticipates a 100% reduction in staff time that would have been used to calculate asset income.

Activity 2010-2: Excluding Asset from Income Calculations for Families with Assets under $50,000			
Metrics	Baselines (FY2009)	Benchmarks	Actual (FY2010)
Average # of labor hours it takes to process one new admission or reexamination for a family reporting asset income	3 hours, 50 minutes	3 hours, 40 minutes	3 hours, 40 minutes
HAP & TRO (average)	$969 & $546 respectively	Slight increase in HAP; TRO not benchmarked	$1195 & $378 respectively

The increase in HAP may be attributed to the increase in the Payment Standard. The overall decrease in TRO (tenant rent to owner) may be attributed to a decrease in participants' income due to unemployment status.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The number of families with asset income may vary on an annual basis. Therefore, HACSC has revised its baselines and benchmarks for this activity to reflect the average number of labor hours it takes to process one new admission or reexamination for a family reporting asset income, rather than the aggregate number of labor hours per year based on the total number of families in this category.

AUTHORIZATION FOR APPROVED ACTIVITY

This proposed activity is authorized in the HACSC Moving to Work Agreement, Attachment C, Paragraph D (1)(c) and Attachment D, Paragraph D(3)(b) and waives certain provision of Sections 8(o)(5) of the 1937 Act and 24 C.F.R. 982.516, and Subpart E, as necessary to implement the Agency's Annual MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require PHA to calculate income from family assets in excess of $5,000.

Apply Current Increased Payment Standards at Interim Reexaminations (Activity 2010-3)

DESCRIPTION OF MTW ACTIVITY

This MTW activity was proposed during the 2010 Annual Plan in order to allow the application of the current payment standard (if the payment standard has increased since the family's last regular reexamination) to the calculation of the monthly housing assistance payment at interim reexaminations. If the payment standard decreases, the decreased payment standard will be effective at the family's next regular reexamination as outlined in HUD regulation 24 CFR 982.505(c)(3).

IMPACT OF THE ACTIVITY

This activity increases housing choices for low-income families by alleviating their rent burden and providing greater freedom of choice to live where they want. This was also intended to reduce administrative costs by relieving HACSC of the staff time required to process family moves into a less expensive unit.

FY2010 Results

HACSC implemented this procedure in the 3rd quarter of FY2010 (in February 2010). The data based on less than one-half year of implementation generally provides some promising indications that this activity is indeed helping families avoid moving by limiting their rent burden.

Activity 2010-3: Apply Current Increased Payment Standards at Interim Reexaminations		
Metrics	**FY2009 Baseline***	**FY2010 Actual**
# of Interim Reexaminations	3,813	4,853
Average HAP	$1,215.18	$1,209.83
Average TRO	$410.25	$350.66
# of moves	1,019*	1,409*
# of moved clients with rent burden	638*	419
# of client moves due to rent burden	Unknown	2

*FY2009 baseline figures were adjusted to reflect the actual fiscal year data. The baselines reported in the FY2010 MTW Annual Plan reported the information for the past twelve months and not necessarily the 2009 fiscal year.

*The total number of moves reported for FY2010 covers the five months when this MTW activity was implemented. Therefore, the baseline measurement for FY2009 only covers the months February to June as well.

HACSC was able to decrease average tenant rent payments and potentially protect 93 families from having to move due to rent burden. Considering there were 101 families (with a combination of both rent burden and an increase in payment standard) and only eight (8) of them moved, staff can assume that there are potentially 93 families that were able to stay in their current units due to an application of an increased payment standard during the interim reexamination.

While these results seem promising, staff realize that rent burden is not the only reason for a family to request a move. Families move for a variety of reasons: move to a better school district for their children, be closer to family, change in job location, etc. Many families in question had to move due to a change in family composition. Having to increase or decrease a bedroom size is not going to be cancelled by a slight increase in payment standard.

The decreases in both average HAP and TRO may indicate a softening rental market with lower contract rents attributable to the current economic recession.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

Our reported number of moves due to rent burden (even after receiving an increase payment standard) may not be 100% accurate. While staff implemented a new procedure to process increased payment standards at interim reexaminations, HACSC is not inputting a special moving reason to differentiate those families that are moving purely due to rent burden versus other reasons. A new method to collect more accurate data will be implemented in FY2011 so staff not only attains more accurate data but also can make a decision on whether or not this activity is worth continuing in the future.

AUTHORIZATION FOR APPROVED ACTIVITY

This proposed activity is authorized in the HACSC Moving to Work Agreement, Attachment C, Paragraph D (1) (c) and Paragraph D (2) (a) and waives certain provisions of Section 8 (o) (1-3), 8 (o) (5), and 8 (o) (13) (H-I) of the 1937 Act, and 24 CFR 982.503, 24 CFR 982.505(5), 24 CFR 982.508, 24 CFR 982.516 and 24 CFR 982.518 as necessary to implement the HACSC MTW Plan.

This waiver was necessary to implement this MTW activity because regular HUD regulations require any changes in payment standard be applied at the client's next regularly-scheduled reexamination.

VII. SOURCES AND USES OF FUNDING

A. SOURCES AND USES OF MTW FUNDS

BUDGETED ACTIVITIES FOR FISCAL YEAR END JUNE 30, 2010

FY 2010 Planned Sources

	Public Housing	Section 8- MTW	MTW Consolidated
Rental Revenue	1,307,564		1,307,564
Section 8 Subsidy*		238,954,000	238,954,000
Operating Subsidy	878,927		878,927
Capital Funds including Replacement Housing Factor	867,160		867,160
Other Revenue**	47,914	360,000	407,914
HUD Non Operating Contributions			
Total Sources	3,101,565	239,314,000	242,415,565

FY 2010 Actual Sources

	Public Housing	Section 8- MTW	MTW Consolidated
Rental Revenue	1,002,929		1,002,929
Section 8 Subsidy*		~~242,148,193~~ 243,836,732	~~242,148,193~~ 243,836,732
Operating Subsidy	950,497		950,497
Capital Funds including Replacement Housing Factor	548,104		548,104
Other Revenue**	~~376,487~~ 978,930	~~363,338~~ 711,524	~~739,825~~ 1,690,454
HUD Non Operating Contributions			
Total Sources	~~2,878,017~~ 3,480,460	~~242,511,531~~ 244,548,256	~~245,389,548~~ 248,028,716

*Section 8 Subsidy: Received more HAP and admin fees than anticipated in the original plan.

** Other Revenue: Received more interest on purchase money notes and investments than planned.

~~*Other Revenue: includes $279K of interest on purchase money note on Rincon Gardens Disposition.~~

FY 2010 Planned Expenditures

	Public Housing	Section 8- MTW	MTW Consolidated
PH Subsidy Transfer			
Housing Assistance Payments		223,532,000	223,532,000
Tenant Services	9,085		9,085
Maintenance	745,906		745,906
Utilities	385,581		385,581
General***	1,885,470	15,782,000	17,667,470
Central Office Cost Allocations			
Total	3,026,042	239,314,000	242,340,042

FY 2010 Actual Expenditures

~~PRELIMINARY- UNAUDITED & SUBJECT TO CHANGE FOR FISCAL YEAR END JUNE 30, 2010~~

	Public Housing	Section 8- MTW	MTW Consolidated
PH Subsidy Transfer			
Housing Assistance Payments		~~242,511,531~~ 221,937,720	~~242,511,531~~ 221,937,720
Tenant Services	66,551		66,551
Maintenance	~~786,591~~ 786,327		~~786,591~~ 786,327
Utilities	393,581		393,581
General***	~~1,562,210~~ 1,347,992	17,340,807	~~1,562,210~~ 18,688,799
Capital Grant Fixed Assets	514,191		514,191
Central Office Cost Allocations	257,543		257,543
Total	~~2,808,933~~ 3,366,185	~~242,511,531~~ 239,278,527	~~245,320,464~~ 242,644,712

***General: Unexpected costs due to data recovery efforts and higher indirect and benefit costs.

B. SOURCES AND USES OF NON-MTW AND STATE/LOCAL FUNDS

FY 2010 Planned Sources

	~~Non-MTW Consolidated~~
~~Rental Revenue~~	
~~Section 8 Subsidy~~	~~1,728,419~~
~~Operating Subsidy~~	
~~Capital Fund (ARRA)*~~	~~1,099,383~~
~~Development Fee~~	~~721,000~~
~~Non HUD Grants~~	~~606,314~~
~~Other Revenue~~	~~7,788,910~~
~~HUD Non Operating Contributions~~	
~~Total Sources~~	~~11,944,026~~

FY 2010 Planned Sources

	Non-MTW Consolidated
Section 8 Subsidy:	
Mod Rehab	994,102
FUP	
VASH	162,634
Mainstream	571,683
Capital Fund (ARRA)*	1,099,383
Development Fee	721,000
Non-HUD Grants	606,314
Other Revenue	7,788,910
HUD Non Operating Contributions	
Total Sources	11,944,026

FY 2010 Actual Sources

	Non-MTW Consolidated
Section 8 Subsidy:	
Mod Rehab	1.169.954
FUP	858,576
VASH	1,718,978
Mainstream	660,363
Capital Fund (ARRA)*	1,099,383
Development Fee	924,912
Non-HUD Grants	434,921
Other Revenue	5,857,614
HUD Non Operating Contributions	
Total Sources	12,724,701

* Federal FY2009 Public Housing Capital Fund Grant award from American Recovery and Reinvestment Act (ARRA) formula funds. This Plan is the Capital Fund Performance and Evaluation Statement listing the planned uses and estimated costs for this grant. All other funds listed will be used for program operations.

FY2010 Planned Expenditures

	Non-MTW Consolidated
Housing Assistance Payments:	
Mod Rehab	869,400
FUP	
VASH	814,800
Mainstream	644,268
Maintenance	1,790,630
Tenant Services	16,200
Utilities	
General	6,583,552
Central Office Cost Allocations	
Total Expenditures	10,718,850

FY2010 Actual Expenditures

	Non-MTW Consolidated
Housing Assistance Payments:	
Mod Rehab	1,042,137
FUP	40,065
VASH	790,404
Mainstream	596,649
Maintenance	1,714,704
Tenant Services	10,104
Utilities	
General	6,309,664
Central Office Cost Allocations	215,624
Total Expenditures	10,719,351

SOURCES AND USES OF COCC

All Public Housing COCC net revenue will be used for low income housing and related operating expenses.

ALLOCATION METHOD FOR CENTRAL OFFICE COSTS

The Housing Authorities of the County of Santa Clara and the City of San Jose have elected to use an allocation method for central office costs (overhead, support departments and facilities) that is consistent with the methodology of OMB Circular A-87.

USE OF SINGLE FUND FLEXIBILITY

Funding flexibility for block grant MTW programs allows agencies to combine resources they previously could not combine in order to better utilize their funding streams to address local program and administrative and operational needs.

HACSC has planned to remove the remaining 355 units of its public housing and transition them to 100% project-based vouchers, eliminating public housing operating subsidy and capital funds from its budget in FY2011.

VIII. ADMINISTRATIVE

A. PROGRESS ON CORRECTIONS OF OBSERVED DEFICIENCIES CITED IN MONITORING VISITS

HACSC had its second MTW site visit in February 2010. HUD provided no observations on any deficiencies during the visit or in any subsequent written report to HACSC.

HACSC has been working diligently in the recovery efforts of the data that was lost due to the technology failure in FY2010. HACSC has been able to recover 1.7 million pages of scanned data and converted them to searchable text documents in the new system. The system is currently online and accessible for staff to search and retrieve documents as needed. HACSC plans to prepare a final status report on the data recovery process to HUD by the end of FY 2011.

B. RESULTS OF AGENCY-DIRECTED MTW DEMONSTRATION EVALUATIONS

A complete review of the results of FY2010 implemented activities can be found in Section VI of this MTW Report. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. HACSC plans to do additional survey-based evaluation in FY2011, and may design and carry out other appropriate evaluation methods.

C. PERFORMANCE AND EVALUATION REPORT FOR CAPITAL FUND ACTIVITIES NOT INCLUDED IN THE MTW BLOCK GRANT

In FY2010, using FY2007 and FY2009 Capital Improvement Program grants, HACSC performed specific repairs and improvements not included in the MTW Block Grant. The allocation and expenses for each project are detailed in Appendix One of this Report.

D. CERTIFICATION THAT HACSC HAS MET STATUTORY REQUIREMENTS

See attached certification in Appendix Two of this MTW Report.

APPENDIX ONE

Actual Capital Grant Sources and Uses by Development 9/27/2010

Sources

2007 Grant		**$17,544**
2009 Grant		**$530,560**
Total		$548,104

Uses

Development Name	General Description of Work	Estimated Cost
Deborah Drive	Permits/Insurance/postage	$ 6,510
Deborah Drive	Pest Control	$ 2,722
Deborah Drive	Payment to Arbor Construction for rehabilitation Proje	$ 124,249
Cypress	Support Services Coordinator	$ 6,438
Lenzen	Support Services Coordinator	$ 4,841
Eklund I	Pest Control	$ 6,207
Eklund I	Payment to Arbor Construction for rehabilitation Proje	$ 207,020
Eklund I	Postage	$ 19
Eklund II	Pest Control	$ 3,113
Eklund II	Payment to Arbor Construction for rehabilitation Proje	$ 182,750
Eklund II	Materials/Postage	$ 22
Sunset	Ramp Repair	$ 4,212
Total		**$ 548,104**

APPENDIX TWO

HOUSING AUTHORITY of the COUNTY of SANTA CLARA

Leaders in *Making a Difference.*

Executive Director
Alex Sanchez

Deputy Executive Director
Jacque Hansen

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

September 28, 2010

On behalf of the Housing Authority of the County of Santa Clara and the Housing Authority of the City of San Jose, I certify that the Agency has met the three statutory requirements of the MTW program during fiscal year 2010:

1. At least 75 percent of the families assisted by the Agency are very low-income families;
2. The Agency has continued to assist substantially the same total number of eligible low-income families as would have been served without MTW; and
3. The Agency has continued to serve a comparable mix of families (by family size) as would have been served without MTW.

Jacque Hansen

Jacque Hansen
Deputy Executive Director

APPENDIX THREE

Approved MTW Activities for the FY2010 reporting period:

		MTW Statutory Objectives		
Activity # *(Plan year proposed + Activity #)*	*Activity*	*Reduce cost and achieve greater cost effectiveness in federal expenditures*	*Provide incentives to families ... leading toward economic self-sufficiency*	*Increase housing choices for low-income families*
IMPLEMENTED BEGINNING IN FY2009				
2009 – 1	Reduced Frequency of Tenant Reexaminations	X		
2009 – 2	Simplification and Expediting of the Income Verification Process	X		
2009 – 3	Reduced Frequency of Inspections	X		
2009 – 5	Exploring New Housing Opportunities for the Chronically Homeless			X
2009 – 10	Selection of HACSC-owned Public Housing Projects for PBV without Competition	X		
2009 – 13	Combined Waiting Lists for the County of Santa Clara and the City of San Jose	X		
IMPLEMENTED BEGINNING IN FY2010				
2009 – 4	Timeline to Correct Housing Quality Standards (HQS) Deficiencies	X		
2009 – 8	Streamlining the Project-Based Voucher Referral Process			X
2009 – 9	Utilization of Low Income Housing Tax Credit (LIHTC) Tenant Income Certification (TIC) for Income and Asset Verification	X		
2009 - 11	**Project-Base 100% of Units in Family Projects**	**X**		**X**

		MTW Statutory Objectives		
Activity # *(Plan year proposed + Activity #)*	*Activity*	*Reduce cost and achieve greater cost effectiveness in federal expenditures*	*Provide incentives to families ... leading toward economic self-sufficiency*	*Increase housing choices for low-income families*
2009 - 14	Payment Standard Changes Between Regular Reexaminations	X		
2010 - 1	Eliminating 100% Excluded Income from the Income Calculation Process	X		
2010 - 2	Excluding Asset Income from Income Calculations for Families with Assets Under $50,000	X	X	
2010 - 3	Applying Current Increased Payment Standards at Interim Reexaminations	X		X
PENDING IMPLEMENTATION AS OF JUNE 30, 2010				
~~2009 - 11~~	~~Project-Base 100% of Units in Family Projects~~	~~X~~		~~X~~
2010 - 4	Allocating Project-Based Vouchers to HACSC-owned Projects Without Competition	X		
2010 - 5	Assisting Over-Income Families Residing at HACSC-owned Project-Based Voucher Properties			X

Note: Obsolete activities are not shown. These were approved as activities 6, 7, and 12 in FY2009. Final reporting on these activities was provided in the FY2009 MTW Annual Report.

APPENDIX FOUR

FY2009 Independent Auditor's Report (OMB-A-133) for HACSC

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)

Single Audit Reports

For the Year Ended June 30, 2009

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
For the Year Ended June 30, 2009

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MGC

MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

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

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Housing Authority of County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 3, 2010. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-01 to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

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

Management's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners of the Authority, the Authority management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Certified Public Accountants
Walnut Creek, California
February 3, 2010

MACIAS GINI & O'CONNELL LLP
Certified Public Accountants & Management Consultants

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SAN DIEGO

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

Independent Auditor's Report on Compliance with Requirements Applicable to Its Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal Awards

Compliance

We have audited the compliance of Housing Authority of County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2009. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

The Authority's basic financial statements include the operations of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. that expended $1,999,472 and $1,462,965 respectively in federal awards for the year ended December 31, 2008, and which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2009. Our audit, described below, did not include the operations of Villa Garcia, Inc or Villa San Pedro, HDC, Inc. because other auditors were engaged to perform the audits of Villa Garcia, Inc and Villa San Pedro HDC, Inc. in accordance with OMB circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Authority, a component unit of the County of Santa Clara, California, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 3, 2010. Our report was modified to include a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners of the Authority, the Authority management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP
Certified Public Accountants

Walnut Creek, California
February 3, 2010

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

(A Component Unit of the County of Santa Clara)

Schedule of Expenditures of Federal and State Awards

For the Year Ended June 30, 2009

Grantor/Pass-Through Grantor/Program Title	Grantor Identifying Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
Pass-through the City of San Jose:			
Community Development Block Grants/Entitlement Grants	HTF-07-006	14.218	$ 65,764
Direct:			
Shelter Plus Care	n/a	14.238	2,769,139
Public and Indian Housing	n/a	14.850	1,023,428
Section 8 Project Based Cluster:			
Lower Income Housing Assistance Program - Section 8 New Construction/ Substantial Rehabilitation - Huff Gardens	n/a	14.182	12,217
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	n/a	14.856	2,003,063
Subtotal Section 8 Project Based Cluster			2,015,280
Section 8 Housing Choice Vouchers	n/a	14.871	225,893,510
Public Housing Capital Fund	n/a	14.872	469,846
Total U.S. Department of Housing and Urban Development			232,236,967
Total Expenditures of Federal Awards			$232,236,967
State of California:			
Pass-through Department of Housing and Community Development (HCD) - Division of Community Affairs - Office of Migrant Services Migrant - Labor Housing (Operation)	07-OMS-844	n/a	28,365
	08-OMS-871	n/a	293,448
Total Expenditures of State Awards			$ 321,813

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

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NOTE 1 – GENERAL

The Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state award programs of the Housing Authority of the County of Santa Clara (the Authority), a component unit of the County of Santa Clara, California. The Authority's reporting entity is defined in Note 1 of the Authority's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule.

NOTE 2 – BASIS OF ACCOUNTING

The Schedule is presented using the accrual basis of accounting.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

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

NOTE 4 - RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal and state award revenues and expenditures agree to or can be reconciled with the amounts reported in the Authority's basic financial statements.

NOTE 5 –DISCRETE COMPONENT UNITS FEDERAL EXPENDITURES

Villa Garcia, Inc. and Villa San Pedro HDC, Inc.'s federal expenditures are excluded from the Schedule because Villa Garcia, Inc. and Villa San Pedro HDC, Inc.'s federal expenditures are separately audited. Expenditures for the programs of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. for the year ended December 31, 2008 listed below are taken from the single audit reports audited by other auditors. The federal expenditures of Villa Garcia, Inc. and Villa San Pedro HDC, Inc. are as follows:

Villa Garcia, Inc.

Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing & Urban Development		
Section 236 Interest Reduction Insured Loan	14.103	$ 305,217
Section 236 Interest Reduction Subsidy	14.103	73,524
Section 201 Flexible Assistance Subsidy Loan	14.164	1,415,905
Section 8 Housing Assistance Payments (HAP) Program	14.182	204,826
Total Federal Expenditures		$ 1,999,472

Villa San Pedro HDC, Inc.

Program Title	CFDA Number	Federal Expenditures
U.S. Department of Housing & Urban Development		
Section 221 (d)(3) Insured Loan	14.135	$ 192,017
Section 201 Flexible Assistance Subsidy Loan	14.164	799,933
Section 8 Housing Assistance Payments (HAP) Program	14.182	471,015
Total Federal Expenditures		$ 1,462,965

Section I — Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on the basic financial statements of the Authority:	We issued an unqualified opinion.
Internal control over financial reporting:	
♦ Material weakness(es) identified?	No
♦ Significant deficienc(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
♦ Material weakness(es) identified?	No
♦ Significant deficienc(ies) identified that are not considered to be material weaknesses?	None reported.
Type of auditor's report issued on compliance for major programs:	We issued an unqualified opinion.
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	None

Identification of major programs?

U.S Department of Housing and Urban Development
Section 8 Housing Choice Vouchers (14.871)

Dollar threshold used to distinguish between type A and type B programs:	$3,000,000
Auditee qualified as a low-risk auditee?	Yes

Section II - Financial Statement Findings

Significant Deficiency #1 – Item 2009-01
Accounting for Defeasance of Long Term Obligations

Criteria
A *Legal Defeasance* under accounting standards occurs when long-term obligations is legally satisfied based on certain provisions in the debt instrument even though the obligation is not actually paid. Whereas, an *In-Substance Defeasance* occurs when long-term obligations is considered defeased for accounting and financial reporting purposes even though a legal defeasance has not occurred. Debt is considered defeased in substance for accounting and financial reporting purposes if the debtor irrevocably places cash or other assets with an escrow agent in a trust to be used solely for satisfying scheduled payments of interest and principal of the defeased debt, and the possibility that the debtor will be required to make future payments on that debt is remote. Furthermore, the trust is restricted to holding only monetary assets that are essentially risk-free as to the amount, timing, and collection of interest and principal.

Condition
As part of the Authority's disposition of Conventional Public Housing improvements/projects, the Authority defeased its outstanding Certificates of Participation Series 2004 bonds on September 8, 2008. The Authority funded the escrow with $2,021,541 of available balances of the Series 2004 bond funds and a $2,140,128 advance from the Authority's other funds and invested these funds in United States Treasury Obligations, State and Local Government Series. These investments were used to defease all of the outstanding Certificates, in the aggregate amount of $3,895,000, and to pay interest on and principal and redemption price of the Certificates through and including April 1, 2011.

During our audit, we noted that the Authority reported the investments held in the escrow for defeasance, the defeased Certificates of Participation Series 2004 bonds, as well as related interest income and expenses on the Authority's financial statements as of June 30, 2009. Under Governmental Accounting Standards Board (GASB) Statement No 23, *Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Fund*, the Authority should remove these balances from its financial statements at the time of defeasance and report the gain/loss from this transaction on its operating statement. As a result, the Authority's assets were overstated by $3,976,037, liabilities were overstated by $3,755,048, and its changes in net asset were overstated by $220,989. The Authority subsequently recorded an adjustment to correct these overstatements in the June 30, 2009 financial statements.

Cause
Authority staff was unfamiliar with the accounting standards and pronouncements on transactions relating to defeasance of long term obligations.

Section II - Financial Statement Findings (Continued)

Significant Deficiency #1 – Item 2009-01 (continued)

Recommendation
As the Authority enters into non-routine complex transactions, the Authority staff should obtain additional understanding of the background and nature of the transactions and perform research to ascertain proper accounting and disclosures of these transactions.

Management Response
Legally, despite the defeasance, these bonds are still a liability of the Authority until fully paid. In accordance with the concept of "Prudence and Conservatism", a guiding basis of Accounting Standards and Pronouncements, including GASBs, we were of the opinion that to present the defeased bond liability and the corresponding trust assets on the Authority's Statement of Net Assets, would ensure full disclosure and presentation of the Authority's financial statements.

However, we agree that these bonds are *In-substance Defeased*, and GASB 23 specifically requires, despite the legal liability, these bonds not be presented on the Authority's financial statements as stated above in the *criteria* paragraph. Accordingly, we concur with the adjustment proposed by our auditors and corrected the Authority's financial statements for the year ended June 30, 2009. Also, management will further its research and consult with outside professionals on future non-routine complex transactions.

Section III - Federal Award Findings and Questioned Costs
No matters were reported.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Summary Schedule of Prior Audit Finding
For the Year Ended June 30, 2009

No matters were reported in prior year.