Moving to Work (MTW)
2011 Annual Report

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

Revised December 28, 2011

HOUSING AUTHORITY of the COUNTY of SANTA CLARA

Leaders in *Making a Difference.*

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA

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.

TABLE OF CONTENTS

I. INTRODUCTION AND OVERVIEW

Purpose of This Report

This annual report, the third since the Housing Authority of the County of Santa Clara (HACSC) entered the Moving to Work (MTW) program, provides detailed information on how HACSC performed in carrying out its planned MTW program for fiscal year (FY) 2011 (July 1, 2010 through June 30, 2011). A ten-year MTW Agreement was signed by HACSC and 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.

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 throughout the county. HACSC is the largest housing authority in Northern California and is the second largest in the state. The Agency currently assists approximately 19,000 families, works with approximately 9,000 property owners, and owns or controls[1] over 2,100 units of affordable housing throughout the County. HACSC is one of just 33 MTW agencies among more than 3,000 public housing authorities across the United States.

Purpose of MTW

In 1996, Congress established a federal MTW demonstration program, which links federal goals with locally-designed actions. The MTW program 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 HACSC continues to serve at least as many households and substantially the same mix of program participants (in terms of income level and family size) as before receiving MTW designation.

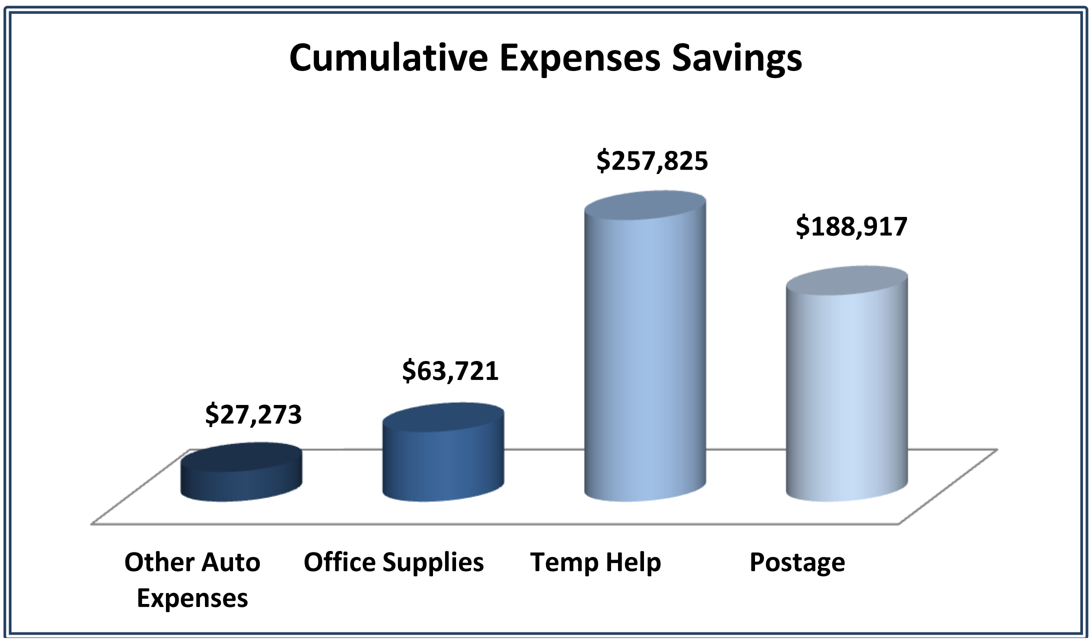
Fiscal Year 2011: HACSC's Overall MTW Progress

HACSC has successfully implemented or continued all MTW activities approved in FY2008-FY2011. Each of these activities improves the speed and quality of administrative processes and customer service in HACSC's voucher programs (including Project Based Vouchers). Section

[1] HACSC controls certain properties through affiliated non-profit corporations.

VI of this report describes the status and impact of each activity and Appendix Two provides an activity checklist.

Increasing the cost-effectiveness of its voucher program continued to be the focus and major success of HACSC's MTW program in FY2011. Through its major initiatives first launched in FY2009—including conducting less frequent and more efficient housing quality inspections and participant reexaminations—HACSC achieved 50 percent or greater reductions in key work tasks while improving accuracy through broad training initiatives. These labor savings are valued at $3.5 million cumulatively for the years FY2008-2011. HACSC has also saved over $500,000 in cumulative direct expense savings (such as office supplies, temporary help, and postage) as a result of these MTW Activities since FY2008. The graph below illustrates the cumulative expense savings realized from administrative streamlining.



While two of HACSC's implemented activities are considered "rent reform," their major impact has been primarily in streamlining voucher program administration. In FY2011, HACSC conducted an in-depth needs assessment for affordable housing and services for special needs populations in Santa Clara County. HACSC also studied rent reform models of other MTW agencies.

This assessment provided HACSC with valuable insight into how to progress toward one of the Agency's upcoming goals which is comprehensive rent reform. The study provides detailed demographic information that will inform decision making, allowing for the evaluation of possible impacts proposed rent reform initiatives will have on participant families. This research continues into FY2012 and will provide HACSC with valuable data and a "reality check" about the possibilities for pursuing rent reform models that encourage participant families to strive for economic self-sufficiency. The high cost of living in Silicon Valley necessitates careful planning and coordination for this type of rent reform to succeed.

This year also saw the launch of the Chronically Homeless Direct Referral Program (CHDR), in partnership with local stakeholders and case management providers. CHDR is designed to efficiently pair rental assistance vouchers with supportive case management to serve identified chronically homeless families. HACSC successfully issued all of the 200 vouchers that were set aside for the CHDR program during the fiscal year.

Successful Initiatives in Concert with MTW Activities

HACSC made significant progress in FY2011 on several strategic efforts agency-wide, all of which enhance the financial soundness of the Agency, and each of which coordinates with and benefits from MTW-enabled Activities and/or block grant flexibilities. These initiatives include:

1. Collaborative administration (with community service providers) and expansion of vouchers for special populations, including Veterans Affairs Supportive Housing (VASH), Shelter Plus Care (SPC), and Non-Elderly Disabled Vouchers (NED).
2. Business process review of voucher program operations in concert with planning for launch of new voucher program software expected in December 2011.
3. Conditional awards of project based vouchers to eight properties (totaling 87 units) for special needs populations.
4. Disposition of 335 public housing units; only 20 public housing units remain for disposition.
5. Transition to third-party management of HACSC-owned or -controlled affordable housing properties.
6. Improved and expanded resident services at HACSC properties.

Details about these successes are provided in Section III and IV of this report.

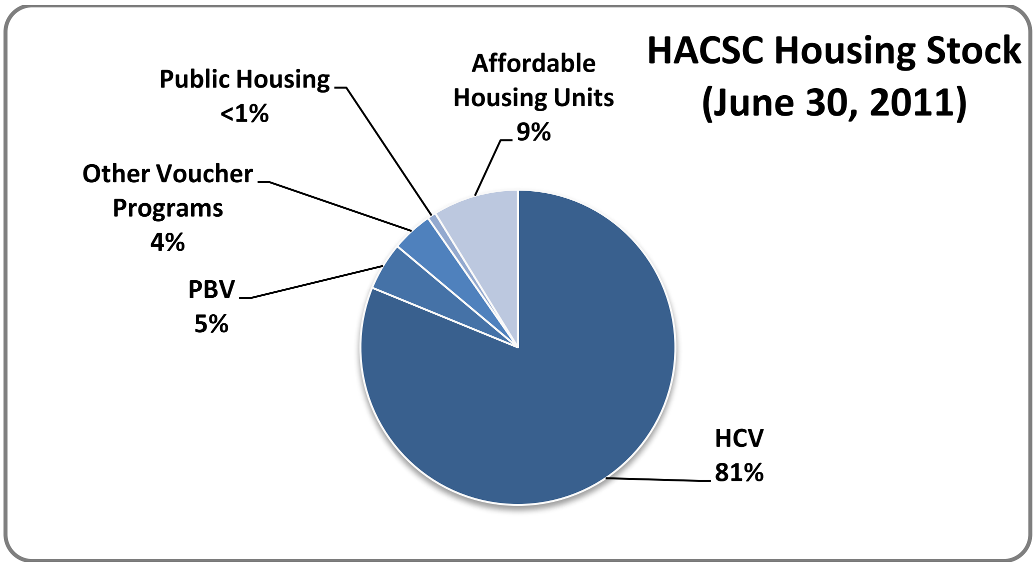
Long-Term MTW Plans and Source/Use of Funds

Section IV of this report briefly outlines HACSC’s long-term plans for its MTW program, highlighting the connections between current Activity implementation, in-depth research and planning—particularly around economic self-sufficiency of tenants and affordable housing development—and longer-term program goals. Section VII of this report provides details on the sources and uses of HACSC’s MTW and non-MTW funds in FY2011.

II. GENERAL HACSC OPERATING INFORMATION

Information about the types and number of HACSC's housing units and vouchers, the number of units leased in FY2011, and any changes of the Agency's waiting lists are included in this section.

HACSC administers different rental assistance and affordable housing programs which together assist approximately 19,000 low-income families. These low-income families are provided assistance through programs which include the Housing Choice Voucher (HCV), Project Based Voucher (PBV), Veterans Affairs Supportive Housing (VASH), and public housing. As of the end of FY2011, the Agency also had over 2,100 units of affordable housing throughout Santa Clara County.



Housing Stock Information

1. Public Housing Units and Planned Capital Expenditures

Number of Public Housing Units: 20

On September 26, 2007, HACSC was granted approval by HUD 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).

Beginning on September 16, 2008, ownership of the first 200 public housing units at Rincon Gardens, a senior complex, was transferred to a tax-credit limited partnership. During FY2011, HACSC transferred ownership of 335 additional public housing units. HACSC expects to receive HUD written approval of the disposition plan for the remaining 20 public housing units in FY2012.

Table 1: List of Public Housing Properties transferred through disposition in FY2011

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	Family	16
	Total	**335**

Table 2: List of Public Housing Properties to be transferred through disposition

Development	Type	Number of Units
Deborah Drive	Family	4
Eklund Gardens I	Family	10
Eklund Gardens II	Family	6
	Total	**20**

The renovations of the remaining 20 Public Housing units were completed in FY2010 using previous fiscal year Capital fund and American Recovery and Reinvestment Act (ARRA) grants. All FY2010 public housing capital grant funds were expended by the end of FY2011.

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

In FY2011, HACSC was authorized to serve 16,613 households throughout the County of Santa Clara under its MTW program. These include the following programs:

15,601 Tenant-based Vouchers
1,012 Project Based Vouchers

Additionally, the following non-MTW units were authorized during FY2011:

53 Mainstream Vouchers
93 Moderate Rehabilitation units
191 Shelter Plus Care units
335 Veterans Affairs Supportive Housing (VASH) Vouchers*
100 Family Unification Program Vouchers
10 Non-Elderly Disabled Vouchers

*In FY2012, HACSC was awarded an additional 100 VASH vouchers for a total of 435.

Table 3: Number of MTW Housing Choice Voucher Units Authorized at the Beginning and End of FY2011

Type	Authorized 7/1/10	Authorized 6/30/11
Tenant-Based	15,850	15,601
Project-Based	763	1,012
Total	**16,613**	**16,613**

Table 4: Number of Non-MTW Units Authorized at the Beginning and End of FY2011

Type	Authorized 7/1/10	Authorized 6/30/11
Mainstream	53	53
Moderate Rehabilitation	95	93
Shelter Plus Care	166	191
Veterans Affairs Supportive Housing	210	335
Family Unification Program	100	100
Non-Elderly Disabled Program	0	10
Total	**624**	**782**

3. Non-MTW / Non-Voucher Local Housing Program

10 Tenant Based Rental Assistance for the City of Sunnyvale

4. Number of HCV Units Project-Based or Committed During FY2011

Six former Public Housing properties, totaling 335 units, were transferred to a tax credit partnership and entered Project Based Voucher contract during FY2011. (See Table 1, above) HACSC previously awarded 120 Project Based Vouchers to Fair Oaks Senior Housing and 25 vouchers to Kings Crossing. At the owner's request, HACSC amended the AHAP for Fair Oaks Senior Housing (originally executed in April 2010) to reduce the number of PBV units to 93. Both projects are nearing construction completion and will be ready to accept families into residency in FY 2012. In addition, HACSC conditionally awarded 87 Project Based Vouchers in FY2011 to house special needs populations, such as the elderly, the homeless and persons with disabilities.

Table 5: Properties Project Based or Committed to PBV in FY2011 (Non Public Housing)

Name of Project	Location of Project	Number of PBV Units
Fair Oaks Plaza	Sunnyvale	93
Kings Crossing	San Jose	25
Crescent Terrace	Sunnyvale	20
Carroll Inn	Sunnyvale	20
Tully Gardens	San Jose	20
Gish Apartments	San Jose	6
Casa Feliz	San Jose	6
Anne Way Residence	Los Gatos	5
Blossom Hill Residence	Los Gatos	5
Llewellyn Residence	Campbell	5
Total		**205**

4. Other Housing Managed by HACSC

The majority of affordable housing properties owned or controlled by HACSC are administered by third-party property management companies as of the end of FY2011. These properties are a mix of senior, family, and other housing. A HACSC-owned subsidiary is managing other affordable housing units and anticipates that management of these units will transfer to a third-party property manager by the end of FY2012.

Table 6: Other Housing Managed by HACSC by type

Type of Housing	Number of Units
Tax Credit Senior Housing	1153
Tax Credit Family Housing	865
Other Housing	283
Total	**2301**

Table 7: Tax Credit Senior Housing

Name of Project	Location of Project	Number of Units
Avenida Espana	San Jose	84
Bracher Senior	Santa Clara	72
Cypress Gardens*	San Jose	125†
DeRose Gardens	San Jose	76
El Parador	San Jose	125
John Burns Gardens	Santa Clara	100
Lenzen Gardens*	San Jose	94†
Morrone Gardens	San Jose	102
Rincon Gardens*	Campbell	200†
Sunset Gardens*	Gilroy	75†
Villa Hermosa	San Jose	100
	TOTAL	**1153**

*These properties also include non-elderly disabled.
†These properties also include Project-Based vouchers.

Table 8: Tax Credit Family Housing

Name of Project	Location of Project	Number of Units
Blossom River Apts.	San Jose	144
Helzer Courts	San Jose	155
Huff Gardens	San Jose	72
Julian Gardens	San Jose	9†
Klamath Gardens	Santa Clara	17
Lucretia Gardens	San Jose	16†
Miramar	Santa Clara	16†
Opportunity Center	Palo Alto	89†
Pinmore Gardens	San Jose	51
Poco Way Apts	San Jose	129†
Rivertown	Santa Clara	100
San Pedro Gardens	Morgan Hill	20
The Willows	San Jose	47
	TOTAL	**865**

†These properties also include Project-Based vouchers.

Table 9: Other Housing

Name of Project	Location of Project	Type of Housing	Number of Units
Artuo Ochoa Migrant Center	Gilroy	Farm Worker Housing	100
Villa Garcia	San Jose	HUD 236, Sec 8 PBA	80
Villa San Pedro	San Jose	Sec 8 221 (d)3, Sec 8 PBV	100
Seifert House	San Jose	Single Family Home	3
Total			**283**

Leasing Information

1. Public Housing

At the end of FY2011, HACSC had a total of 20 MTW public housing units, all of which were occupied. There are no non-MTW public housing units in HACSC's housing stock.

2. Housing Choice Voucher Program

Cost efficiencies created through its MTW authority have allowed HACSC to over-lease its voucher program. As of June 30, 2011, the Agency was leasing 16,937 of its MTW vouchers, which represents 102% of its 16,613 available vouchers. This over-leasing has allowed HACSC to assist 324 additional families.

Table 10: Non-MTW Units Leased as of 6/30/11

Non-MTW Vouchers	Leased as of 6/30/11
Mainstream	52
Mod Rehab	93
Shelter Plus Care	185
VASH	287
FUP	99
NED	0
Total	716

3. Issues Related to Leasing HCV or Public Housing Units

There were no issues related to leasing HCV or Public Housing units in FY2011. Although the local rental market saw an increase in contract rents and a decrease in vacancies, HACSC was able to maintain at least 100% lease up with the payment standards set at 93% of published Fair Market Rents.

4. Project Based Vouchers

As of the end of FY2011, HACSC has 1,012 Project Based Vouchers under contract. All Project Based Vouchers are anticipated to be leased-up in FY2012.

Waiting List Information

The Agency maintains a combined waiting list for the City and County. The waiting list for the HCV programs, including tenant-based, project-based, and the Moderate Rehabilitation program, was opened in April 2006. In October 2010, HACSC updated the list—resulting in a reduction from 53,279 to just over 20,000-- a significant decrease in the number of applicants. However, given that the program is over-leased and that the voucher turnover rate is low, at this point applicants on the waiting list can expect to wait approximately 5 years before receiving assistance.

HACSC has site-based waiting lists for its three former senior public housing properties and one family public housing site. These waiting lists were updated in FY2011 and are being used to fill the vacancies that occur at former public housing properties which converted to PBV. When these waiting lists are exhausted, vacancies at these sites will be filled from the HCV waiting list.

As of June 30, 2011, below are the demographics of applicants on HACSC's voucher waiting list.

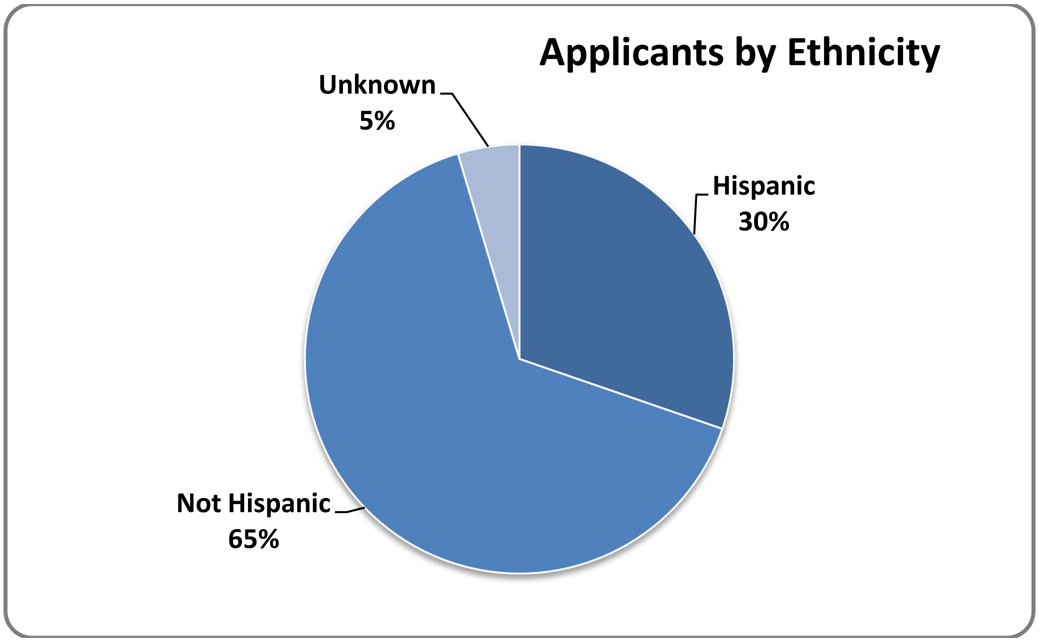
Table 11: HCV Applicant Income Levels

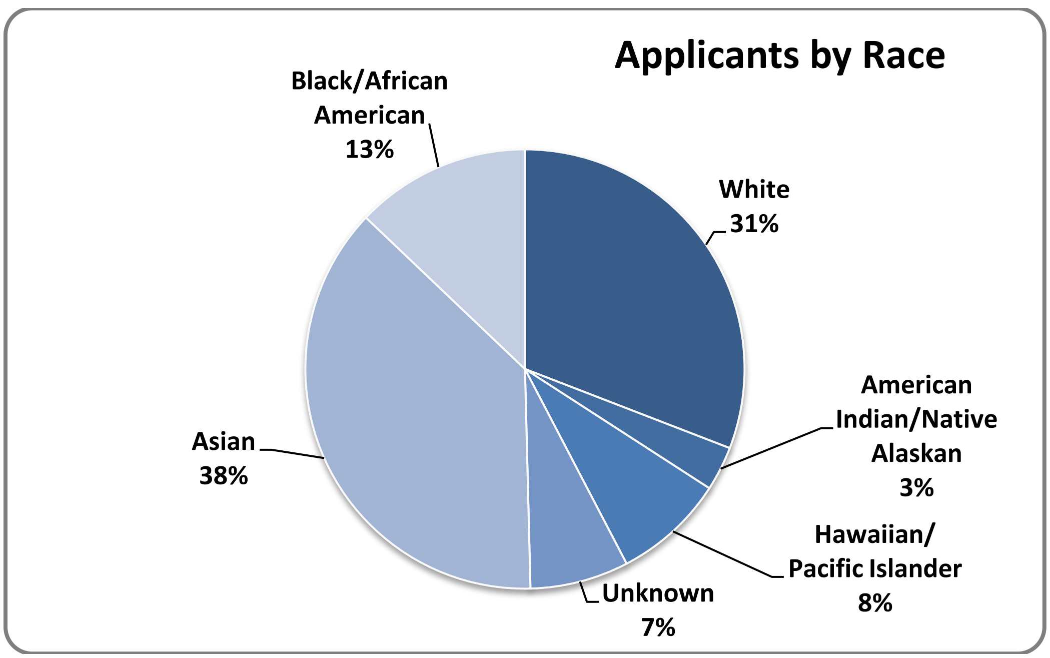
Income Category	Total
Extremely Low Income	15237
Very Low Income	4206
Low Income	472
Over Low Income	62
Unknown Income	451

Table 12: HCV Applicant Special Populations

Family Type	Number of Applicants
Elderly	4317
Disabled	4324
Elderly & Disabled	1287

Ethnicity & Race Demographics– Section 8 HCV Waiting List





III. NON-MTW RELATED HACSC INFORMATION

In addition to taking advantage of its MTW flexibility, HACSC continued to enhance other aspects of its programs in various ways:

- Neared completion of the disposition of HACSC's public housing. Twenty units of a total of 555 former public housing units remain to be transferred to a business entity that will be managed by an affiliated non-profit corporation in FY2012.

- Made a strategic business decision to phase out and transfer HACSC-provided property management for all HACSC-owned or -controlled affordable housing properties. The complete transition is expected to take place in later FY2012.

- In partnership with the Palo Alto Veterans Affairs Medical Center (VAMC), HACSC administered 335 VASH vouchers in FY2011. Due to the success of HACSC's VASH program, HUD awarded HACSC with an additional 100 VASH vouchers for FY2012. All VASH recipients in Santa Clara County receive extensive case management services provided by the VAMC.

- Administered the Shelter Plus Care (SPC) Grant, which served 191 participants in FY2011. SPC combines housing rental assistance subsidies with supportive case management services. Of the 191 participants, 171 were homeless and disabled, and 20 were chronically homeless and disabled.

- Implemented the City of Sunnyvale Tenant-Based Rental Assistance program in order to provide limited-term rental assistance to approximately 10 very low-income Sunnyvale residents who meet specific jurisdictional preferences.

- Conducted an in-depth review of current business processes to further streamline administrative responsibilities in the voucher program and to help ensure continued successful program management if administrative fee funding decreases.

- Initiated an on-going comprehensive analysis of cost savings measures in the HCV program with the goal of reducing HAP while continuing to serve the same number of families.

- Conditionally awarded project-based vouchers to 87 units in eight properties that will serve special needs populations.

- Met the requirements of the Memorandum of Understanding with HUD regarding the data recovery effort to secure HCV program data and to ensure the ongoing integrity of electronic information.

- Continued implementation of the process to launch new voucher program software.

IV. LONG-TERM MTW PLAN

HACSC seeks to use its MTW status and the “broader use of funds” flexibility recently granted under an amendment of its MTW Agreement to design and carry out a range of programs and activities that will increase housing opportunities for low-income families. The Agency has identified specific long-term goals in this direction and these goals and the progress HACSC has made in realizing them are described in this section.

The Housing Authority is committed to expanding the stock of affordable housing in Santa Clara County through the acquisition of existing properties or the development of new properties. HACSC plans to meet this goal through leveraging its MTW funds to create innovative financing and development strategies independently or through joint venture partnerships. Recently, the Agency issued a Request for Proposals (RFP) for “Affordable Housing Acquisition and Development Fund Projects.” The RFP invited owners and developers of affordable housing to either sell HACSC an existing parcel of land or rental property suitable for affordable housing or to partner with HACSC to fund an affordable housing project already planned or developed.

The Agency will be designing and adopting rent reform policies that will link tenant rent restructures with access to job training and placement programs and other appropriate services. To meet this goal, HACSC has begun a needs assessment of its program participants to identify which groups are most likely to benefit from rent reform activities and to identify what types of activities will be most successful in providing incentives for work-able participants to increase their earning capacity and strive for economic self-sufficiency. In conjunction with this study, HACSC is also developing and expanding its partnerships with community agencies that can provide support to participants in meeting their economic goals.

HACSC is also leveraging its MTW funds to increase opportunities for those especially vulnerable families and individuals—including the chronically homeless, disabled, and elderly fixed income—to obtain and retain affordable housing and provide supportive services to help them live as independently as possible. In FY2011, the Agency finalized the design of its Chronically Homeless Direct Referral program and set aside 200 vouchers for the program. This program links rental assistance, case management and targeted services to chronically homeless persons to reintegrate them into the community. By the end of FY2011, 184 chronically homeless clients were housed and 16 more had vouchers in hand. The Agency has begun plans to carry out an in-depth study to identify the most effective case management programs and identify ways to optimize the CHDR program.

In FY2011, HACSC partnered with the Silicon Valley Independent Living Center (SVILC) to apply for program vouchers for the disabled and was awarded ten Category 2 Non-Elderly Persons with Disabilities (NED) vouchers from HUD. Category 2 vouchers are specifically targeted at non-elderly households with disabilities transitioning from nursing homes and other health care institutions. HACSC will work with SVILC to lease-up all ten vouchers in FY2012.

To continue to meet the goal of serving special needs populations, in FY2011 HACSC completed a needs assessment to identify the local populations most in need of affordable housing and HACSC issued an RFP in April, 2011 inviting rental property owners to project-base up to 20 of their units to the elderly, chronically homeless or persons with disabilities. Owners providing supportive services directed to these populations were given extra consideration in the selection process.

HACSC also plans to use its MTW funds to operate, manage and maintain affordable housing that the Agency owns or controls, including its recently converted public housing properties. To this end, HACSC is identifying and prioritizing the affordable housing properties in its portfolio that need additional capital investment for their preservation, modernization or rehabilitation. As these properties are identified, HACSC will use its MTW authority to provide and create additional financing opportunities to maintain and improve these properties.

HACSC will continue to design and implement innovative strategies to use funds in more cost-effective ways. In FY2010, HACSC started the process to transition to a new voucher program software system and the transition is scheduled to be completed in FY2012. In alignment with a recently conducted business process review, HACSC anticipates that the new software system will assist in streamlining business processes and create improved tracking of special programs.

HACSC will continue to assist low-income families by over-leasing in the HCV program as needed based on local rental market conditions. In future development of its MTW program, HACSC will 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. MTW ACTIVITIES PENDING IMPLEMENTATION

All MTW activities, proposed by HACSC and approved by HUD, were implemented by the end of FY2011. HACSC does not have any pending activities to report on in this section.

VI. ONGOING MTW ACTIVITIES (Implemented)

The following MTW activities were approved by HUD and were implemented by HACSC in FY2011:

Activity	Title
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
2010-4	Allocate Project Based Vouchers to HACSC-Owned Housing Projects without Competition
2010-5	Assisting Over-Income Families Residing at HACSC-Owned PBV Properties
2011-1	Streamlined Approval Process for Exception Payment Standard for Reasonable Accommodation
2011-2	Simplify Requirements Regarding Third-Party Inspections and Rent Services

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 FY2011 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

This activity provides a revised reexamination period depending on the type of income a participant family receives. Participants with fixed income are reexamined on a triennial basis and participants with non-fixed income are reexamined biennially. The new reexamination period was implemented midway through FY2009; during the first half of FY2011 the implementation period was completed with all remaining households receiving their new reexamination schedule. The goal of this activity was to achieve greater cost effectiveness in federal expenditures by reducing the frequency of participant reexaminations in the voucher program.

IMPACT OF THE ACTIVITY

HACSC completed its first round of MTW reexaminations in December, 2010. Since implementing this activity, the Agency has reduced the total number of biennial and triennial reexaminations by over 60% from its baseline year. Correspondingly, the number of labor hours and labor dollars spent to conduct regular reexaminations is well below the baselines for their category.

This activity allows HACSC additional time to focus on improving the quality of service to clients, stakeholders and partners. The reduction in the workload also allows additional time for staff to be trained or retrained both in fundamental processes and in other program responsibilities, as well as allowing more time when interviewing clients and responding more quickly to participant needs. In FY2011, HACSC cross-trained all of its Housing Programs Specialists to allow each to perform the full range of job duties, including reexaminations and inspections. This cross-training provides for broader program knowledge as well as flexibility in assignment.

FY2011 RESULTS

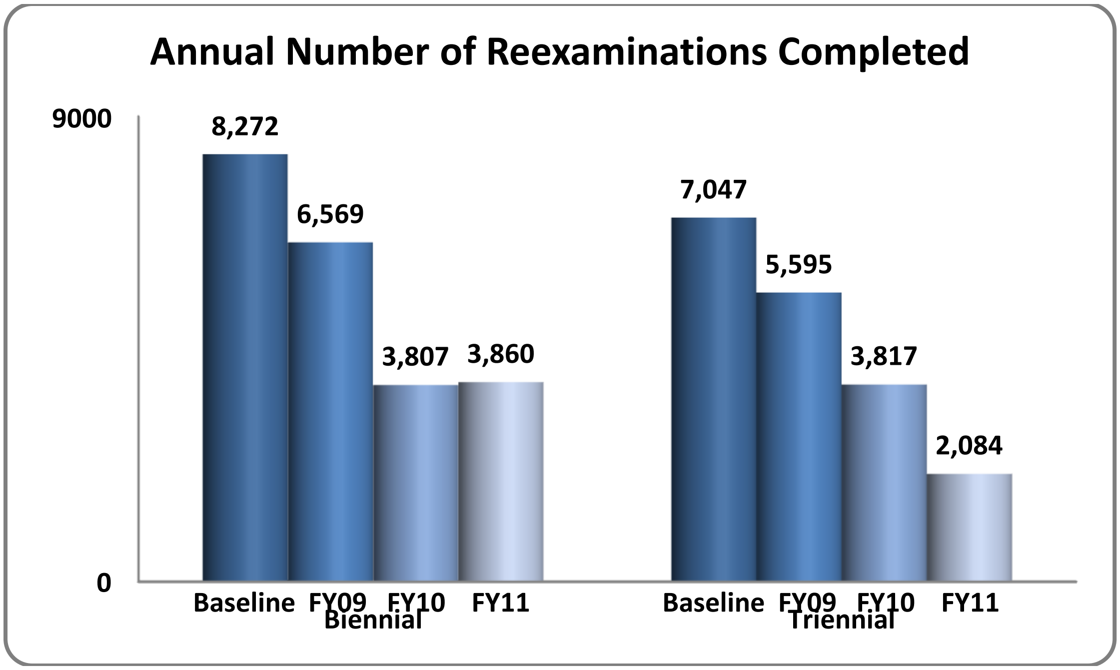
In FY2011, 5,944 reexaminations were processed or 61% fewer reexaminations than the baseline of FY2008. This resulted in a labor savings of 37,207 hours from the baseline year. The savings resulting from this reduction of workload is valued at approximately $923,448 in total labor cost savings when compared to the established baseline.

Compared to the rent calculation error rate of 10 percent from FY2010, the rate for FY2011 has decreased significantly to 4.5 percent. With the availability of additional staff time to focus on quality of the work and training, the error rate is now below the 5 percent benchmark set for this activity.

Activity 2009-1: Reduced Frequency of Participant Reexaminations					
Metrics	**Baselines (FY2008)**	**Benchmark**	**Actual (FY2009)**	**Actual (FY2010)**	**Actual (FY2011)**
Number of Biennial reexaminations completed	8,272	4,136	6,569	3,807	3,860
Number of Triennial reexaminations completed	7,047	2,326	5,595	3,817	2,084
Labor hours to conduct reexaminations	61,930	30,965	49,175	30,477	24,723
Labor dollars to conduct reexaminations	$1,537,097	$768,548	$1,220,526	$769,549	$613,649
Material costs of conducting reexaminations	$103,412	$51,706	$82,115	$29,571	$23,034
Rent calculation error rate (for biennials and triennials)	11%	5%	13%	10%	4.5%
Number of interim reexaminations completed	3,768	3,955	3,813	4,853	5,173

During the period of January 2009 to December 2010, families were seen on an alternating monthly schedule and after this first reexamination under MTW, families had their next projected reexamination date set at two- to three-year intervals depending on their sources of income. The number of actual triennial reexaminations completed in FY2011 was lower than the original benchmark of 3,524 (50% of baseline) because the last 6 months of FY2011 reflects the actual family reexaminations completed using their new reexamination schedule. Families on the triennial cycle will be seen starting the second half of FY2012.

The number of interim reexaminations significantly exceeded the benchmark. The income changes of participant families are dynamic and will affect the number of interim reexaminations conducted. The high number of interims may be attributed to a number of factors including the dramatic reduction in welfare benefits, the loss of unemployment compensation due to the family member having received the maximum allowable extensions, and the economic instability which causes fluctuation in hours worked and employment status.



REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

There has been a revision to the triennial benchmark to reflect expected levels based on the full implementation schedule. There have been no other revisions to baselines, benchmarks, metrics and data collection methodologies for this activity from those identified in the FY2010 MTW Report. As this activity is now fully implemented, HACSC may review the metrics in FY2012 to identify if modifications are warranted for future reporting.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's MTW 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 was required for this activity because HUD regulations require annual reexaminations.

IMPACT OF RENT REFORM INITIATIVE

This activity qualifies as a Rent Reform Initiative because it involves a change in the rent calculation method.

This activity promotes economic self-sufficiency and creates an incentive for families to seek and retain employment. HACSC only requires families to report a change in the type of income;

even if this change results in a higher rent calculation, HACSC will not apply the higher tenant rent to owner (TRO) payment until the next scheduled reexamination.

In FY2011, no participants requested a hardship exemption from this activity. However, if a hardship request is received it will be handled on a case by case basis.

Expediting Initial Eligibility Income Verification Process (Activity #2009-2)

Formerly 'Simplification and Expediting of Income Verification Process'

DESCRIPTION OF MTW ACTIVITY

This activity originally had two purposes: to simplify HUD's hierarchy of verification and to extend the verification submission window for applicants from 60 days to 120 days. In FY2010, HUD issued PIH Notice 2010-19 which reduced the need for third-party verifications. Therefore, HACSC discontinued this part of the activity. HACSC continued the extension of the applicant documentation window from 60 to 120 days to insure that applicants were not inconvenienced by having to provide repeated income documentation if it became too old before voucher issuance and that the residents affected by the public housing disposition were transferred from public housing to the Project Based Voucher program with no lapse in assistance. HACSC has renamed the activity to accurately convey its new focus.

IMPACT OF THE ACTIVITY

Because Tenant Income Certification (TIC) documentation was available for public housing residents transitioning to project-based housing that was also tax-credit housing (LIHTC), it appears that extending the documentation submission window from 60 to 120 days did not benefit these clients in FY2011. HACSC's last 20 units of public housing will complete the disposition process in FY2012. In addition, because HACSC was over-leased in its voucher program, HACSC's had limited new admissions in FY2011 and was able to verify new admission eligibility within the 60 day window for all other applicants. However, the Agency will keep the activity in place and review results for this activity in future years before making any decisions on its continued viability.

FY2011 RESULTS

During FY2011, there was no need to use the 120-day document submission window as documents were processed within the regulatory 60 days.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

There are no revisions to benchmarks, metrics, and data collection for this activity. In the FY2010 MTW Report, HACSC had planned on conducting additional survey-based evaluations with program participants to gauge support for this activity, but there was no need to do so in light of the fact that there was no need to use this activity 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. In future MTW plans and reports, HACSC will no longer track and report on this activity.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

Reduced Frequency of Inspections (Activity #2009-3)

DESCRIPTION OF MTW ACTIVITY

Under this activity, HACSC conducts biennial inspections of assisted units occupied by MTW families. HACSC created this activity because the staff time and administrative costs associated with the normally required annual inspections was excessive and disproportionate to the benefits, especially for those units that do not have a history of Housing Quality Standards (HQS) deficiencies. The Agency provides on-going HQS trainings to staff and informational workshops to participating owners to enhance their understanding of HQS in an ongoing effort to ensure program participants are living in safe, decent and sanitary housing. In implementing this activity and in ongoing communication with owners and participants, staff stresses that an inspection will be conducted on assisted properties if a property owner or participant request a special inspection.

IMPACT OF THE ACTIVITY

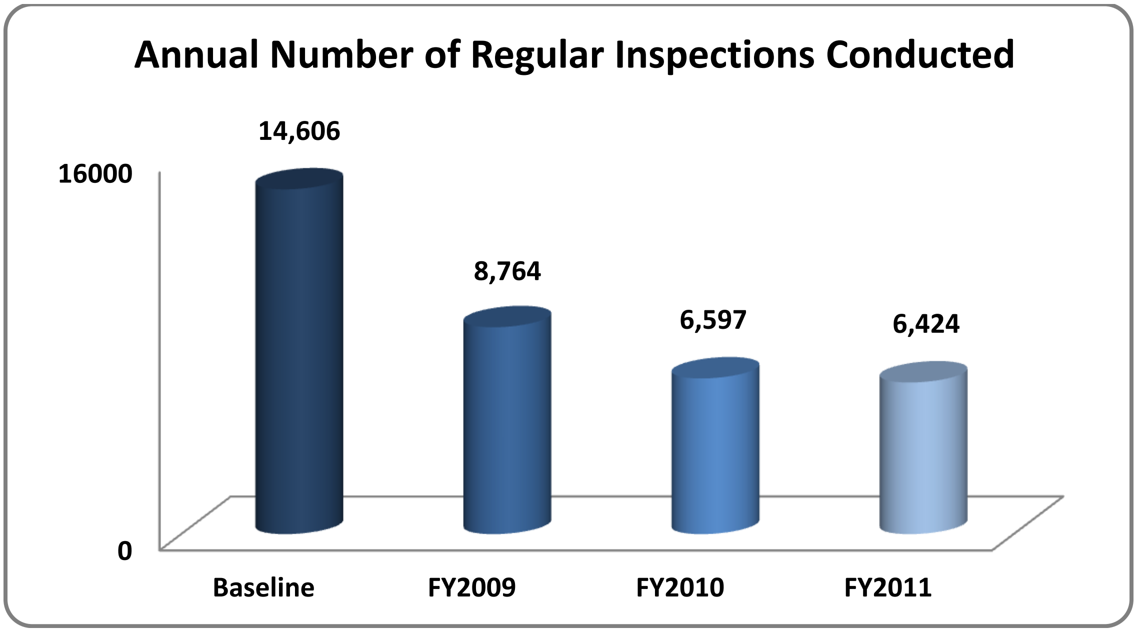
This activity was implemented in September 2008, and the stated objective of reducing federal expenditures continues to be realized as a direct result of reducing the number of inspections. In FY2011, staff spent 10,847 hours conducting inspections on 6,424 units.

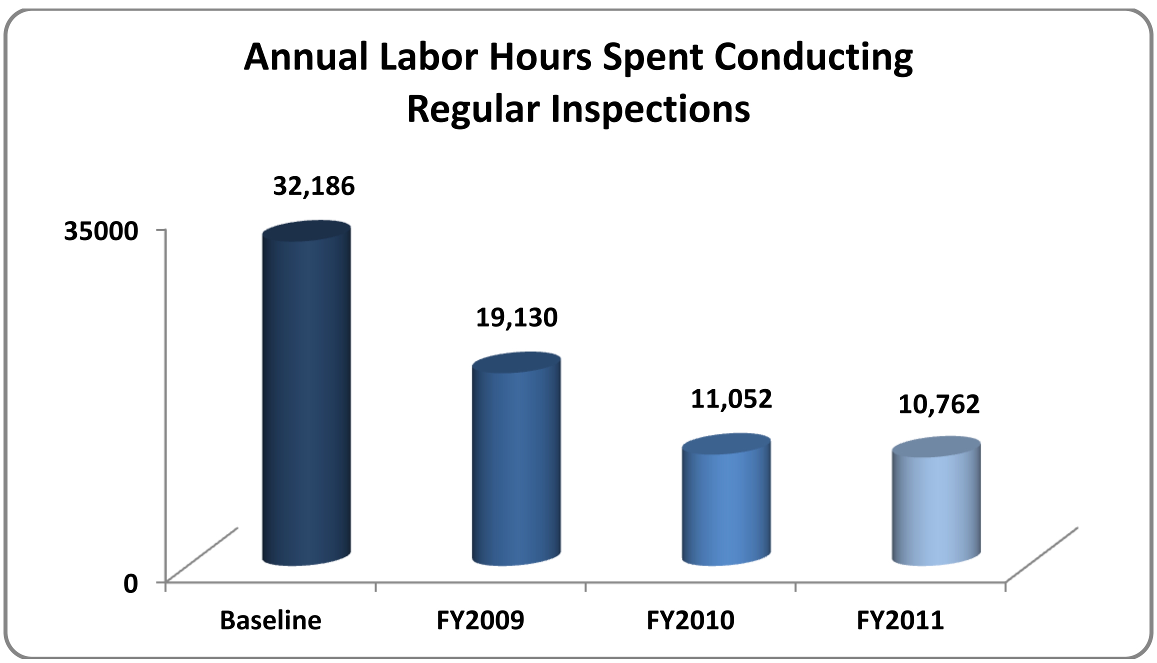
Activity 2009-3: Reduced Frequency of Inspections for Units Under Continued Occupancy					
Metrics	Baselines (FY2008)	Benchmarks	Actual (FY2009)	Actual (FY2010)	Actual (FY2011)
Total # of units that had regular inspections	14,606	7,303	8,764	6,597	6,424
Total labor hours spent conducting regular inspections	32,186	12,331	19,130	11,052	10,847
Direct labor cost to conduct regular inspections	$804,770	$308,867	$326,420	$282,218	$271,692
Quality control audit error rate	19%	10%	N/A	N/A	17%
Cost of postage	$12,853	$6,427	$7,712	$5,805	$5,653

FY2011 RESULTS

During FY2011, 6,424 units had regularly scheduled inspections in FY2011, a 56% decrease in the number of inspections from the baseline year. 10,847 labor hours were needed to conduct regularly scheduled inspections. This represents a 65% reduction from the 32,186 labor hours spent in FY2008. The direct labor cost to conduct regular unit inspections in FY2011 was reduced by 66% from FY2008.

HACSC continues to maintain its biennial inspection process providing on-going administrative reduction of more than 50% in staff labor hours and associated costs. There were fewer regular inspections performed in FY2011 than anticipated by the benchmark because there was a corresponding increase in the number of initial inspections (when program participants change units or new participants enter the program).





The labor time and cost savings from this activity have afforded HACSC the opportunity to increase training for staff to expand their job knowledge through cross training and training on customer service and quality control. Quality Control (QC) audits of inspections have shown that the error rate has decreased. HACSC expects that the error rate will continue to drop in future years. In addition, HACSC provides regular informational workshops for property owners which include time to meet with HACSC staff to answer questions and concerns; past workshops have been very well received by owners.

In FY2010, approximately 30% of the 6,597 units inspected had non-life-threatening HQS deficiencies; in FY2011, approximately 33% of the 6,424 units inspected had non-life-threatening HQS deficiencies. This increase may be attributed to enhanced inspections trainings and additional time for staff to focus on the quality of inspections. HACSC will maintain its efforts to educate owners and participants about HQS and continue to monitor and evaluate this activity to ensure that less frequent inspections do not compromise the quality of housing.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

Due to the extreme fluctuations in the cost of gasoline, attempts to pinpoint a reliable and verifiable number for purposes of reporting are very difficult and is subject to significant differences from year to year. Therefore, HACSC is removing gas expenses as a metric for this activity. When creating this activity, HACSC expected that because the quantity of inspections was reduced, the quality of the inspections would improve. To capture this, HACSC has added a metric to report the number of error findings in audit inspections. There were no additional changes to the baselines, benchmarks, metrics and data collection methodologies. Informal surveys conducted at owner workshops and during the QC audit inspections confirm that owners and participants continue to support this activity.

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 tenancy.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

Implementation of this activity allows more time for Section 8 property owners and program participants to correct non-life-threatening Housing Quality Standards (HQS) deficiencies. Property owners and program participants are provided 30 days from the date of the deficiency notification letter to make the necessary repairs to the unit. HACSC expected that allowing additional days to the previous timeline of 30 days from the date of the inspection would reduce both the number of abatements of owner's HAP and the number of requests for extensions.

IMPACT OF THE ACTIVITY

This activity was fully implemented in FY2011 and HACSC has been unable to determine its real impact at this point. The lack of reliable forms of data collection methodology has hampered HACSC's ability to effectively analyze this activity. HACSC will focus its efforts in FY2012 on creating an effective and reliable method of tracking whether the extra days between the failed inspection and the mailed date of the notification letter to the owner affects the rate of extension requests and abatements.

What has resulted as a significant cost benefit is the policy change (which did not require an MTW waiver) to accept self-certification from owners and tenants confirming correction of reported HQS deficiencies. This self-certification process has provided significant labor and associated cost savings by eliminating the need for a re-inspection of units failing inspection due to non-life-threatening deficiencies.

FY2011 RESULTS

HACSC anticipated that the number of extension requests and the number of abatements would decrease as a result of the extra time owners would have to make repairs. However, there was no appreciable decrease in abatements during FY2011. As stated earlier, HACSC believes this is due to inconsistencies in its tracking methods.

Activity 2009-4: Timeline to Correct HQS Deficiencies			
Metrics	**Baselines (FY2010)**	**Benchmarks**	**Actual (FY2011)**
Number of extension requests	49	44	37
Number of abatements due to HQS deficiencies	85	76	84

Prior to implementation of the policy to accept owner's self-certification of repairs for non-life-threatening HQS deficiencies, a re-inspection of the unit was conducted and related administrative costs (labor and gasoline) were significant. In FY2011, 2,186 units had a non-life-threatening HQS deficiency, which prior to this policy would have required a re-inspection. 3,096 labor hours were saved by eliminating these inspections, which resulted in a direct labor savings of $76,983.

Results of Implementing Policy to Allow Self-Certification of Non-life-threatening Deficiencies					
Metrics	Baseline (FY2008)	Benchmark	Actual (FY2009)	Actual (FY2010)	Actual (FY2011)
Total labor hours spent conducting recheck inspections	11,473 hours for 5,255 recheck inspections	0	0	0	0
Direct labor cost spent conducting recheck inspections	$269,319	$0	$0	$0	$0

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The data collection methodology for extensions was refined by creating a report that specifically tracks extension approval letters mailed during the fiscal year; the baseline and benchmark for extension requests were revised. The metric for calculating the cost of gasoline was removed because extreme fluctuations in the cost of gasoline make this metric unreliable and can result in significant differences each year. An additional metric has been added for the direct labor costs spent to conduct recheck inspections.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's 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 HACSC's MTW Plan. No changes have been made to the authorization.

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

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

In recent years, HACSC has been an important leader in addressing the local priority of ending homelessness in Santa Clara County. Specifically, HACSC has invested increased assistance to chronically homeless families by giving preference to chronically homeless families from the Section 8 waiting list and coordinating the creation of a direct referral process—the Chronically Homeless Direct Referral (CHDR) program.

The CHDR program, launched in FY2011 together with the Collaborative on Housing and Homeless Issues (Collaborative), was designed to quickly and effectively match vouchers and appropriate case management services with identified chronically homeless families who are not on the voucher waiting list. Working closely with 21 local case management programs, and following a housing-first model, HACSC ensures that chronically homeless families who receive vouchers are connected to supportive homeless programs and case management services. Together, HACSC and the Collaborative provide program direction, evaluation and quality control. In FY2011, HACSC set aside 200 vouchers for the chronically homeless, specifically for the CHDR program.

IMPACT OF THE ACTIVITY

The CHDR program increases housing choice by assisting the homeless population through a more targeted and efficient process than through a waiting list system. By working with local service providers, the program also ensures 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.

FY2011 RESULTS

HACSC began receiving referrals for the CHDR program in October 2010. By the end of FY2011, 184 chronically homeless applicants were housed and 16 more had vouchers in hand. During the initial lease up of the CHDR program, the average number of days from referral of a chronically homeless applicant to voucher issuance was 31 days and the number of days from issuance of a CHDR voucher to lease up was 48 days. HACSC will not begin reporting the percentage of chronically homeless applicants who leave housing per year until the CHDR program has been active for a full year. Therefore, there is no data on this metric as of the end of FY2011.

HACSC expects that a CHDR applicant, with case manager assistance as necessary, will be able to complete the application process and find and lease a unit in comparable times to the rest of the applicant pool. The results from the first partial year of program implementation suggest that the process to complete a CHDR application is no greater than for the average applicant from the waiting list. The average number of days it takes for a chronically homeless applicant to find a unit once a voucher is in hand is slightly lower than the average applicant from the waiting list. However, county rental unit vacancy rates will affect the length of time it takes to find a unit, even with a case manager's assistance, and HACSC will take this into consideration when reviewing this data.

As stated in the FY 2012 MTW Plan providing additional vouchers for continuing this program will depend on the availability of funding. Given the ongoing need to address this population effectively, HACSC has engaged a third party consultant to study the results of the program, with a focus on case management aspects.

Activity 2009-5: Explore New Housing Opportunities for the Chronically Homeless			
Metrics	**Baseline (FY2010)**	**Benchmark**	**Actual (FY2011)**
# of days from receipt of application to voucher issuance	31	31	31
# of days from voucher issuance to lease up	54	54	48
% of participants who-lose their assistance per year	9%	5%	No data available
# of participants who lose their assistance per year	18	10	No data available

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

At the end of FY2011, HACSC began reviewing the newly launched program's effectiveness. Three metrics were established for this activity: to measure the number of days from referral to voucher issuance, the number of days from voucher issuance to lease up and the percent of participants who have left the program in the fiscal year. HACSC may review the metrics in FY2012 to identify if modifications are warranted for future reporting.

HACSC established its baselines for the first two metrics from the applicant pool that completed the application process and obtained housing in FY2010. HACSC expects that the lease-up process for a CHDR applicant, with the extra assistance they will have with paperwork, transportation and security deposit funds, will be comparable to the regular applicant pool. The baseline for the percent of chronically homeless participants who lose their housing assistance each year was obtained from the pool of chronically homeless applicants that were assisted prior to the CHDR program and without case management. HACSC anticipates that with case management assistance and supportive services the chronically homeless participants from the CHDR program will have a lower drop-out rate.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

Certain types of project-based voucher units, such as single room occupancy (SRO) units, are difficult to fill and often require contacting hundreds of applicants from the PHA waiting list before enough interested applicants are found to refer to the PBV owner for selection. This activity allows owners to directly refer applicants after 30 days of unsuccessful attempts to fill the unit using referrals from the HACSC waiting list.

IMPACT OF THE ACTIVITY

By filling PBV vacancies in a timely manner, this activity has resulted in reduced vacancy periods for PBV owners, improved owner satisfaction, a more stable owner pool, and increased housing choices for low-income families.

FY2011 RESULTS

Currently, HACSC has 1012 vouchers under PBV contract. Based on historical vacancy records, approximately 15% of PBV units become vacant in a one-year period.

Allowing a 30-day referral process for PBV vacancies shortened the amount of time for PBV vacancies and better matched PBV owners with eligible tenants. PBV vacancy statistics for FY2011 showed improvement in several areas:

- The average number of vacant days decreased by ~~38~~ 45 days, and out of the 73 reported vacancies in FY2011, only 4 units were vacant over three months.
- HACSC compensation to PBV owners for lost rent increased by $7,969 due to the higher number of vacancies in FY2011
- PBV owners kept $78,628 in potential lost contract rent due to vacancies compared to the FY2009 baseline.

Activity 2009-8: 30-Day Referral Process for Project-Based Vacancies				
Metrics	**Baseline (FY2009)**	**Benchmarks**	**Actual (FY2010)**	**Actual (FY2011)**
Average number of days unit was vacant	76 days	65 days	69 days	31 days
HACSC compensation to owners* (due to vacancies)	$45,289	$38,496	$33,586	$41,555
Dollar amount owners lost (due to vacancies)**	$110,749	$94,137	$64,663	$32,121

*PBV owners received 80% of the contract rent for the first 30 days of vacancy
**PBV owners lose 100% of the contract rent after 30 days of vacancy.

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

No revisions to benchmarks and metrics or changes to data collection methodology were made.

AUTHORIZATION FOR APPROVED ACTIVITY

This 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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

Property owners of project-based units that utilize tax credits comply with Federal LIHTC regulations to certify a prospective resident's income eligibility. Income verification regulations governing LIHTC properties are very similar to the income verification regulations that HACSC adheres to, resulting in duplicative efforts and inconveniencing program participants who must provide documentation twice. This MTW activity avoids this duplication by allowing HACSC to use the Tenant Income Certification (TIC) form required under the LIHTC Program as verification of the family's income and assets.

IMPACT OF THE ACTIVITY

This activity was first implemented in November 2009 (FY2010) and fully implemented in FY2011. As of the end of FY2011, 77 applications for PBV tax credit units were received for processing. HACSC staff used the TIC documentation and saved 50 minutes of staff time on processing for each of the new admissions (transactions). The impact of this activity was especially notable when staff at one of the public housing properties transitioning to PBV requested an expedited turn-around time to prevent displacement of in-place tenants. HACSC, using the owner-provided TIC was able to process the applications in less than one week. Using the owner-provided TIC has reduced staff labor time by approximately 22% for each transaction. The Agency has used this time to continue to improve program quality control and staff training.

Another positive outcome from this activity is the reduction in the average time taken to house applicants. The length of time to process an application was reduced from an average of 46 days to an average of 31 days, shortening the amount of time a PBV tax-credit unit is vacant. Through this activity HACSC continues to meet one of the on-going objectives of the MTW program by reducing its administrative burden and 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)**	**Actual (FY2011)**
Average # of labor hours it takes to process one PBV transaction	3 hours, 50 minutes	3 hours (a 50 minute reduction per transaction)	3 hours	3 hours
Labor cost to process one PBV transaction	$87.52	$68.33	$68.33	$68.33
PBV tax-credit new admissions processing time	46 days	30 days	31 days	31 days

FY2011 Results

This activity will continue to benefit HACSC and its clients by providing relief from a process that was redundant and costly. Below is a summary of the results:

- 77 PBV tax-credit new admissions completed under the new process in FY2011
- 50 minutes saved from each PBV tax-credit new admission process completed
- 64 labor hours saved in the new admissions process, a 22% reduction from pre-MTW activity
- $1,478 saved in direct labor cost in FY2011
- Time cycle to complete a new admissions application reduced from 46 to 31 days

The Agency has saved 230 total labor hours since this activity's implementation by using the owner-provided TIC to verify a PBV applicant family's income and assets, resulting in a total direct labor savings of $4,663. The number of PBV applicant families filling units that are also LIHTC properties may vary from year to year and therefore the amount of savings will vary each year.

Activity 2009-9 Aggregate Savings			
Metrics	**FY2010**	**FY2011**	**Totals**
# of tax-credit new admissions completed using owner-provided TIC	199	77	276
# of labor hours saved	166	64	230
Labor dollars saved	$3,185	$1,478	$4,663

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 not been revised. In planning its initial MTW activities, HACSC surveyed program participants to gauge support for the activities. The success of the program alleviates the necessity of further surveys.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

In 2007, HUD approved the disposition of ten of HACSC's aging public housing properties to an Agency-affiliated non-profit entity, with the requirement that HACSC maintain affordability for those sites.

As a result of this activity, HACSC may select HACSC-owned public housing projects for project-based voucher assistance without a competitive process, saving both time and increased costs that would be associated with a competitive process and preserving the affordability of these units for decades quickly and efficiently.

IMPACT OF THE ACTIVITY

Avoiding a lengthy competitive PBV process for HACSC-owned properties results in reductions in direct labor and advertising costs, and significantly shortens the disposition conversion schedule. The decreased PBV processing time also meets the MTW objective of increasing housing choices for low-income families.

Of the 10 public housing properties, one was converted to PBV in FY2009 and six HACSC-owned public housing properties were converted to PBV in FY2011. The disposition of the remaining three properties, and their conversion to PBV units, is currently in progress and is anticipated to be completed in FY2012. Once these projects convert to PBV, this activity will be eliminated and no further reporting will be required.

FY2011 RESULTS

All HACSC-owned public housing projects were selected for project-basing without competition in FY2009. The full results of this activity were reported on in the FY2009 MTW Report. Through the means of this activity, HACSC avoided the direct costs and staff time associated with the RFP and selection process normally required for a competitive PBV process by approximately 3 months.

Based on the FY2009 selection process, PBV contracts were executed for three senior projects in FY2011: Cypress Gardens and Lenzen Gardens in San Jose and Sunset Gardens in Gilroy, and three family projects: Miramar Way, Julian Gardens and Lucretia Gardens.

Activity 2009-10: Selection of HACSC-Owned Housing Projects for PBV Without Competition			
Metrics	**Baselines (FY2008)**	**Benchmarks**	**Results* (FY2009)**
Processing time to select applications for PBV in a competitive process	13 weeks	0 weeks	0 Weeks
Labor hours/cost to develop, write and issue an RFP (using in-house labor)	65 hours/$2,340	0 hours/$0	0 hours/$0
Labor hours/cost to respond to public inquiries and meet with RFP responders	35 hours/$1,260	0 hours/$0	0 hours/$0
Labor hours/cost to review and process applications submitted	50 hours/$1,800	0 hours/$0	0 hours/$0
Cost to publish RFP in San Jose Mercury Newspaper	$2,890	$0	$0
Labors hours to write public notices	8 hours/$288	0 hours/$0	0 Hours/$0

*This activity was fully implemented in FY2009.

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

An additional metric of the number of labor hours it takes to write a public notice was added to fully capture the time it takes to complete a competitive selection process. No other revisions to benchmarks and metrics or changes to data collection methodology were made.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

Regulations for project-based vouchers require 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.

Through this activity HACSC may project-base more than 25% of the units in an existing building in family complexes and provide 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. The activity meets the statutory objective of the MTW program as it will increase housing choices for low-income families by making the units more attractive to families who may choose to not accept or need 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

As a part of its public housing disposition, HACSC project-based 100% of the units at three existing former public housing family projects. Miramar Way, Julian Gardens and Lucretia Gardens benefitted from this activity in FY2011. It is expected that Eklund I will benefit from this activity in FY2012.

Family Project	Number of Units under PBV contract pre-MTW	Number of Units under PBV contract post-activity
Miramar Apartment	4	15 (1 bldg)
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**

*Eklund I will be reported on in the FY2012 MTW Report.

As reported in previous submissions, HACSC saves 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. Supportive services are provided by LifeSTEPS who offers a comprehensive service program, including after school programs, educational classes, one-on-one counseling, assistance with daily living, crisis intervention, mediation, and social activities for HACSC-owned family projects. Services are advertised to residents and residents are encouraged to use them. HACSC will be conducting informal surveys of 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**	**Benchmarks**	**FY2011 (Actual)**
# of units project-based without a supportive service requirement	13	49	39*
Families participating in supportive services	36†	12‡	2
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	0
Direct labor costs associated with tasks required to insure 100% compliance with supportive service requirement (estimate based on the number of family units affected)	$1,052	$0	$0

* Eklund I, a 10 unit project, did not enter PBV contract this year.
†This number is based on the assumption that if 100% of the units in these family projects are project-based, all families in the "excepted" units (the remaining 75% of the units) would be required to participate in supportive services.
‡ HACSC anticipates that 25% of the residents in the family projects will use the optional supportive services.

FY2011 RESULTS

HACSC project-based 100% of the units in three family projects in FY2011. Former public housing properties Miramar Apartments, Julian Gardens and Lucretia Gardens converted to ownership under a HACSC-owned affiliate and entered PBV contracts in November 2010. Due to the public housing disposition, supportive services were not available on-site throughout FY2011. According to data gathered by the service provider, 2 resident families at Miramar Apartments used the supportive services offered to them during FY2011. HACSC expects that the number of residents using the offered supportive services will increase as services are fully available on site and additional outreach to residents is conducted.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

There are no revisions to the identified baselines, benchmarks and metrics for this activity.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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 submits a combined MTW plan for both housing authorities.

A 2009 HUD directive 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 Activity 2009-13 allowed HACSC to continue 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, thereby reducing federal expenditures. This activity also increases housing choices for low-income families. By registering on two separate waiting lists, applicant families would face additional restrictions in where they could rent in the county depending on which waiting list they are selected from.

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)**	**Actual (FY2011)**
Direct labor hours/cost associated with tasks required to maintain separate waiting lists	380 hours / $8,325	380 hours / $8,325 savings	380 hours / $8,479 savings	380 hours / $8,479 savings	380 hours / $8,479 savings

FY2011 RESULTS

As indicated in the table above, the value of the labor time saved under this activity in FY2011 is relatively consistent with the identified baseline and benchmark. Although overall operating costs have increased; labor costs defined here to include salaries only, have remained constant from the implementation of this activity in 2009 to the present.

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

There are no revisions to the identified baselines, benchmarks and metrics for this activity.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

Current HUD regulations require that if a family's unit (voucher) size changes between regular reexaminations, the new voucher size and corresponding payment standard will be used when the family moves or at the first regularly scheduled reexamination following the change, whichever comes first. Because of the decrease in frequency of reexaminations for HACSC's MTW families, a program participant who reports a family composition change that decreases their voucher size between regular reexaminations may be over-housed and cause the Housing Authority to pay a higher portion of Housing Assistance Payment (HAP) for a longer period of time. Conversely, increases in the family's voucher 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, voucher size changes that result from a family composition change that occur between regular reexaminations will be effective immediately. The Housing Authority continues to follow HUD regulations by using the lower of the payment standard for the family's new voucher size or the payment standard for the dwelling unit when processing the interim reexamination.

IMPACT OF THE ACTIVITY

This activity was first implemented in April, 2010 and fully implemented in FY2011. In creating this activity, HACSC anticipated that HAP costs would be saved by using the new payment standard at the interim calculation instead of at the next reexamination. During FY2011, there were 237 family composition changes reported that resulted in interim reexaminations using a new family voucher size. Over time (from the date of the interim reexamination until the family's next regular reexamination), these changes could result in a net HAP savings of over $500,000. Other factors affect HAP costs and therefore HACSC may not realize the entire savings projected. Based on the initial data as outlined below, this activity meets the MTW objective of reducing federal expenditures.

FY2011 RESULTS

HACSC processed 237 interim reexaminations for changes in family composition/voucher size in FY2011—157 families had decreases in voucher size and 80 families had increases in voucher size.

Of the 237 families that had a voucher size change, 157 had a new lower payment standard which resulted in a decrease in HAP payment. Before the new calculation could take effect, 22 of these over-housed families moved to a smaller unit. Of the 135 interim calculations that were applied, HACSC saved $109,002 in HAP during FY2011 by applying the lower voucher size payment standard.

None of the 80 families that increased their unit size had an interim reexamination that applied a new higher payment standard to their benefit. However, many of these families were under-housed due to the increase in family size and either moved or were in the process of moving to a larger size unit before the end of FY2011.

Activity 2009-14: Payment Standard Changes Between Regular Reexaminations			
Metric	**Baseline (FY2010)**	**Benchmark**	**Actual (FY2011)**
Net annual decrease in HAP costs	$0	$115,000	$109,002

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

HACSC has revised its benchmark for net HAP savings. The benchmark was originally calculated to capture the entire HAP savings that might be realized from the date of the interim to the date of the next reexamination (on average 15 months later). The benchmark has been revised to capture the average HAP savings from the date of the interim to the end of the fiscal year (on average 3 months later).

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

With this 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 and to program participants.

IMPACT OF THE ACTIVITY

This activity was first implemented in April, 2010 and fully implemented in FY2011. During FY2011, the Housing Authority processed 2,753 new admissions and reexaminations (transactions) for families who reported one or more forms of 100% excluded income. Staff saved approximately 34 minutes per transaction by no longer requesting, verifying and calculating 100% excluded income. This resulted in a total of 1,560 labor hours saved in FY2011.

The reduction in staff time achieved through this activity has increased staff productivity in other areas and has met the MTW statutory goal of increasing cost effectiveness. Staff time has been redirected to cross training in other positions and processes, increased customer service, increased quality control functions and other special projects including updating the Section 8 waiting list and verifying data needed to complete the agency's upcoming software conversion.

Activity 2010-1: Eliminating Excluded Income from the Income Calculation Process			
Metric	**Baseline (FY2010)**	**Benchmark**	**Actual (FY2011)**
Average # of labor hours it takes to process <u>one</u> transaction	3 hours, 50 minutes	3 hours, 16 minutes (a 34 minute reduction per transaction)	3 hours, 16 minutes
Labor cost to process <u>one</u> transaction	$87.52	$72.83	$72.83

FY2011 RESULTS

This activity will continue to benefit HACSC by providing relief from an administrative process that was costly to the Agency and provided no benefit to the family. Below is a summary of the results:

- 2,753 MTW families with at least one source of excluded income had income calculations completed in FY2011.
- Staff spent 8,993 labor hours processing new admissions or reexaminations for families who reported one or more sources of excluded income.
- 1,560 labor hours were saved by not verifying and calculating this income.
- $40,442 in direct labor costs were saved in FY2011.

The Agency has saved 1,939 total labor hours since this activity's implementation by eliminating the verification and calculation of income that is not included in the rent calculation. The number of families reporting income sources that are 100% excluded from the calculation process may vary from year to year and therefore the amount of savings will vary each year.

Activity 2010-1 Aggregate Savings			
Metrics	**FY2010**	**FY2011**	**Totals**
# of transactions completed for families reporting excluded income	668	2,753	3,421
# of labor hours saved	379	1,560	1,939
Labor dollars saved	$9,813	$40,442	$50,255

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

An additional metric was added to collect the labor cost savings to process one new admission or reexamination for a family reporting excluded income. No additional changes have been made to the baselines, benchmarks or metrics related to this activity.

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 verification of reported family income.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

Calculating income from family assets is often a cumbersome process that yields little benefit. Few applicants or participants have assets in amounts that significantly affect their total income, yet the time required to calculate the income earned from assets is often significant. Before beginning this activity, the Housing Authority conducted an analysis of MTW families with assets under $50,000. The average annual asset income for these families was $21, which, when included in the rent calculation process, does not affect the amount of Housing Assistance Payment paid. Therefore, HACSC has eliminated the step of calculating and including income received from family assets under $50,000.

IMPACT OF THE ACTIVITY

This activity was first implemented in March, 2010, and fully implemented in FY2011. During FY2011, the Housing Authority processed 5,308 new admissions and reexaminations (transactions) for families who reported total family assets under $50,000. Staff saved approximately 10 minutes per transaction by no longer calculating asset income for these families. This resulted in a savings of 885 labor hours. The reduction in staff time needed for this activity has increased staff productivity in other areas and has met the MTW statutory goal of increasing cost effectiveness. Staff time has been redirected to cross training in other positions and processes, increased customer service, increased quality control functions and other special projects including updating the Section 8 waiting list and verifying data needed to complete the agency's upcoming software conversion.

Activity 2010-2: Excluding Asset from Income Calculations for Families with Assets under $50,000			
Metrics	**Baselines (FY2010)**	**Benchmarks**	**Actual (FY2011)**
Average # of labor hours it takes to process <u>one</u> transaction	3 hours, 50 minutes	3 hours, 40 minutes (a 10 minute reduction per transaction)	3 hours, 40 minutes
Labor cost it takes to process <u>one</u> transaction	$87.52	$74.92	$74.92

FY2011 RESULTS

This activity will benefit HACSC by providing on-going relief from a process that yielded little benefit. Below is a summary of the results:

- 5,308 MTW families with assets under $50,000 had income calculations completed in FY2011.
- Staff spent 8,993 labor hours processing new admissions or reexaminations for families who reported family assets under $50,000.
- 885 labor hours were saved by not calculating this income.
- $66,881 in direct labor costs were saved in FY2011.

The Agency has saved a total of 1,127 labor hours since this activity's implementation by eliminating the calculation of income from family assets under $50,000. The number of families reporting assets may vary from year to year and therefore the amount of savings will vary each year.

Activity 2010-2 Aggregate Savings			
Metrics	**FY2010**	**FY2011**	**Totals**
# of transactions completed for families reporting assets under $50,000	1,451	5,308	6,759
# of Labor Hours Saved	242	885	1,127
Labor Cost Saved	$18,283	$66,881	$85,164

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

An additional metric was added to collect the labor cost savings to process one new admission or reexamination for families reporting total assets under $50,000. An analysis of families who have assets under $50,000 showed an average asset income amount of $21 per year—this amount of income has no affect on HAP. Therefore, the metric to capture changes in HAP was removed. No additional changes have been made to the baselines, benchmarks or metrics related to this activity.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity qualifies as a Rent Reform Initiative as defined by HUD because it changes the way rent is calculated for a Section 8 participant by modifying the types of income that are included in rent calculations.

Under this provision, HACSC only verifies and calculates asset income if a family's assets total $50,000 or more. Staff anticipated that this activity would benefit families who qualify for it by allowing them to retain the rent portion of asset income if family assets are under $50,000. This activity may promote economic self-sufficiency by encouraging family savings.

HACSC allows 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 FY2011.

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

DESCRIPTION OF MTW ACTIVITY

This MTW activity was proposed to allow the application of the current payment standard (if the payment standard has increased since the family's last regular reexamination) to the rental assistance calculation at interim reexaminations. Because lowering a payment standard typically results in a higher rent portion for the assisted family, if the payment standard decreased since the family's last reexamination, the decreased payment standard will be effective at the family's second regular reexamination as outlined in HUD regulation 24 CFR 982.505(c)(3).

IMPACT OF THE ACTIVITY

This activity was first implemented in February, 2010, and fully implemented during FY2011. The Agency anticipated that by using a higher payment standard at interim reexaminations, this activity would lessen rent burden for some MTW families and thereby increase their housing choices by helping maintain their unit's affordability. This activity was also intended to reduce administrative costs by reducing staff time required to process family moves into a less expensive unit. For the purposes of this activity, the Housing Authority defines a family with rent burden as a family paying more than 30% of their monthly adjusted income towards the rent. Results so far have supported this activity—the number of families with rent burden who then moved has significantly dropped since this activity's implementation.

FY2011 Results

There were 3,483 MTW families who had an increased payment standard applied at an interim reexamination in FY2011. Of those families, 517 moved from their unit and only 73 of these families could be defined as having a rent burden (paying more than 30% of their income towards the rent) when they moved. By using the higher payment standard, HACSC was able to decrease the number of families paying more than 30% of their income towards the rent which may have contributed to the decrease in the number of families who moved with rent burden.

The Housing Authority attributes the increase in average HAP for families having interim reexaminations in FY2011 to the higher payment standards and to rising rental prices.

Activity 2010-3: Apply Current Increased Payment Standards at Interim Reexaminations				
Metrics	**FY2009 Baseline**	**Benchmarks**	**FY2010 Actual**	**FY2011 Actual**
# of Interim Reexaminations	3,813	3,813	4,853	3,483
Average HAP	$1,215	$1,215	$1,210	$1,349
Average TRO	$410	$410	$351	$358
# of moves	1,019	1,019	1,409	1,971
# of participants who moved with rent burden	638	510	419	73

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

HACSC revised its metrics in FY2011 to remove the number of participants who moved due to rent burden. This metric would have required a survey asking families to provide their reason(s) for moving and so would be based on the family's perception of whether they paid too much rent and not on any specific standard. HACSC has also added benchmarks for this activity. HACSC anticipates that by initiating this activity, there will be a 20% decrease in moves from participants with rent burden and so has set the benchmark as 510 moves per year. The agency expects that the # of interim reexaminations and moves per year will not be affected by this activity and may remove these as metrics in next year's Report. No additional changes were made to the metrics.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

This activity allows HACSC to select HACSC-owned non-public housing sites for project-based assistance without a competitive process. Engaging in a competitive process for PBV increases both cost and time. By avoiding the competitive process for its own properties, HACSC is able to cost-effectively and efficiently project base its units and ensure their ongoing availability.

IMPACT OF THE ACTIVITY

HACSC anticipates reducing direct labor and advertising costs and shortening an already cumbersome process. Additionally, HACSC can accelerate its production and/or preservation of affordable housing, thereby increasing housing options for low income families.

FY2011 RESULTS

In FY2011, HACSC did not project-base any of its affordable housing units which were not public housing projects. The Agency is continuing to review its affordable housing portfolio to determine if any projects might benefit from project-basing to preserve their affordability and long-term viability.

Activity 2010-4: Allocate Project Based Vouchers to HACSC-Owned Housing Projects Without Competition			
Metrics	**Baselines (FY2010)**	**Benchmarks**	**Results (FY2011)**
Processing time to select applications for PBV in a competitive process	13 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	N/A
Labor hours/cost to respond to public inquiries and meet with RFP responders	35 hours/$1,260	0 hours/$0	N/A
Labor hours/cost to review and process applications submitted	50 hours/$1,800	0 hours/$0	N/A
Cost to publish RFP in San Jose Mercury Newspaper	$2,890	$0	N/A
Labors hours to write public notices	8 hours/$288	0 hours/$0	N/A

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

An additional metric of the number of labor hours it takes to write a public notice was added to fully capture the time it takes to complete a competitive selection process. No other revisions have been made to the baselines and benchmarks for this activity.

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.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

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

DESCRIPTION OF MTW ACTIVITY

This activity waives PBV regulations relating to preference for in-place families in order to continue to commit tax-exempt bonds and tax credits to the disposed public housing properties. Families with income below the PBV limit but above the tax-credit limit will receive Section 8 voucher and relocation assistance.

IMPACT OF THE ACTIVITY

This activity helps maintain the affordability of units that would otherwise become unaffordable to very-low income families by applying tax credits in unison with PBV assistance. HACSC is also increasing housing choices for low income families by preserving and improving the affordable housing stock in Santa Clara County.

FY2011 RESULTS

HACSC completed the income eligibility process for over 250 resident families at six former public housing properties in FY2011. None of the families living in these units at the time of conversion were affected by the tax-credit income limit. There has not been a need to use this waiver as no families have exceeded the income threshold.

REVISIONS TO BENCHMARKS AND METRICS;
CHANGES TO DATA COLLECTION METHODOLOGY

The baselines and benchmarks for this activity, as established in the FY2010 MTW Plan, have not been revised. HACSC will retain this activity until the final public housing conversions are completed.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving To Work Agreement, Attachment C, Paragraph D 3 (a), Paragraph D 4, and waives certain provisions of Sections 16 (b), 8(o)(4), 8(o)(6), 8(o)(13)(J), 8(o)(16) and 24 CFR 5.603, 5.609, 5.611, 5.628, 982.201, 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 PBV regulations require that families currently living in the unit which become project based must meet specific income limits that are higher than tax-credit limits.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

Streamlined Approval Process for Exception Payment Standard for Reasonable Accommodation (Activity #2011-1)

DESCRIPTION OF MTW ACTIVITY

In this activity, HACSC approves, as a reasonable accommodation, an exception payment standard of the published FMRs for an assisted individual when such accommodation is needed to provide an equal opportunity to secure housing. Without this activity, any request for an exception Payment Standard above 110% of the published FMRs had to go to HUD for approval.

The additional turnaround time for HUD to review and respond to the reasonable accommodation request may jeopardize the tenant's securing an accessible unit.

IMPACT OF THE ACTIVITY

With the capability to approve an exception payment standard as a reasonable accommodation without HUD approval, HACSC can improve its responsiveness to the needs of persons with disabilities who may have special housing requirements. This activity will also increase housing choices for families with members with disabilities because it removes the unpredictability of the HUD approval process.

FY2011 RESULTS

This activity was implemented in the third quarter of FY2011. Due to limited requests for an exception payment standard and the short time this activity has been in place, HACSC used this authorization only twice in FY2011. It took an average of 15 days to approve the exception payment standard as a reasonable accommodation for these cases.

Activity 2011-1: Streamlined Approval Process for Exception Payment Standard for Reasonable Accommodation			
Metric	**Baseline**	**Benchmark**	**Actual (FY2011)**
# of days to approve or deny an exception payment standard for reasonable accommodation	65	10	15

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

There have been no revisions to the baselines, benchmarks or metrics related to this activity.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving To Work Agreement, Attachment C, Paragraph D 2(a) and waives certain provisions of section 8 (o) of the 1937 Act and 24 CFR 982.505 (d) and 24 CFR 982.503 (c)(2)(ii), as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that exception payment standards above 120% of FMR must be approved by HUD.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

Simplify Requirements Regarding Third-party Inspections and Rent Services (Activity #2011-2)

DESCRIPTION OF MTW ACTIVITY

This activity allows HACSC to waive the regulatory requirement for HUD approval of a qualified independent agency designated to conduct housing quality standards (HQS) inspection and rent reasonableness services for HACSC-owned units. In addition, this activity eliminates the requirement that the independent agency furnishes copies of each inspection report and rent reasonableness determination to the HUD field office.

IMPACT OF THE ACTIVITY

This activity reduced costs and achieved greater cost effectiveness in federal expenditures by avoiding unnecessary delays and expenses in the provision of essential HQS inspection and rent determination services while retaining the integrity of the third-party inspection process.

FY2011 RESULTS

HACSC used this activity to select and approve a third party inspection vendor.

Activity #2011-2: Simplify Requirements Regarding Third-party Inspections and Rent Services			
Metrics	Baseline	Benchmark	Actual (FY2011)
# of days to approve a qualified independent inspection agency through HUD	7 days	0 days	0 days
$ cost to send copies of inspection reports to HUD	$649.00	$0.00	$0.00

REVISIONS TO BENCHMARKS AND METRICS; CHANGES TO DATA COLLECTION METHODOLOGY

There have been no revisions to the baselines, benchmarks or metrics related to this activity.

AUTHORIZATION FOR APPROVED ACTIVITY

This activity is authorized in HACSC's Moving To Work Agreement, Attachment C, Paragraph D 2(b), D 2(c), and D 5 and waives certain provisions of section 8 (o) of the 1937 Act and 24 CFR 983.103 (f)2, 24 CFR 983.59 (b) and 24 CFR 982.352 (b)(iv)(B), as necessary to implement HACSC's MTW Plan.

An MTW waiver is necessary for this activity because HUD regulations require that an independent entity inspect and determine rents at PHA owned properties. The independent entity must be approved by HUD and submit inspection reports and rent determinations documents to HUD.

IMPACT OF RENT REFORM INITIATIVE

This activity does not qualify as a Rent Reform Initiative.

VII. SOURCES AND USES OF FUNDING

SOURCES AND USES OF MTW FUNDS†

BUDGETED ACTIVITIES FOR FISCAL YEAR END JUNE 30, 2011

FY2011 Planned Sources

	Public Housing	Section 8- MTW	MTW Consolidated
Rental Revenue*	$1,060,000		$1,060,000
Section 8 Subsidy		$245,482,000	$245,482,000
Operating Subsidy	$924,000		$924,000
Replacement Housing Factor	$314,556		$314,556
Capital Grant Program	$0	$0	$0
Other Revenue	$18,000	$120,000	$138,000
HUD Non Operating Contributions			$0
Total Sources	$2,316,556	$245,602,000	$247,918,556

FY2011 Actual Sources

	Public Housing	Section 8- MTW	MTW Consolidated
Rental Revenue *	$363,266		$363,266
Section 8 Subsidy		$256,157,802	$256,157,802
Operating Subsidy	$428,948		$428,948
Replacement Housing Factor	$0		$0
Capital Grant Program	$572,412		$572,412
Other Revenue **	$27,456	$679,512	$706,968
HUD Non Operating Contributions			$0
Total Sources	$1,392,082	$256,837,314	$258,229,396

*We disposed 6 Public Housing properties during the Fiscal Year, thus rent revenue was significantly reduced.
**During Fiscal Year, we had a total of $272,125 reimbursement from Housing Insurance Services for Data Recovery loss Included in the $679,512

FY2011 Planned Expenditures

	Public Housing	Section 8 - MTW	MTW Consolidated
PH Subsidy Transfer			$0
Housing Assistance Payments		$228,362,000	$228,362,000
Tenant Services	$14,000		$14,000
Maintenance	$845,000		$845,000
Utilities	$387,000		$387,000
General (operational and administrative expenses)	$1,292,556	$15,240,000	$16,532,556
Central Office Cost Allocations			$0
Transfer to MTW Reserve		$2,000,000	$2,000,000
Total	$2,538,556	$245,602,000	$248,140,556

FY2011 Actual Expenditures

	Public Housing	Section 8 - MTW	MTW Consolidated
PH Subsidy Transfer			$0
Housing Assistance Payments		$233,762,482	$233,762,482
Tenant Services	$60,573		$60,573
Maintenance	$394,928		$394,928
Utilities	$168,601		$168,601
General (operational and administrative expenses)	$680,381	$21,269,440	$21,949,821
Central Office Cost Allocations			$0
Transfer to MTW Reserve			$0
Total	$1,304,483	$255,031,922	$256,336,405

SOURCES AND USES OF NON-MTW FEDERAL, STATE AND LOCAL FUNDS

FY2011 Planned Sources

FY2011 Planned Sources	General Fund	Section 8 Mod Rehab	State Migrant Worker	Shelter Plus Care	Other HUD Contract*	Total
Rental Revenue-HACSC Properties	$55,000					$55,000
Section 8 Subsidy-Mod Rehab		$994,000				$994,000
Non-HUD Grants-Migrant Worker			$372,000			$372,000
Other Revenue				$2,769,669	$5,561,331	$8,331,000
Total Sources	$55,000	$994,000	$372,000	$2,769,669	$5,561,331	$9,752,000

FY2011 Actual Sources

FY2011 Actual Sources	General Fund	Section 8 Mod Rehab	State Migrant Worker	Shelter Plus Care	Other HUD Contract*	Total
Rental Revenue-HACSC Properties						
Section 8 Subsidy-Mod Rehab		$1,111,648				$1,111,648
Non-HUD Grants-Migrant Worker			$372,069			$372,069
Other Revenue				$2,435,854	$6,465,417	$8,901,271
Total Sources		$1,111,648	$372,069	$2,435,854	$6,465,417	$10,384,988

* Other HUD Contract includes VASH, FUP, NED and Mainstream funds

FY2011 Planned Uses

FY2011 Planned Uses	General Fund	Section 8 Mod Rehab	State Migrant Worker	Shelter Plus Care	Other HUD Contract*	Total
Housing Assistance Payments		$797,000		$2,548,095	$5,412,905	$8,758,000
Utilities			$147,000			$147,000
Maintenance			$37,000			$37,000
Administrative & Operational Expenses	$55,000	$197,000	$188,000	$370,000		$810,000
Total Sources	$55,000	$994,000	$372,000	$2,918,095	$5,412,905	$9,752,000

FY2011 Actual Uses

FY2011 Actual Uses	General Fund	Section 8 Mod Rehab	State Migrant Worker	Shelter Plus Care	Other HUD Contract*	Total
Housing Assistance Payments		$991,710		$2,203,753	$4,385,983	$7,581,446
Utilities			$92,738			$92,738
Maintenance			$144,941			$144,941
Administrative & Operational Expenses		$162,076	$134,390	$202,895	$369,394	$868,755
Total Sources		$1,153,786	$372,069	$2,406,648	$4,755,377	$8,687,880

* Other HUD Contract includes VASH, FUP, NED and Mainstream funds

SOURCES AND USES OF COCC

FY 2011 Sources and Uses of Central Office Cost Center		
Planned Sources		
Property Management Fees	$223,000	
Miscellaneous Income	$0	
Total Sources		$223,000
Planned Uses		
Administrative Expenses	$220,000	
Utilities	$0	
Operations & Maintenance	$0	
Total Uses		$220,000
Operating Transfer Out	$3,000	
Net Income / (Loss)		**$0**

FY 2011 Sources and Uses of Central Office Cost Center		
Actual Sources		
Property Management Fees	$91,137	
Miscellaneous Income	$18,200	
Total Sources		$109,337
Actual Uses		
Administrative Expenses	$139,484	
Utilities	$0	
Operations & Maintenance	$277	
Total Uses		$139,761
Operating Transfer Out	$0	
Net Income / (Loss)		**($30,424)**

† FY2011 numbers are revised pending final audit.

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

Using single fund flexibility, HACSC established one agency-wide funding category called “MTW Funds,” which continues to provide the Agency with more freedom to address local program, administrative, and operational needs and objectives.

In FY2011, single fund flexibility was employed to provide for: operating expenses for the purchase of new Section 8 software (Emphasys Elite), to perform a business process review which examines ways to further streamline administrative processes, and to conduct a needs assessment and rent reform analysis to better plan for local objectives. Additionally, funds were used to support the over leasing of the Section 8 voucher program. HACSC further used its block grant authority to support the disposition and conversion of its public housing units to the project based voucher program, and exercised its fund flexibility to improve day to day work efficiencies and quality of work through staff trainings.

VIII. ADMINISTRATIVE

PROGRESS ON CORRECTIONS OF OBSERVED DEFICIENCIES CITED IN MONITORING VISITS

HACSC had its third MTW site visit in FY2011 and there were no observations or deficiencies cited by HUD during the visit or in any subsequent written report to HACSC. The data recovery process, due to a technology failure in FY2010, was continued in FY2011 and HACSC met all requirements of its Memorandum of Understanding with HUD. To date, the majority of documents have been recovered and reconstructed into HACSC's scanning system, an evaluation of current information technology processes has been completed and new safeguards have been implemented.

RESULTS OF AGENCY-DIRECTED MTW DEMONSTRATION EVALUATIONS

HACSC began an MTW-related evaluation during FY2011 that will help the Agency develop plans for future rent reform activities. HACSC is conducting a needs assessment of the populations in its jurisdiction with a special focus on its program participants to identify which groups are most likely to benefit from rent reform activities and to identify what types of activities will be most successful in incentivizing work-able participants to increase their earning capacity and strive for economic self-sufficiency. This evaluation will expand in FY2012 with an in-depth analysis of different rent reform models and an examination of their local implications. Towards the end of FY2011, an analysis of program participant case management strategies and best practices was launched. This evaluation will continue through FY2012 and will be used to guide program design and case management strategies for the Chronically Homeless Direct Referral program and other non-MTW programs, like the Shelter Plus Care program.

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

HACSC had no capital fund activities outside of the MTW block grant in FY2011.

CERTIFICATION THAT HACSC HAS MET STATUTORY REQUIREMENTS

See attached certification in Appendix One of this MTW Report.

APPENDIX ONE

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, 2011

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 Moving to Work Program during fiscal year 2011:

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.

Alex Sanchez
Executive Director

APPENDIX TWO

Approved MTW Activities for the FY2011 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 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		X
IMPLEMENTED 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
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		
2010-3	Applying Current Increased Payment Standards at Interim Reexaminations	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**
IMPLEMENTED IN FY2011				
2010-4	Allocating Project-Based Vouchers to HACSC-owned Projects Without Competition	**X**		
2010-5	Assisting Over-Income Families Residing at HACSC-owned Project-Based Voucher Properties			**X**
2011-1	Streamlined approval process for exception payment standard for reasonable accommodation			**X**
2011-2	Simplify requirements regarding third-party inspections and rent services	**X**		

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 THREE

FY2010 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, 2010

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
For the Year Ended June 30, 2010

Table of Contents

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 the 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, 2010, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 8, 2011. Our report includes 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 Standard,* issued by the Comptroller General of the United States. Other auditors audited the financial statements of the following discrete component units: Bracher HDC, Inc.; SPG Housing, Inc.; Villa Garcia, Inc.; Villa San Pedro HDC, Inc.; Property Management, Inc.; and Program Responsible In Daring Excellence, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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 opinion 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.

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

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

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.*

We noted certain matters that we reported to management of the Authority in a separate letter dated June 8, 2011.

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

Walnut Creek, California
June 8, 2011

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

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program, on Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Expenditures of Federal and State 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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 $2,158,887 and $1,429,986 respectively in federal awards for the year ended December 31, 2009, and which are not included in the schedule of expenditures of federal and state awards for the year ended June 30, 2010. 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.

As described in 2010-1 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding Eligibility and Special Tests and Provisions that are applicable to its Moving To Work Demonstration Program (CFDA number 14.881). Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected or corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

Schedule of Expenditures of Federal and State 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 as of and for the year ended June 30, 2010, and have issued our report thereon dated June 8, 2011. Our report includes 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 OMB Circular A-133 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.

The Authority'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 the response.

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

Walnut Creek, California
June 8, 2011

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, 2010

Grantor/Pass-Through Grantor/Program Titl	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 Grant	HTF-07-006	14.218	$ 65,040
Direct:			
Shelter Plus Care	n/a	14.238	2,740,652
Section 8 Project Based Cluster			
Section 8 New Construction and Substantial Rehabilitation - New Constructio	n/a	14.182	136,892
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitatic	n/a	14.856	1,226,044
Subtotal Section 8 Project Based Cluste			1,362,936
Section 8 Moving To Work Demonstration Progran	n/a	14.881	245,787,834
Section 8 Housing Choice Voucher	n/a	14.871	1,580,200
CFP Cluster:			
ARRA - Public Housing Capital Fund Stimulus (Formula) Recovery Act Fund	CA39S05950109	14.885	1,099,383
Total U.S. Department of Housing and Urban Developmen			252,636,045
Total Expenditures of Federal Award			$ 252,636,045
State of California:			
Pass-through Department of Housing and Communit Development (HCD) - Division of Community Affairs - Offic of Migrant Services Migrant - Labor Housing (Operatior	07-OMS-844	n/a	$ 24,409
	08-OMS-871	n/a	158,099
Total Expenditures of State Award			$ 182,508

See accompanying notes to the schedule of expenditures of federal and state award

This page intentionally left blank.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Notes to the Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2010

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, 2009 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	$ 217,524
Section 236 Interest Reduction Subsidy	14.103	73,067
Section 201 Flexible Assistance Subsidy Loan	14.164	1,415,905
Section 8 Housing Assistance Payments (HAP) Program	14.182	452,391
Total Federal Expenditures		$ 2,158,887

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	$ 131,686
Section 201 Flexible Assistance Subsidy Loan	14.164	799,933
Section 8 Housing Assistance Payments (HAP) Program	14.182	498,367
Total Federal Expenditures		$ 1,429,986

HOUSING AUTHORITY OF THE COUNTY OF SANTA CLARA
(A Component Unit of the County of Santa Clara)
Schedule of Findings and Questioned Cost
For the Year Ended June 30, 2010

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?	None reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
♦ Material weakness(es) identified?	Yes
♦ 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:	Unqualified for all major programs except for CFDA No. 14.881, which was qualified..
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of major programs?

Program Title	CFDA Number
Section 8 Moving To Work Demonstration Program	14.881
CFP Cluster	14.885

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 Finding

None reported.

Section III - Federal Award Findings and Questioned Costs

Finding 2010-1 Eligibility and Special Tests & Provisions (Rent Reasonableness and Housing Quality Standard Enforcement)

Program Identification

Awarding Agency: U.S. Department of Housing and Urban Development
Program Name: Section 8 Moving To Work Demonstration Program
CFDA: 14.881
Award Number:Not applicable
Award Year: FYE 6/30/2010

Criteria

Under the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, non-federal grantees are responsible for the performance and administration of federal awards. The grantees should maintain proper records for the review or audit in accordance to the OMB Circular A-133.

Condition

In evaluating the Authority's compliance with several requirements according to the OMB Circular A-133 Compliance Supplement of the Moving To Work (MTW) Demonstration Program, we noted that certain supporting documents were not available for the audit review. Therefore, we were not able to verify the compliance with the requirements. Below is a summary of findings of the 60 items selected for each compliance test:

- Eligibility determination:
  - 19 samples did not have the *Tenant Authorization To Proceed* and/or other forms from tenants to release their information for income verification
  - 6 samples did not have the documents such as W-2, bank statements and/or other documents to prove the tenants income
- Housing Standard Quality Inspection:
  - 5 samples did not have Letter of Deficiency
  - 16 samples did not have self-certification
  - 3 samples did not have Abatement letter
  - 2 samples did not housing standard quality inspection report

Cause

The Authority utilized an imaging system to store the tenant information specifically related to the eligibility determination, rent calculation worksheet and inspection report. On January 11, 2010, the Authority suffered a server failure that led to a permanent loss of the originally-stored data. Subsequently, the Authority hired a 3rd-party vendor to help retrieving the information from the system. Part of the documents was successfully retrieved.

Questioned Costs

$144,132. The questioned costs represent the total rental assistance and utility allowances provided by the Authority in FY2010 to the questionable items noted above since the last eligibility examination date.

Section III - Federal Award Findings and Questioned Costs

Finding 2010-1 *(Continued)*

Effect
Without proper records of related documents, we were not able to determine if the Authority is in compliance with the related OMB Circular A-133 requirements.

Recommendation
We recommend the Authority perform periodic backup for source data in case of system failure or data migration. We also recommend the Authority store the backup data at an offsite location away from the main data center. Best practice is to store the backup tapes at least 20 miles away from the main data center to avoid same environmental hazard risks such as floods, storms, major fires, as the main data center.

Management's Response and Corrective Action Plan

Immediately following the data loss event, the Authority took all reasonable steps to assure data protection on an ongoing basis by implementing a disk- to-disk backup system and the use of off-site secondary data storage. The Authority contracted with Management Partners Incorporated to review and analyze the causes and effects and to review the infrastructure of the Authority's IT Department. The Authority has implemented best practices standards recommended by Management Partners Incorporated to assure ongoing integrity of electronic information and excellence of IT operations. Implementation of these best practices address all the audit recommendations and beyond.

In addition the Authority promptly developed and initiated a plan for the reconstruction of imaged files in compliance with HUD's record retention regulations. The data recovery plan was designed to quickly restore required data while taking steps to limit the impact of the data loss on program participants. The Authority also notified and briefed HUD officials regarding the data loss and worked closely with HUD, through a Memorandum of Understanding, to develop a recovery plan.

The Authority has successfully restored 1,800,000 critical scanned pages through the optical character recognition process. The images are retrievable online with full-text search capabilities similar to Google's Internet search engine. The Authority has also restored and indexed 891,400 imaged documents which were grouped by subsidy and document type for easy access. In addition, the Authority has manually restore files by retrieving data from various database such as PHAS records, Go Section 8 rent reasonableness, tax credit, and HUD Upfront Income Verification.

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, 2010

No matters were reported in prior year.