



HOUSING AUTHORITY OF
SNOHOMISH COUNTY

Project-Based Voucher and
Special Programs White Paper

December 8, 2009

Introduction

HASCO currently administers 2,998 vouchers through the federal Housing Choice Voucher (HCV) program, commonly known as the Section 8 program. The HCV program is funded and regulated by the U.S. Department of Housing and Urban Development (HUD) and administered by public housing agencies (PHAs) such as HASCO around the country. Under the program, low-income households receive a housing voucher which allows them to locate a unit on the private market and pay 30-40% of their income toward rent and utilities, with the voucher covering the remainder of the rent.

PHAs administering HCVs have some discretion to use these vouchers to create special programs. There are two methods for doing this: project-basing vouchers and creating preferences. When a PHA project-bases vouchers, it enters into a Housing Assistance Payments (HAP) contract with the building owner to subsidize the unit(s) with a voucher for between 1 and 15 years. Creating a preference is a way for PHAs to give certain populations, such as disabled or mentally ill persons, priority to get a voucher by setting aside a certain number of vouchers to serve that population(s).

HASCO currently has a project-based voucher (PBV) program and several set-aside programs. The PBV program represents about 11% of all HASCO's vouchers; the set-aside programs represent about 8%. In total, special programs utilize about 19% of HASCO's vouchers.

In addition to PBV and set-aside programs HASCO has secured funding for other programs that provide housing assistance to special populations but do not use resources from the regular voucher pool. These programs include Shelter Plus Care (S+C), Veterans Affairs Supportive Housing (VASH) and Non-Elderly Disabled vouchers (NED). S+C provides rental assistance for hard-to-serve homeless persons with disabilities in connection with supportive services, and VASH provides HCV rental assistance to veterans with case management and clinical services provided by the Veterans Affairs. NED vouchers are provided to non-elderly individuals with disabilities. HASCO has also applied for 50 Family Unification Program (FUP) vouchers, which would provide HCVs to families involved with the child welfare system and youth aging out of foster care, while NED vouchers are provided to non-elderly disabled households. At this time, HUD has provided adequate funding to continue operating these programs.

Issue Statement

HASCO has been able to provide fewer and fewer vouchers to individuals and families on the regular HCV waiting list in recent years. HASCO staff are currently pulling and screening applicants that submitted applications in April of 2005. At this rate, if a family applied for assistance today, they would have to wait 4 to 5 years for a voucher to become available. The waitlist is now at 5,781 households.

The long wait time for households on the regular wait list can partially be attributed to the special programs that HASCO administers. Over the last 8 years the number of PBV programs has slowly increased, decreasing the number of housing vouchers available to households on the

regular waitlist. PBVs have more than doubled the special program vouchers in use. Compounding the issue, when families in PBV units complete their supportive service programs, they must be offered a tenant-based voucher. HUD does not provide any additional vouchers – the moving voucher comes out of HASCO’s limited pool.

Over the last several years, most of the vouchers that have come available through turnover have been given to families leaving the project-based program, leaving very few available for other families on the regular wait list. The set-aside programs also reduce the number of vouchers that are available to house people on the regular wait list. For example, in 2008, HASCO issued 99 PBVs and only 71 regular vouchers. In 2009 (through June 30th), HASCO has issued 85 PBVs and only 11 regular vouchers.

This issue will only become more pressing if no policy or programmatic changes are made, since HASCO has committed an additional 73 vouchers to future projects not yet utilizing vouchers. Despite the lack of resources, HASCO continues to receive requests from housing and service providers to commit PBVs or set aside vouchers to additional special programs. At this time, HASCO is no longer granting requests for vouchers. HASCO put a temporary hold on issuing exit vouchers and asked agencies to keep families in PBV units for 18 months instead of 12.

In addition to the long waiting list, another issue threatens HASCO’s HCV program. Average HAP costs have been trending higher, due both to the high proportion of vouchers being used by homeless PBV clients who have very low incomes and to overall economic conditions which have reduced the incomes of many program participants. If this trend continues, HASCO may not be able to meet the obligations for families already on the program. HUD allocates HAP funds based on the average HAP from the previous year. If the average payment increases from year to year, HUD funds will not be adequate to cover the rent subsidies for all families in the program.

Last, service agencies partnering with HASCO to provide services to special populations, particularly those involved with Sound Families programs, have experienced cuts in funds for case management and services. Within the last year, the Snohomish Health District and Project Self-Sufficiency phased out of their commitments to Sound Families programs. Cuts in services funding, combined with the limited resources for exit vouchers, have left service providers struggling to maintain their programs.

Purpose

The purpose of this paper is threefold: 1) to provide an overview of HASCO’s current special housing voucher programs; 2) to recommend policy changes at the agency level for addressing issues with the programs; and 3) to make policy recommendations to governmental agencies, funders and others about policies that directly impact these programs.

Recommendations are broken down into three categories: 1) Strategies that are within the direct control of HASCO; 2) strategies that partner agencies can implement; and 3) broader policy-level changes that are under the control of HASCO’s authorizing environment, primarily HUD

and Congress. Congress has statutory authority over federal housing programs, while HUD only has the authority to issue regulations implementing statutes.

Sound Families Project-Based Voucher Programs

The development of PBV programs in Snohomish County was spurred by the Bill and Melinda Gates Foundation’s Sound Families Initiative. In 2001, the Gates Foundation provided \$40 million in capital and supportive service funds to provide safe and stable housing for families with children in King, Pierce and Snohomish Counties. HASCO, along with other housing authorities in the region, agreed to pledge PBVs as a way of assuring adequate operating income for the Sound Families units since the target families were limited in the amount of rent they could afford to pay. These subsidized units, combined with services provided by social service agencies, provide homeless families with the homes and support needed to become self-sufficient. Once families are deemed self-sufficient, as determined by the service provider, they are eligible for graduation from the program and receive a moving voucher.

During early planning for the Sound Families programs, both service agencies and housing authorities agreed that homeless families needed to receive a minimum of two years of services before being considered eligible for a moving voucher. However, the legislation that authorized PHAs to project base their vouchers specified that families were entitled to a voucher after remaining in PBV units for one year. As a result of this regulation, most families receive intensive case management and services for only one year before being considered for graduation.

As of November 2009, HASCO has partnered with 6 different social service agencies to develop 14 Sound Families programs which provide 304 PBV units at 23 different sites for Sound Families program participants in Snohomish County outside the City of Everett. An additional 15 PBVs are provided to a program in Renton.¹ EHA has partnered with 6 different agencies to develop 8 Sound Families programs which provide 99 PBV units at 7 different sites in the City of Everett. The following are a list of current service providers (as of November, 2009):

Service Provider	# of HASCO Units	# of EHA Units
Housing Hope	138 (65 operational)	32
YWCA	101	16
Catholic Community Services	40	15
Vision House (Renton)	15	-
Volunteers of America	15	-
Salvation Army	10	10
Intercommunity Mercy Housing	-	14
Domestic Violence Services	-	12
TOTAL	319	99

¹ HASCO does not provide exit vouchers to families in this project after they graduate and move out of these units. Instead, King County Housing Authority provides participants with assistance after completion of their program. Therefore, while this project does take vouchers from HASCO’s pool, it does not have the compounding effect associated with the other projects.

Regulatory Constraints on Project-Based Voucher Programs

The ability to project-base vouchers was originally enacted in 1998, at the same time as the old housing certificate program and the new housing voucher program were merged.² The PBV regulations replaced authority for project-based assistance under the certificate program. Major changes were made to project-based voucher regulations in 2000.³ The most recent changes to the regulations occurred in 2008.⁴

The following project-based voucher regulations are of particular note for the impact that they have on programs such as HASCO's:

- PHAs can only project base up to 20% of their voucher funding (not necessarily the same thing as 20% of their authorized vouchers).
 - *At this time, HASCO's current operational project-based vouchers comprise 6% of vouchers and 7% of budget authority (as of May 2009). Including obligations to projects not yet using vouchers, these numbers rise to 11% and 12%, respectively.*
- After receiving project-based assistance for a year, a family has the right to move from their project-based unit and when it is available, receive tenant-based assistance.
 - *This requirement has greatly reduced the number of vouchers available for families on the regular wait list since most available vouchers go to families leaving project-based voucher units.*
- PHAs issuing project-based vouchers are required to monitor each family's receipt of supportive services.
 - *This requirement is a burden on PHAs, which often do not have the capacity within their organizations to determine whether the services being provided are appropriate for a family.*

PHAs administering HCVs receive two types of funding from HUD: Housing Assistance Payment, or HAP funding, and administrative funding. HAP funding covers the payments that the PHA makes to landlords to cover the voucher portion of the rent. Administrative funding covers the agency's cost to administer the program, including salaries and benefits for Tenant-Based Assistance housing staff. Since the HCV program was created, there have been changes to the way that this funding is allocated to PHAs. Some policies are of particular concern to agencies such as HASCO that administer special programs:

- Previously, HAP funding was provided based on the actual cost incurred by the PHA. Now, funding is calculated based on the previous year's average HAP times the number of leased units. Since average HAP continues to rise each year, HAP funding is often inadequate to fund the number of units a PHA is authorized to lease up.

² Both changes occurred under the Quality Housing and Work Responsibility Act of 1998.

³ The changes were included in the Fiscal Year 2001 HUD appropriations bill.

⁴ Some changes were made to the project-based voucher regulations as part of the Housing and Economic Recovery Act of 2008, mainly to better align the project-based voucher program with the low-income housing tax credit program.

- PHAs who “over lease” (provide more vouchers than they are authorized by HUD to provide) are sanctioned and have administrative dollars recaptured by HUD.⁵ PHAs also lose administrative dollars if they do not fully utilize their vouchers (for HASCO, this is currently \$65 per voucher, per month). This gives PHAs a very small window within which to issue vouchers.

The Section Eight Voucher Reform Act, or SEVRA, is currently being considered in the U.S. House of Representatives (H.R. 3045). This bill has several elements which would provide PHAs with additional flexibility to administer project-based voucher programs:

- PHAs would be able to project base an additional 5% of their voucher funding for projects that house families who are homeless.
- The greater of 25 units or 25% of units could be project-based, meaning smaller projects could be entirely project-based, even if not all units come with services.
- In census tracts with a poverty rate no higher than 20%, up to 50% of units in a project could be project-based.

Set-aside Programs

In 1989, HASCO’s Board of Commissioners created a set of policies that established set-aside units for special populations in Snohomish County. The policies allowed HASCO to set aside no more than 40% of resources for special program participants. These policies gave first priority to applicants who qualified for a federal preference or local preference⁶ and were also eligible for special set-aside programs approved by the Board.

The original rationale for creating the set-aside programs was that the set-asides targeted populations who had the greatest need for housing as well as supportive services. These programs were created with the same intent as the project-based voucher program, but before PHAs were allowed to project-base vouchers.

The set-aside programs are similar to project-based voucher programs in that supportive services are provided along with a rental subsidy. However, the voucher is generally assigned to an individual, not a specific housing unit.

Recommended levels of assistance for set-aside programs were established annually by the Board prior to 1994. The policy required that at least 40% of all vouchers issued in a given year went to households on the regular waitlist. In 1994 HASCO staff recommended that the Board approve a standardized policy allowing all programs to reuse assistance. The recommended levels were set by reviewing the requests of each special program, the total size of each program, the annual turn-over rates of participants, and the amount of housing assistance that would be

⁵ If the average number of vouchers issued for the year by a PHA exceeds their voucher authority, the number of unit months is multiplied by the average HAP, and that amount is recaptured by HUD.

⁶ Until 1997, the federal government set preferences (groups of people who had priority above others) for 90% of a PHA’s vouchers. The PHA had discretion to create local preferences for the remaining 10% of their vouchers.

available during the program year. Once the Board's approval was given for this policy, it was not seen as necessary for programs to go through a presentation/allocation process every year.

The Board approved up to 291 set-aside units in 1994. Currently 258 slots are set aside for special programs in Snohomish County. Of these 258 vouchers, only 203 slots are currently being utilized. The following is a list of current programs and vouchers provided:

Program	HASCO Vouchers	EHA Vouchers
Mentally Ill Program	116	107
Developmentally Disabled Program	48	-
Homeless Program	42	30
Project Self-Sufficiency	25	25
Terminally Ill Program	15	-
Stanwood Senior Center (voucher assistance tied to units)	12 ⁷	-
Working Families	-	25
TOTAL	258	187

HASCO and its partnering agencies work together to issue vouchers to individuals who participate in the set-aside programs. When one individual or family leaves the set-aside program, another individual or family assumes the set-aside voucher.

Ending Homelessness Program

In 2008, HASCO and the Snohomish County Office of Housing, Homelessness and Community Development (OHHCD) developed the Ending Homelessness Program (EHP). Under EHP, OHHCD provides voucher funds to HASCO for 40 families for up to 3 years. EHP uses HCV program guidelines for determining rental payments. Program participants pay 30% of their income towards their rent and utilities with the remainder paid by the EHP voucher. EHP serves clients who are homeless or at imminent risk of becoming homeless. Priority populations are veterans, youth and non-veteran single adults.

Partnering social service agencies select, screen and refer potential EHP participants to HASCO. Once the client is selected to participate in EHP, they are required to apply for a regular HCV. Clients remain in the EHP program for three years. During this time they receive case management and supportive services from a partner service agency. The goal is for participants to receive an HCV after three years.

EHP is a relatively new program and the first client to participate in the program was approved in September 2008 and will not complete 3 years in the program until September 2011. However, given the current wait time for HCVs, it is unlikely that current participants will receive their HCV at the end of 3 years.

⁷ This program is currently over leased and providing 3 additional vouchers, so the actual number is 15.

Internal Strategies and Recommendations

If no additional voucher resources are provided by HUD, in order for HASCO to provide families from the voucher waiting list with rental subsidies and to avoid having to drop current participants from the program, HASCO will need to consider internal policy changes to help free up vouchers for families on the waiting list. HASCO is either implementing or considering some or all of the following strategies, each of which has potential benefits and shortfalls:

- 1) Increase length of stay for PBV families from 12 to 18 months (currently being implemented, this requires a change in statutes)
- 2) Increase length of stay for PBV families to 24 months (will implement if Strategy 1 is not sufficient to address the issues, this requires a change in statutes)
- 3) Stop issuing new project-based vouchers and moving vouchers if there are insufficient resources (currently being implemented except that vacant project-based units are being filled)
- 4) Review and evaluate set-aside program and consider discontinuing issuance of new set-aside vouchers as current vouchers turn over

Strategies 1 & 2: Increase Length of Stay for Project-Based Voucher Clients

HASCO recently implemented a temporary hold on providing moving vouchers to families currently in PBV units. Starting July 1, 2009, project-based voucher clients who were previously eligible for graduation in November or later will not be eligible to graduate until they have remained in their PBV units for 18 months. However, from a service provider and program standpoint HASCO believes a 24-month stay would give families a better chance to become self-sufficient.

Benefits of Strategy

- By increasing the clients' length of stay in the program, graduation rates will slow and more vouchers will become available for individuals and families on regular HCV waitlist.
- A reduction in the average housing assistance that HASCO pays could occur. Participants in PBV programs coming directly out of homelessness tend to have lower incomes, and consequently their average housing assistance is higher than it is for non-project-based units (\$794 per unit, per month compared with \$699 as of May 2009). Staying in the program longer may help them increase their earning potential.

Strategy 3: Stop Issuing New Project-Based and Housing Choice Vouchers

As of July 14, 2009, HASCO placed a temporary hold on issuing any new vouchers, due to insufficient HAP funds being available. This action was also previously taken in 2004 and 2007. However, this year HASCO chose to continue issuing vouchers to fill vacant project-based voucher units because of feedback that was given by service providers and landlords last time issuing was stopped that they would incur vacancy loss and not be able to meet their service

obligations. However, families currently in project-based voucher units will not be able to move with continued assistance until HASCO begins issuing vouchers again.

Benefits of Strategy

- By placing a hold on issuing new vouchers, HASCO can ensure that HAP resources are not over-spent.

Shortfalls of Strategy

- There will be no vouchers provided to families and individuals on the regular wait list. This will lengthen the backlog of families who are waiting for a voucher.

Strategy 4: Evaluate Whether to Modify or Discontinue Set-Aside Program

HASCO should also perform an evaluation and review of the set-aside programs. There are many factors that affect the viability of the programs. The original resolution required service providers to submit annual performance reports. Funding for set-asides was dependent on agency performance. Currently, agencies are not submitting reports and HASCO is not assessing service provider performance. If HASCO wants to continue the set-aside voucher program when the hold is taken off, HASCO should consider how service provision and agency performance will be monitored.

Additionally, HASCO has programs that may be able to serve the special populations targeted by set-aside programs. For example, unused Shelter Plus Care funds could be used to assist some of the households currently using set-aside vouchers.

Benefits of Strategy

- By not re-issuing vouchers for special set-aside programs, the number of set-aside vouchers will decline and more vouchers will become available for individuals and families on the regular wait list.
- Populations currently being served under the set-aside programs will still be eligible for assistance by getting on the regular waitlist.

Shortfalls of Strategy

- Partnering agencies will lose priority housing for their clients and their clients may end up homeless.

Service Agency Recommendations

PBVs and HCVs reserved for set-aside programs are vital resources for social service agencies working with special populations in Snohomish County. The current shortage of voucher resources and the strategies HASCO has taken to deal with this issue have significant impacts on the housing continuum and on service agencies' programs. Service agencies may need to consider several strategies to ensure that homeless populations are being served:

- 1) Lengthen service program requirements for Sound Families participants

- 2) Raise additional funding for services
- 3) Increase emergency shelters and vouchers

Strategy 1: Lengthen Service Program Requirements for Sound Families Participants

As of July 14, 2009, HASCO has stopped issuing new vouchers. When HASCO is able to resume issuing vouchers, families will be not be considered eligible to receive their exit voucher until they have remained in their PBV units for 18 months. Service providers agree that a 12 month program requirement is too short to help families achieve self-sufficiency, but the programs were initially designed to meet HUD statutory regulations requiring families to be offered a moving voucher after remaining in their PBV unit for 12 months. Now however, from a service agencies and program standpoint HASCO believes an increase in the length of stay in PBV units would be beneficial for families, agencies and the voucher program as a whole.

Benefits of Strategy

- Case managers will have the flexibility to provide more intensive services to families who require higher levels of case management while allowing families who are more self-sufficient the opportunity to operate more independently.
- Clients will receive case management and supportive services for a longer period of time and may be able to achieve greater gains in job skills and/or education.

Shortfalls of Strategy

- Slower graduation rates will reduce turnover of units and fewer families will be selected to participate in programs.

Strategy 2: Raise Funding for Service Provision

Service agencies do not receive enough funding to make Sound Families programs work in the long term and many are struggling to maintain existing provision of services. Staff typically have low wages and as a result the experience of case managers is limited and a high level of turnover occurs. Lack of funding also contributes to the service provider's inability to track client success and determine program viability. There is little data available to determine outcomes as families do not receive services or support after they have graduated from the program and there are currently no tools available to track family success after they have graduated.

Benefits of Strategy

- Funds can be used to increase wages which will attract more qualified and experienced case managers.
- Case managers may be more willing to remain in their positions if they are properly compensated for their work, which will ultimately decrease the level of turnover.
- Funds can be put towards continuing service provision for families who have successfully completed the program.⁸

⁸ Despite a program's capacity to help address families' needs while in the program, and whether or not families express a desire to continue receiving services, families are not as likely to engage in services after exit as during the PBV program. After exit, services are much less frequently received, even if program participants express an ongoing need. Services most needed and not received even in the six months following exit are: GED/school classes, job training, parenting and life skills, legal and credit help, health and dental care, and domestic violence services.

- Funds can be put towards continued follow-up and reporting as well as developing a standard tool for agencies and/or PHAs to use for tracking purposes.

Shortfalls of Strategy

- Agencies have experienced cuts in staff and workloads are already stressed; there may not be enough staff to seek out and apply for additional funds if any funding is available.

Strategy 3: Increase Emergency Housing Facilities

Currently strategies for providing housing to homeless families in Snohomish County use a Housing First model. Housing First is an approach to ending homelessness that centers on providing homeless people with housing, then providing services afterwards. As a result, less emphasis has been placed on creating and providing shelter and transitional housing for homeless families.

PBV units are a vital component of the Housing First model. These units provide immediate housing for families experiencing homelessness. The hold on vouchers and the changes in graduation requirements, from one year to 18 months, has an effect on the housing continuum in Snohomish County. The current hold on issuing moving vouchers stops families from moving in and out of PBV units. Families are able to stay for a maximum of 90 days in most shelters as they wait for a project-based unit to become available, but after the 90 day period has expired they must find alternative housing. Without the ability to move into a project-based unit, families have a difficult time locating stable housing. Until adequate resources can be provided to alleviate some of these issues, service providers may want to develop more homeless shelters and transitional homes for families.

Benefits of Strategy

- New shelter space and transitional housing units for homeless families in Snohomish County will provide service agencies with new facilities to house families.
- Homeless shelters and transitional units will provide families with a safe place to stay until project-based units are available.
- Service providers will have the ability to maintain contact and help stabilize families while they stay in emergency or transitional housing facilities.

Shortfalls

- Emergency shelters and transitional units do not align with the Housing First model that is currently being practiced.
- Shelters and transitional units can also be costly to operate; leveraging funding for these resources could be difficult.

External Policy Recommendations

Although HASCO is currently implementing several strategies to deal with the impact of an increased number of PBVs coupled with stagnant funding and decreased tenant contributions toward rent, policy changes outside the agency's control could have a real and positive impact on HASCO's programs as well as for other PHAs administering the HCV program who have PBVs.

The following are several policy changes that could improve how HASCO and other agencies' PBV programs, and the overall HCV program, operate:

- 1) Secure additional vouchers for the Gates Foundation's Sound Families Initiative
- 2) Secure Moving to Work designation
- 3) Seek changes in regulations and statutes

Strategy 1: Secure Additional Vouchers in Support of Innovative Supportive Housing Programs

The Bill and Melinda Gates Foundation's Sound Families Initiative represents an innovative approach to helping homeless families break the cycle of poverty. By providing additional vouchers in support of housing authorities that commit vouchers to programs such as Sound Families Initiative, Congress can ensure that housing authorities are able to continue serving families from their regular wait list while also meeting their commitments to Sound Families. The Sound Families program will be an important demonstration of the benefits and drawbacks of providing housing and social services to homeless families. If housing authorities such as HASCO face situations that force them to freeze issuance of vouchers, this jeopardizes not only the success of those families, but of the demonstration program as a whole, if adequate housing assistance is not available to be used with the service funding.

Strategy 2: Secure Moving to Work Designation

Under the Moving to Work (MTW) demonstration program, housing authorities have fungibility between voucher and public housing funding accounts. MTW designation also gives them greater flexibility to set program rules. For example, an MTW PHA could choose to project base more than 20% of its total budget authority, which is the current cap.

A bill currently being considered in the House of Representatives would create the Housing Improvement Program (HIP), which is very similar to MTW, and allow additional housing authorities to participate in the program.⁹ If MTW designation is not possible, HASCO will need to pursue statutory changes.

Benefits of Strategy

- HASCO will have the ability to try innovative new policies to improve the operation of the voucher program while serving the same number or more families (a program requirement). For example, a PHA would have greater flexibility about the type of assistance to provide after the family finishes their program, or could require that families remain in their units for longer than one year.

Shortfalls of Strategy

- Families may have less choice about where they live after completing their service program.

⁹ HR 3045, the Section Eight Voucher Reform Act of 2009, also known as SEVRA.

Strategy 3: Revise HAP Funding Calculation to Fully Cover Costs

Currently, housing authorities receive funding from HUD to cover housing assistance payments based on their average assistance payments from the preceding year. Since the average assistance amount per family usually increases each year, this means that housing authorities are often underfunded. Congress could remediate this situation by revising the HAP calculation to fully cover housing authorities' costs.

Benefits of Strategy

- PHAs would be able to cover all of their costs for the program and they would not be forced to terminate families from the program or implement other drastic measures to control costs.

Shortfalls of Strategy

- This strategy could be politically unpopular in Congress because of the potential for an increase in the cost of running the HCV program.
- There could be fewer incentives for PHAs to keep costs low if they know that their costs will be covered by HUD.