



**Date:** August 18, 2016

**To:** Thomas J. Bonfield, City Manager

**Through:** Keith Chadwell, Deputy City Manager

**From:** Reginald J. Johnson, Director  
Department of Community Development

**Subject:** Housing Authority of the City of Durham Funding Request for  
Section 8 Program

### **Executive Summary**

The Housing Authority of the City of Durham (“DHA”) recently submitted a funding proposal to the City of Durham (the “City”) for \$220,260 to fund an initiative that will result in the issuance of approximately 300 additional Section 8 vouchers for Durham residents.

The funding will be solely used by DHA for the issuance of approximately 300 Section 8 vouchers. DHA and the City will enter into an agreement that will, among other things, restrict DHA’s use of the funding to the City-approved purposes, and grant the City several oversight rights including the right to receive unaudited and audited financial information, the right to request and receive operational information, and the right to audit DHA financial and program records.

The Department of Community Development (“DCD”) staff finds that the awarding of DHA’s funding request totaling \$220,260 will assist DHA in providing affordable housing to low-income Durham residents, and thereby support the Department of Community Development’s objective to develop and preserve safe and affordable rental housing within Durham.

### **Recommendation**

The DCD recommends that the City Council authorize the City Manager to execute a grant contract with the Housing Authority of the City of Durham in the amount of \$220,260, from the General Fund, to be used by DHA to assist in administering the Section 8 Voucher Program. The Department believes that this request, if approved by Council, will assist DHA in strengthening its affordable housing activities within Durham.

## **Background**

DHA is the largest affordable housing provider in the City of Durham and serves more than 5,000 low-income Durham residents. One of the most important and impactful affordable housing programs in Durham is DHA's Housing Choice Voucher program, or what is commonly referred to as the Section 8 program. The Section 8 program is the largest subsidized housing program in the United States.

The funding that DHA receives for administering the Section 8 program includes the housing subsidy itself plus administrative fees to cover the costs of operating the program. Under the HUD program, eligible low-income individuals or families are provided with rent subsidies, through vouchers, that enable them to lease decent, safe and sanitary housing in the private market. The eligible program participant pays a percentage of his/her income as rent to the landlord, and the DHA-provided voucher subsidizes the balance of the rent, also paid to the landlord.

The administrative fees paid by HUD to DHA are largely based upon the actual number of units leased (per unit months leased basis) by an eligible program participant using a voucher. Financially, the more vouchers issued and subsequently utilized by eligible program participants to lease units, the more administrative fees DHA will earn.

Administrative fees have been subject to underfunding since 2011 due to federal funding cuts. When combined with "Sequestration" in the same year, the budget cuts resulted in a 32% funding reduction. Current budget cuts are at 16% for FY2017.

Over the past several years, the Section 8 program has not been operating at capacity, resulting in the underutilization of DHA's voucher capacity. DHA has the capacity to administer approximately 2,700 Section 8 vouchers, but currently has more than 300 unused vouchers that have not been issued because of funding constraints. DHA proposes that the funding (\$220,260) be used to increase staffing capacity (e.g. hire temporary application processing personnel), provide staff training (inspections, customer service, etc.), modernize equipment (e.g. lobby kiosks, software upgrades), and defray operating expenditures.

The Section 8 cash infusion is not intended to be a permanent financial fix to the program but a one-time investment that will yield additional affordable housing units in the City of Durham and increase administrative fees earned by DHA. In 2017, DHA anticipates that a combination of projected increased HUD funding along with the implementation of several planned corrective actions will further stabilize the program.

The planned corrective actions include the hiring of a new permanent department director, the hiring of new permanent support staff, staff realignment and continued customer service staff training, landlord outreach and program modernization. These

changes will enhance DHA's capacities to serve low-income Durham residents in 2016 and beyond.

### **Issues/Analysis**

The 2015-2020 Five Year Consolidated Plan, which sets broad strategic goals and defines the priorities and needs as they relate to housing and community development, has identified as an ongoing priority need, the preservation of affordable rental housing units. Although this request does not involve federal funds, it is consistent with the Department's objective of and commitment to the development and preservation of safe and affordable rental housing. The awarding of this funding request will strengthen DHA financially and ultimately assist the City in providing additional rental opportunities for its citizens.

The requested funding, if approved by the City, will be structured as a grant. DHA will be obligated to enter into a grant agreement with the City. In the agreement, the City will have contractual oversight rights including the right to receive audited and unaudited financial information, the right to request and receive operational information and the right to audit. DHA will provide the City with written progress reports, including supporting documentation, once per fiscal quarter (beginning January 31, 2017 and no later than the end of the first month of each quarter) that describes in detail the achieved outcome for each grant activity. The DCD will monitor all proposed DHA activities to ensure that the grant funds are being used for their restricted purposes.

DHA will commence all grant activities within thirty (30) days of receipt of the City grant. All activities will be completed no later than one (1) year of the date of the grant agreement between the City and DHA. DHA will start the voucher issuance process (beginning with the opening of the waiting list) no later than 30 days of receipt of the City grant. All 300 of the vouchers (100%) will be issued no later than one year from the date of the grant contract.

The following information is summarized in Chart A below:

#### **Hiring of Temporary Staff**

DHA will hire Temporary Staff consisting of a Supervisor and four processing representatives to oversee the opening and closing of the waiting list, processing the vouchers, and issuance of the vouchers by December 31, 2016. The addition of this Temporary Staff team will allow the existing staff to maintain the current voucher holders' annual re-examinations and inspections.

#### **Computerized Inspections Training**

All DHA Inspectors will be trained on and issued handheld tablets that will expedite processing of inspections. The tablets will be purchased by September 30, 2016, training will begin in October 2016, and used of the tablets will be fully implemented by March 2017. This will allow inspection results to be automatically uploaded to the agency system and to notify landlords of inspections results.

### **On-line Application Process**

The online application process will be fully implemented by December 31, 2016. This will allow more equality in the application process, mitigate against data entry errors, and provide greater efficiency in the application process.

### **Educational Videos**

DHA will procure educational videos that will be accessible via the DHA website, YouTube and other social media sources for the public by December 31, 2016. The educational videos will provide training about tenant responsibility, landlord responsibility, and tenant-landlord relationship.

### **Website Upgrades**

DHA will update its website to become the centralized information center for applicants, participants, landlords and the general public concerning the Housing Choice Voucher Program. The existing site will expand to accommodate videos, social media, and application status. The goal is to increase knowledge, access to the application, and to confirm an applicant's position on the waiting list. The website upgrades will eliminate the need for applicants to make onsite visits to obtain information about the Voucher Program. The website upgrades will be completed by December 31, 2016.

### **Housing Quality Standards (HQS) Training**

All DHA Inspectors will complete Housing Quality Standards training by December 31, 2016. Additionally, all Housing Choice Voucher staff will complete Customer Service Training by December 31, 2016.

### **McCright & Associates Inspections**

McCright & Associates will complete quality control inspections of units associated with the 300 new vouchers to be completed by September 30, 2016. The hiring of this vendor will allow current Inspections staff to maintain the annual and special inspections of units for the existing voucher holders.

### **Document Imaging Process**

DHA will install an automated process for completing steps associated with the operation of the HCV Program including the Waiting List process, selection of participants, voucher lease up, annual inspections and re-examinations. This will improve the efficiency of operations by increasing the number of units being inspected, as well as, mitigate the loss of documentation. DHA will complete the Document Imaging Process by December 31, 2016.

### **Opening and Closing the New Waiting List**

The current Waiting List consists of 162 families. The new Waiting List will open in September 2016 to accept applications from new families interested in the Voucher Program and will close by September 31, 2016. At the closing of the new Waiting List, DHA will narrow the pool via a random-sampling selection to 1,500 applicants.

**Voucher Issuance**

DHA will issue new vouchers to achieve a minimum utilization rate of 98% for its full program. Seventy-five new vouchers will be leased each quarter beginning December 2016 through September 2017.

Chart A

Grant Performance Measures	2016		2017		
	31-Dec	31-Mar	30-Jun	30-Sep	
Temporary Staff					
Computerized Inspections and Training					
On-line Application Process					
Educational Videos					
Website Upgrades					
HQS Training					
McCright & Associates Inspections					
Document Imaging Process					
Opening and Closing the New Waiting List					
Voucher Issuance	75	75	75	75	75

**Alternatives**

If the requested grant funding is not approved by the City Council, DHA will not be able to issue the additional 300 vouchers, thereby restricting the supply of affordable housing in Durham.

**Financial Impact**

A one-time use of fund balance from the General Fund is recommended. As of June 30, 2016, the fund balance in the General Fund (unaudited) is \$52,100,000. Of this amount, \$7,600,000 is budgeted for one-time expenditures in FY16-17 leaving a

projected balance of \$44,500,000 by year-end. Per City Council policy, the 12% FY16-17 end of year fund balance requirement is approximately \$21,200,000. If the DHA grant is funded from this source, the projected end of year fund balance will be \$40,280,000.

Alternate Option: An alternate source for this grant is the Dedicated Housing Fund (DHF) which can support the \$220,260 request from the FY17 DHF allocation. With the funding request there will be \$1,609,604 remaining.

DFS FY17 - Projected Revenue	\$	2,749,320
DFS FY17 - Projected Projects/Programs	\$	919,456
<b>DFS FY17 - Unallocated Funds</b>	<b>\$</b>	<b>1,829,864</b>
DFS FY17 - Unallocated Funds	\$	1,829,864
Durham Housing Authority Grant Request	\$	220,260
<b>DFS FY17 - Unallocated Funds Remaining</b>	<b>\$</b>	<b>1,609,604</b>

**SDBE Summary**

Not applicable