

**Housing Commission FY 14 Operating Budget Request to the HHSAB, DDA and City Council
June 11, 2013**

The Commission requested that the HHSAB approve \$159,000 from the Ann Arbor Housing Trust Fund to the Commission for FY 14. The Commission requested that the DDA/City Council approve \$223,000 for a total of \$382,000 for the Commission's FY 14 operating budget deficit due to the impact of sequestration.

The Housing and Human Services Advisory Board recommended Council approval of \$159,000 from the Ann Arbor Housing Trust Fund on June 11, 2013 for the Ann Arbor Housing Commission for Operating costs for FY 14.

The Downtown Development Authorities Partnership Committee discussed a request for funding on June 12, 2013 and did not vote to recommend approval of funding for the Ann Arbor Housing Commission for Operating costs for FY 14 because that decision is a policy change for the DDA that requires further discussion of the full board. The DDA's current policy is to fund capital costs not operating costs.

The Ann Arbor Housing Commission is requesting that the remaining \$223,000 be allocated by City Council from the General Fund fund balance for the Commission's FY 14 budget deficit.

Impact of Sequestration

- Public Housing reimbursement rate for operations reduced to 82%
- Capital Funding rate has not been released yet, projected reduction of \$50,000 -\$75,000
- Section 8 reimbursement rate for operations reduced to 69%
- Section 8 rental subsidy pass through to landlords reduced to 94%

The Housing Commission's public housing and voucher programs were significantly impacted by sequestration on top of a historical decline in funding for public housing programs. Sequestration is completely separate from HUD's Rental Assistance Demonstration program, which City Council supported on June 3, 2013. However, the link between sequestration and RAD is that RAD can help mitigate the impact of sequestration in the long term, and to a limited extent, in the short term as well.

The impact of sequestration on the Commission's public housing funding is over \$300,000/year less for operations and an estimated \$50,000 - \$75,000 less for capital funding. HUD has not announced the capital funding budget yet for 2013. The impact of sequestration on the voucher program is over \$200,000/year less in administrative fees and a reduction of about 80 vouchers.

	FY 12/13 Projected Year End	FY 13/14 Budget Projection
Revenue	\$3,970,000	\$3,360,000
Expense	\$3,955,000	\$3,742,000
Net Income	\$15,000	(\$382,000)

The Commission has applied to HUD to convert its public housing units to project based vouchers under HUD's Rental Assistance Demonstration (RAD) program in order to stabilize its source of operating funds

and reinvest in the capital needs of the buildings. In addition, as units are converted to project-based vouchers, HUD will add RAD vouchers to the Commission's Voucher Program, which will generate additional voucher administrative fees of approximately \$600/unit/year.

It is entirely unknown whether reduced sequestration reimbursement rates and grants will continue into 2014 and beyond. If Congress does not change the current sequestration levels of funding, the impact on the Commission's budget will be significant, but decline over time as public housing units are converted to project-based vouchers under RAD.

The RAD program rules currently state that conversion to project-based vouchers will occur simultaneously with closing on the financing. Because there are 18 different properties, the Commission is redeveloping the properties in stages over 3 – 4 years. This was not a financial problem until sequestration occurred. The RAD rent rates are higher than the current sequestration rates. Consequently, the longer it takes to convert a property, the longer the property must operate using sequestration operating subsidies.

At the time that the Commission converts its public housing to project-based vouchers, HUD will start reimbursing the Commission at a baseline RAD voucher funding rate at pre-sequestration levels – but not until the month of January following conversion. In other words, the impact of sequestration on the operating funds will be removed starting in January 2014 for all of the units the Commission converts to project-based vouchers in 2013. Unfortunately, the Commission will only be able to convert 28 units in 2013. The majority of units (191) will be converted in 2014 and the higher RAD rents will take effect in January 2015.

For the Public Housing program, if the Commission converts the properties in phases, the Commission will have a budget deficit until all the units are converted under RAD in FY 17.

- FY 14 net operating loss of approx. \$382,000 plus capital fund reduction
- FY 15 net operating loss of approx. \$209,000 plus capital fund reduction
- FY 16 net operating loss of approx. \$94,000 plus capital fund reduction
- FY 17 revenues exceed expenses, additional operating support is not expected
- TOTAL operating request of \$685,000 for FY 14 through FY 16

Staffing Levels

- All budgets assume that two vacant positions will not be filled until the budget stabilizes in FY 14/15 if Council approves the RAD conversion and property sale
 - Deputy Director and Accounting Clerk not filled for a savings of \$188,687/yr
- It is important to note that all Commission staff took over a 15% pay cut 6 years ago and are currently the lowest paid employees at the City

Occupancy

- Assumes Public Housing/Project Based Voucher properties at 98% occupancy
- Assumes voucher utilization averaging 1420 vouchers
 - The impact of sequestration on the number of vouchers is a reduction in about 80 vouchers. Consequently, as households leave the program, their vouchers will not be given to new households, otherwise the Commission will be over-leased at the end of

the calendar year and HUD can require the Commission to use its administrative funds to pay back HUD for exceeding the budget cap for the vouchers.

- HUD has awarded the Commission 20 new homeless Veteran's Vouchers which will be project-based at Miller Manor. The Veteran's Voucher program was held harmless under sequestration and there were no reductions in funding for that program.

Measures already taken to increase revenue and decrease expenses

- Revenue
 - \$69,000/yr Family Self Sufficiency Grant for Public Housing
 - \$34,500/yr Family Self Sufficiency Grant for Voucher Program
 - \$4,000 reimbursement from DTE to install energy savings devices in common areas
 - \$100,000 CDBG funds to complete energy efficient & green rehab of 3 units at Oakwood
 - \$260,000 DDA – roof, thermostats, motion sensor lighting at Baker
 - \$500 City Customer Services Grant - for move-in cleaning supplies for tenants
 - Est. \$27,000 revenue from sale of vehicles and equipment that are not being used
 - Accelerated enforcement of non-payment of rent to increase rent collection, increased old debt payments by about \$10,000
 - \$6,000 sub-grant from the Dept of Public Health to implement a Smoke-free policy
- Cost Savings
 - \$100,000 labor & materials for weatherization from the County to increase the energy efficiency of Hikone (insulation, furnaces, air sealing, appliances)
 - Est. \$6,000 in labor and materials from DTE to install energy saving devices in units
 - Est. \$15,000/yr savings by changing Gas Provider to Exelon Energy Gas
 - Est. \$5,000 labor from EMU construction management students to build gazebo
 - Est. \$3,000 materials and labor EMU furniture design students to build office furniture
 - Worked with City Parks Volunteer Coordinator for volunteer clean-up day
 - Installed motion sensor lighting in indoor common areas and light sensor lighting in exterior common areas
 - \$8,500 in free labor through the Workforce Development adult intern program
 - Weekly check of water bills to see if sudden increase (indication of broken pipes or leaks) so that they can be fixed immediately
 - Implemented Preventative Maintenance Plan which has short term costs, and long-term savings. (ex. Cleaned all ducts for \$80,000+ but it will reduce energy costs and health problems)
- Increased Efficiency
 - Implemented 50+ policy changes to streamline operations including: S8 annual re-certifications by mail, group PH certifications, reduced interim certifications, cost of living adjustments for fixed-incomes instead of full certifications, source documentation instead of 3rd party verifications, affidavit of assets less than \$5,000, HQS failures certify corrections by photo and affidavit instead of new inspections
 - Technological improvements
 - mobile maintenance
 - on-line waitlist applications
 - direct deposits for vendors
 - scanned check deposits instead of in-person

Additional cost savings can only be met by cutting more staff, reducing maintenance of buildings and/or cutting the items in the chart below:

Item	Impact	Cost
Critical Needs – These programs will be eliminated or reduced if unable to fund them		
Family Support Programs to PEACE and CAN	Peace and CAN both operate the community centers at 4 family sites which provides both adult and youth programs to stabilize households that are in danger of eviction, provides after school and summer programs, and helps families become self-sufficient. \$20,000 in City general funding is currently passed through the Office of Community & Econ Development to the Commission for Peace and CAN and \$65,000 comes from the Commission's budget. Peace and CAN leverage hundreds of thousands of dollars from other funding sources	\$65,000
Hearing Officer	Currently neutral party contracted for grievance hearings. If not funded, must use in-house staff whom tenants do not perceive as neutral.	\$12,000
Administration of Shelter Plus Care and Supportive Housing Program	The Commission has administered the SPC program for Avalon, MAP and the Shelter Association for free for 9 years and the SHP program for Ozone, POWER, and SOS starting in 2013 and it costs about \$15,000/year to administer. The Commission needs to start charging these agencies to cover the cost or discontinue	\$15,000
Interns/Temporary Help	The Commission has hired 4-6 interns every year who work in all programs which helps with compliance and is cost effective	\$39,000
Training	Training needed to keep abreast of HUD regulations to stay in compliance	\$9,000
Family Self Sufficiency Program	HUD grant covers \$103,500 in costs for a program that costs \$120,000 to administer. The purpose of the program is to help tenants increase income so that they are no longer on public assistance	\$16,500
TOTAL		\$156,500
Retirement Costs MANDATORY	Council approved a change in how retirement is calculated in 2012/13. Council approved \$78,000 to mitigate the cost in 12/13. <i>If not funded, Commission must cut other programs</i>	\$46,758 estimated by Finance