MINUTES OF THE SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF THE KING COUNTY HOUSING AUTHORITY

October 17 and 18, 2014

I. CALL TO ORDER

The special meeting of the Board of Commissioners of the King County Housing Authority was called to order by Commissioner Doug Barnes at 6:02 p.m. on Friday, October 17, 2014, at Anthony's HomePort, located at 421 S 227th St, Des Moines, Washington.

II. ROLL CALL

Present: Commissioner Doug Barnes (Chair), Commissioner Michael Brown, Commissioner Richard Mitchell, Commissioner Susan Palmer, and Commissioner TerryLynn Stewart

Staff: Stephen Norman, Connie Davis, Sean Heron, Megan Hyla, Jennifer Ramirez Robson, Mike Reilly, Tim Walter and Dan Watson

Guests: Gina Bartlett, Consensus Building Institute

III. DISCUSSION

The board and staff discussed the current context and strategic goals related to the operations of the Authority. Topics covered included the prioritization of housing programs, efforts to expand the supply and geographic distribution of the agency's housing resources, and partnerships to improve life outcomes of KCHA residents. Program income and expense trends, staff development and leadership succession planning were also discussed. Background materials provided to the Board are attached. No final action was taken during the meeting.

IV. RECESS

On motion by Commissioner Mitchell, seconded by Commissioner Brown, which motion was duly carried by unanimous vote, the Board agreed to recess at 8:31 p.m. and reconvene on October 18, 2014 at 9:00 a.m. at Wesley Homes Lea Hill, 32049 109th Place SE, Auburn, Washington.

V. CALL TO ORDER

The special meeting of the Board of Commissioners of the King County Housing Authority was reconvened by Commissioner Doug Barnes at 9:03 a.m. on Saturday, October 18, 2014, at Wesley Homes Lea Hill, 32049 109th Place SE, Auburn, Washington.

VI. ROLL CALL

Present: Commissioner Doug Barnes (Chair), Commissioner Michael Brown, Commissioner Richard Mitchell, Commissioner Susan Palmer, and Commissioner TerryLynn Stewart

Staff: Stephen Norman (Secretary), Bill Cook, Claude DaCorsi, Connie Davis, John Eliason, Sean Heron, Megan Hyla, Kristy Johnson, Donna Kimbrough, Gary Leaf, Nikki Parrot, Jennifer Ramirez Robson, Mike Reilly, Rhonda Rosenberg, Craig Violante, Tim Walter, Dan Watson, Kristin Winkel, and Wen Xu

Guests: Gina Bartlett, Consensus Building Institute, Andrew Lofton (Seattle Housing Authority), Michael Mirra (Tacoma Housing Authority) and one member of the public, whose name was not captured.

VII. DISCUSSION

The Board and staff discussed strategic goals of the Authority related to real estate development, geographic choice, strategies to address expanding needs with shrinking resources and the scope and delivery of resident services. Guests Andrew Lofton and Michael Mirra provided an overview of recently adopted and proposed policy changes at their agencies. Background materials provided by to the Board are attached. No final action was taken during the meeting.

VIII. ADJOURNMENT

On motion by Commissioner Stewart, seconded by Commissioner Mitchell, which motion was duly carried by unanimous vote, the Board adjourned the special meeting at 4:25 p.m.

THE HOUSING AUTHORITY OF THE COUNTY OF KING, WASHINGTON

Douglas J Barnes

DOUGLAS J. BARNES, Chair
Board of Commissioners

STEPHEN J. NORMAN
Secretary

KCHA Briefing Paper – October 2014

Real Estate Strategy

Background:

KCHA's portfolio of affordable housing is one of the most diverse of any housing authority in the country. KCHA currently owns 125 different properties with a total of 8,932 units. This housing stock includes the federally subsidized units where rents are adjusted by household income, properties serving special needs populations with on-site services and work force housing units where rents are below market but support operating costs and debt service without subsidy. Building types include mid-rise (mostly senior) housing, garden style apartments, manufactured housing communities and single family homes. This diversity of housing types underpins KCHA's present business model.

KCHA is arguably at a transition point in its real estate development efforts. The redevelopment sites, surplus land, preservation opportunities and favorable real estate market conditions that have been key factors in developing this diverse portfolio are all changing. KCHA has redeveloped all of its large communities, has only one more surplus property for development (Windrose), and has preserved the vast majority of privately owned federally subsidized housing at risk of converting to market rents. Additionally, the favorable market conditions that facilitated KCHA's ability to purchase apartment complexes throughout the region with financing supported by rents no longer exist.

KCHA's Real Estate Development Strategy:

KCHA's acquisition and new development activities have been guided by the following four strategic objectives: 1) preserving and expanding the supply of housing affordable to extremely low-income households, 2) providing greater geographic choice, 3) revitalizing low-income communities and 4) supporting equitable regional development with new affordable housing in regional growth corridors with mass transit. But, by necessity, actual real estate development has been opportunistic, responding to individual property offerings and to Federal funding opportunities such as HOPE VI.

<u>Acquisitions</u>

In 1990 KCHA purchased the Cottonwood Apartments, an unsubsidized, privately owned apartment complex. This purchase set the Authority on a course that rapidly expanded the agency's portfolio of "workforce" housing where rents at acquisition support debt and over time reflect actual operating and debt service costs rather than market driven pricing. At 5,197 units, the portfolio of workforce units is large enough that if the public housing program disappeared tomorrow KCHA would remain one of the largest residential landlords in the region.

Funding for these acquisitions has involved bond issuances by KCHA, many of them guaranteed by King County, extensive use of the Federal Low Income Housing Tax Credit program and local (State and County) soft dollars (typically 0% -1% loans payable from excess cash flow or forgivable at the end of the compliance period). Most recently, acquisition financing has involved direct enterprise level bank debt for multiple properties backed by our corporate balance sheet.

KCHA's non-public housing properties have an asset value of roughly $600 million offset by approximately $200 million in outstanding debt. In 2015 these properties are expected to contribute almost $4 million in cash flow to KCHA's corporate balance sheet.

The acquisition of rental properties fulfills three strategic objectives for KCHA. **First**, they extend our affordable housing resources beyond the HUD programs, providing affordable housing to low wage working households, typically in the 40% to 60% of AMI range for developments financed with tax credits and 50% to 80% for properties financed with bonds alone. **Second**, through use of both project and tenant-based Section 8, these properties enable us to provide housing for extremely low income households in targeted higher opportunity neighborhoods. **Third**, as the assets mature over time they contribute significantly to our financial health, strengthening our balance sheet and ability to access capital, and providing a reliable stream of excess cash in support of the Authority's operations.

KCHA's acquisition strategy has focused on four types of properties:

> **First**, a preservation strategy directed primarily at properties with existing federal or state rent subsidies or restrictions that are expiring. Typically these are privately owned Section 8 projects where the expiration of federal contracts provide owners in high rent markets with the opportunity to "opt-out" and end project-based rental subsidies for the units. The most recent example of this is the Chaussee portfolio. KCHA's subsequent acquisition, Gilman Square in Issaquah, also falls into this category as a portion of the units were operated under State tenant rent restrictions that had recently expired, leaving existing low income households in those units vulnerable to significant rent increases.
>
> The **second** category consists of acquisitions in areas of the county where rising housing costs threaten the economic diversity of the community as well as the displacement of lower income non-subsidized households. This second category, targeted primarily at complexes with 100 units or more, comprises the largest single category of non-subsidized housing KCHA has acquired. Due to targeting over the past 15 years, the bulk of this inventory is located on the Eastside.
>
> KCHA has begun purchasing a **third** category of properties – smaller properties in higher cost opportunity zones. These properties are added to our public housing portfolio and "banked" federal public housing subsidies attached to the properties, making them available to extremely low income households. As these properties cannot support debt under the public housing program, acquisitions are funded through direct use of KCHA working capital or through the multi-year commitment of MTW proceeds to support debt.
>
> The **Fourth** category includes severely dilapidated properties where acquisition and rehabilitation is necessary to address blight and further community-wide revitalization plans. Acquisition of these properties is typically done in close coordination with local government.

Examples of acquisitions that fall into this category include Arbor Heights (previously known as The Cones), in White Center, which was undertaken as part of the general Hope VI strategy for the neighborhood. The other example is Windsor Heights in SeaTac, which was a severely dilapidated property acquired by KCHA at the urging of the local community. As property values have increased across the county this type of intervention has become less frequent.

New Development:

In addition to acquisitions, KCHA has also built 836 units of new housing over the last 15 years. The bulk of this activity has taken place on existing KCHA owned properties where aging low density public housing was replaced under the HOPE VI program. KCHA also constructed Village at Overlake Station, a 308 unit complex on top of a County-owned Park and Ride lot in Redmond and is currently constructing Vantage Point, a 77 unit senior building on excess KCHA property in Renton.

Current Status, Strategic Issues, Opportunities and Challenges:

Redevelopment of Public Housing Sites with Higher Densities: With the completion of Greenbridge and Seola Gardens, no large public housing sites remain to be redeveloped at significantly higher densities.

Surplus Land: The development of banked KCHA owned sites is virtually complete. The Windrose project site adjacent to Greenbridge will conclude this pipeline. This project is currently in the site and infrastructure permitting stage for a four story, 80 unit senior facility. KCHA is exploring whether a Medicaid funded assisted living overlay makes programmatic and financial sense.

Acquisitions: This model has historically been our most efficient approach to expanding our inventory. Our traditional property acquisition approach, where rents are held to pre-purchase levels, is challenged by rising commercial real estate prices in King County. Purchase prices can no longer be carried by existing rents and modest infusions of equity. Increasing amounts of KCHA equity or more aggressive rents for at least a portion of the units may be necessary to help finance future acquisition deals. Even under current market conditions, however, property acquisitions at $150,000 to $225,000 per unit compare favorably to the $300,000 per unit cost of new construction when built by the Housing Authority under public works rules.

KCHA has responded to increased market prices in its last few deals through pooled refinancings that bundled new acquisitions with seasoned properties and took advantage of lowered interest rates. The refinancing of County credit-enhanced properties currently underway will conclude KCHA's ability to provide financing for additional acquisitions through this approach.

The strategy of acquiring smaller properties where banked public housing subsidies can be turned-on is also challenged by increased purchase prices, diminishing working capital and available excess MTW cash flow to either buy down purchase costs or support long term acquisition debt.

Preservation: With the acquisition of the Chaussee properties, the inventory of privately owned Section 8 properties in King County has diminished significantly. However, we estimate that there are still at least 12 additional properties, with 633 units, at risk of converting to market-rate housing. A separate preservation category includes mobile home parks, where a significant number of homes may be at risk as the regional economy expands. According to a study KCHA conducted in 2008, there are approximately 142 manufactured housing communities -- 43% of which were rated as 'poor or fair' by the King County Assessor's Office -- with 9,934 individual units.

Transit Oriented Development (TOD): The Puget Sound region is establishing, albeit slowly, mass transit corridors. Extensive changes in land use and density along these corridors is anticipated over the next twenty years. Residential development is an integral part of this transformation and will be critical in both providing ridership for the emerging system and accommodating projected regional population growth and transportation needs. Suburban jurisdictions are interested in assuring some level of affordability as part of new housing development although local definitions of affordability are typically 80% of AMI or below. Potential roles for KCHA in these transit corridors range from land banking to providing development financing to actual housing development.

Unused Public Housing Operating Subsidy: The Authority has approximately 1,150 units of "banked" public housing. At the current 84% prorate these subsidies have the potential to provide up to $4.6 million annually in new rental assistance for extremely low income households.

Low Interest Rate Financing: KCHA is now an associate member of the Federal Home Loan Bank system, providing it with access to bank funds at low interest rates. The Authority has some experience, stretching over two decades, in providing financial assistance to non-profit housing developers through conduit bond financing, pre-development and working capital loans and New Market Tax credit equity.

Soft Financing: The availability of soft dollars to support housing development is a mixed bag. State Trust Fund dollars will in all likelihood remain constrained in the face of competing demand for infrastructure and education funding. Historically, the funding typically available from the County or local jurisdictions has been relatively limited. Funding available from the County may increase significantly by 2021 with hotel tax revenues coming on-line for housing, which may create additional opportunities for KCHA to acquire or develop new affordable housing. Most of KCHA's recent developments, including Greenbridge, Seola, Birch Creek and Green River relied to varying degrees on federal funding resources that are no longer available. A national housing trust fund has been authorized but not funded. While this funding may eventually become a reality it is not clear when.

Strategic Questions:

1. Developing Mixed Income Housing: While KCHA is authorized under state statute to develop and operate housing where no less than 50% of the housing is affordable to households earning less than 80% of AMI, unsubsidized rents at KCHA properties are typically affordable in the 60% of AMI range or lower. Depending on the deal, including higher market rents might improve financing feasibility and in others it might improve the likelihood of securing political support, especially with TOD projects. Should KCHA explore mixing higher rent units into new projects (acquisition and new construction) in order to expand opportunities for the development of affordable housing?

2. Accessing "banked" public housing subsidy: Public Housing and Section 8 are the only programs that support extremely low income (under 30% of AMI) households. Neither of these programs is expanding. KCHA has a significant pool of "banked" public housing (or ACC) subsidies. These subsidies could increase federal support for extremely low income households in the region by up to $4.6 million annually. As these subsidies cannot support debt, activation of these subsidies will entail a significant commitment of KCHA working capital to finance construction or acquisition. In addition, current HUD regulations prohibit the use of HOME funds, which are a key source of soft dollars for local jurisdictions, in projects with public housing subsidy. It is important to note that the additional operating subsidy provided by ACC comes with additional statutory and regulatory requirements that increase operating costs over time. How aggressive should KCHA be in using working capital to leverage on-going rental subsidies serving our poorest clients?

3. TOD development: Should KCHA seek aggressively to purchase – possibly in partnership with local jurisdictions - vacant land along mass transit corridors, with the intent of landbanking and re-conveying these sites to development partners or developing directly?

4. Leveraging the activities of other developers: Should KCHA develop a structured line of financing products and seek to expand its lending activities more aggressively to both for-profit and non-profit developers of affordable housing?

5. Preservation of mobile home parks: What role if any should KCHA play in preserving mobile home parks that will inevitably be under risk of closure due to increase market pressures? There are an estimated 142 mobile home parks in the county, some number which are at risk of closure in the next 5-10 years.

6. Expanding affordable housing in rural areas: What role should KCHA play in developing new housing in small rural jurisdictions that are within KCHA's jurisdiction and where no other affordable housing provider is active?

7. Projected growth areas: What role should KCHA play in banking land, securing development opportunities and pushing increased density ahead of the market in suburban downtowns (especially in south King County) in anticipation of regional growth over the next 20 years?

KCHA Briefing Paper - October 2014

<u>Geographic Opportunity</u>

Background:

Housing mobility programs across the United States grew out of the desegregation movement and efforts to deconcentrate poverty – with mixed results. Despite somewhat ambiguous outcomes, a renewed interest in mobility has emerged due to the growing body of research over the last several decades that suggests that where a low income family lives is a critical determinant of its long term prospects, including physical and mental health, and academic and life outcomes for youth. It is now generally recognized that health is determined much more by a person's zip code than by their genetic code. This has important implications for the Housing Authority's efforts to improve life outcomes for the low income households we serve.

As a regional housing authority KCHA is in a unique position to address geographic choice and mobility issues. KCHA serves an area that houses two thirds of the region's population and includes the majority of its poor households. The region spans both extremely poor and affluent areas. For example, the Highline School District reports subsidized meal rates (one indices of concentrations of child poverty) of 63%, while the Mercer Island School District has a rate of 3%. There is a vigorous debate underway between housing and poverty advocates who believe that efforts should be focused on revitalizing neighborhoods where significant concentrations of low income households already live (and will in all likelihood continue living), and those advocates whose primary focus is on moving low income households out of those neighborhoods.

In 2010 KCHA's Board of Commissioners explicitly acknowledged the role that geography plays in life outcomes. Utilizing the Kirwan Institute's "Opportunity Mapping" approach that has been adopted by the Puget Sound Regional Council, KCHA identified low poverty neighborhoods that offered the advantages identified in mobility research. The Board resolution passed at that time called for staff to consider these "high opportunity" or "very high opportunity" neighborhoods in developing policies and determining resource allocation. A copy of the opportunity area map is attached.

Strategy:

To provide geographic choice, KCHA has focused on five strategies:

1. <u>Acquisition and Development in High Opportunity Areas</u>: KCHA began developing public housing on the eastside in the early 1980s and by 1984 had developed eight small complexes spread through the Bellevue, Redmond, Kirkland and the Juanita neighborhood. In 1992 the Authority purchased and preserved a portfolio of privately owned properties in Bellevue that were opting out of the Multifamily Section 8 program. Most recently KCHA has begun to purchase smaller multi-family complexes where public housing subsidies can be turned on. Acquisitions over the last several years in Kirkland, Bothell and on Mercer Island are examples of this approach.

In addition, KCHA has focused its workforce housing acquisition strategy on the eastside, targeting large multifamily complexes. As a result, the Authority currently owns more property in Bellevue than in any other jurisdiction. Owning property in high-opportunity areas also allows KCHA to actively encourage tenant-based voucher holders to apply for our non-subsidized units. Despite Source of Income Ordinances in Bellevue, Kirkland and Redmond, Section 8 residents still face discrimination.

2. <u>Market-based Payment Standards</u>: KCHA's designation as a Moving to Work housing authority in 2002 provided it with a broad range of additional tools for providing housing opportunities in higher priced neighborhoods. The MTW program provided KCHA with the ability to establish a two-tiered payment standard and to decouple these standards from the regional Fair Market Rents (FMRs) established by HUD. This enables KCHA to pay higher rents in more expensive housing markets and to lower payment standards in cheaper markets to avoid "leading" the market. KCHA's two payment standards currently average 88% and 110% of the FMR for the regular and exception area respectively. Currently the payment standard for a two bedroom unit on the eastside is $300/month higher than a comparably sized unit in south King County.

3. <u>Leveraging Project-based Section 8 Subsidy</u>: The MTW program also enabled KCHA to more efficiently and aggressively utilize project-based rental subsidies in support of broader geographic choice. KCHA has project-based rental subsidies in a percentage of the units in each of its east side workforce housing complexes – providing extremely low income households with the opportunity to live in these communities. KCHA also actively encourages tenant-based voucher holders to apply for the non-subsidized units.

4. <u>Deconcentration of Poverty</u>: The reduction in the number of public housing units in White Center, one of KCHA's key objectives with the HOPE VI initiative, was accomplished through the transfer of those subsidies, via Section 8 vouchers, to A Regional Coalition for Housing (ARCH). In partnership with ARCH – a consortium of east side suburban cities – the vouchers provide project-based rental subsidies to non-profit sponsored housing projects in ARCH's development pipeline. These subsidies support the underwriting of these projects and enable additional extremely low income households access to housing in east side communities.

   The vouchers for this effort have been provided through KCHA's HOPE VI initiatives, which reduced the number of public housing units in White Center, King County's poorest neighborhood, and transferred those subsidies, via vouchers, to the ARCH pipeline.

5. <u>Mobility Pilot</u>: Most recently KCHA has launched a pilot mobility project to work with Section 8 voucher holders to educate them regarding housing mobility and geographic choice. The pilot is targeting up to 50 families with young children, and provides supportive pre and post-move services to assist households who choose to relocate to higher opportunity neighborhoods. Two service providers – Hopelink and the Multi-Service Center –are under contract with KCHA to provide community connections and housing stability.

Current Status:

Utilizing the map adopted by the Board**, 40% of all the households we currently serve reside in opportunity or high opportunity zones**. Looking specifically at households served through KCHA's federally subsidized programs, the vast majority of which are extremely low income, approximately 35% live in opportunity neighborhoods. Of those:

- Approximately 1,800 (41%) of KCHA's "fixed" units (public housing or project-based Section 8) are in opportunity zones.
- Almost 2,000 (31%) of our tenant-based program participants are in these areas.
- As one of the primary benefits of residing in higher opportunity neighborhoods is access to stronger schools, it is also important to look at the distribution of households with children. Of the 6,740 households with children supported through federally subsidized housing programs, approximately 1,600 households or 24%, live in higher opportunity areas.

Considerations, Opportunities and Challenges:

Rising Rents: Rents are rapidly escalating across the county, but most notably in high demand areas. This is putting increasing pressure on Section 8 Housing Choice Voucher holders in these locales, many of whom are paying an increasing portion of their income towards rent and utilities. It may also be reducing locational choices for new voucher holders just entering the market. The current market is also reducing the amount of privately owned housing affordable to low income households who do not have subsidy assistance, resulting in economic dislocation and accelerating the loss of economic diversity in these communities.

Payment Standards are Not Keeping Pace with Escalating Rents: The payment standards currently utilized by KCHA have been frozen since Congress began reducing funding support to the Section 8 program and now lag significantly behind actual housing costs. While the current differential between payment standard tiers is $300/month for a two bedroom, we estimate that the actual difference is now closer to $500/month. The payment standard, and thus household subsidy level, for a four bedroom house (as apartments are typically not an option) including utilities in a high opportunity neighborhood typically costs at least $2,565 per month. Our current payment standard for a four bedroom unit in an opportunity neighborhood is $2,320.

KCHA is presently analyzing current market conditions in order to recommend new payment standards and to calculate the estimated impact of payment standard increases on the overall annual cost of the program. Aggressive movement of the standards may increase per unit subsidy levels for existing program participants to the point where we can no longer afford to over-issue vouchers to the extent we currently are. As part of this exercise KCHA is considering moving to a finer grained zip code based payment standard with four separate market levels. This will right-size subsidies more precisely to specific housing sub-markets. Implementation of this multi-tiered approach is closely related to the timing on the software conversion project for the Section 8 program currently underway.

<u>The Strategic Importance of Fixed Subsidies</u>: It is interesting to note that the national discussion around increasing the number of federally subsidized households in low poverty neighborhoods has been almost solely focused on the voucher mobility approach. Our experience has been that this ignores an equally powerful tool – the placement of fixed subsidies in housing authority or non-profit owned housing in opportunity communities. This approach can ultimately be more cost effective – as rents adjust to reflect actual operating costs rather than market driven pricing - and can provide, particularly in jurisdictions without strong tenant protections, greater access and more stable tenancies. Stability is important. One on-going challenge in fully realizing the benefits of living in low poverty neighborhoods is the duration of tenancy. It is notable that probably the most unequivocal data we have on academic benefits from mobility comes from Heather Schwartz's study of low income students living in public housing units in Montgomery County, Maryland.

<u>Locational Choice:</u> It also needs to be recognized that low income households must have a voice in locational decision making and that moving to higher opportunity neighborhoods is not always the right choice. KCHA serves a diverse community which includes a significant number of refugee/immigrant families. Relocation to high opportunity neighborhoods, given local geography, does not necessarily mean moving just a few miles or a neighborhood away. In the low density sprawl of suburbia this may entail moving 20 to 30 miles from their current neighborhood. In focus groups we have heard clearly from households how moving away from support networks that include extended families, tightly knit ethnic communities, religious institutions, and culturally competent services and shopping (such as Halal butchers) is not perceived as being in their best interest. Concerns also include the higher cost of living (everything from groceries to daycare) in opportunity communities, transportation issues – as many lower poverty suburban communities are less well served by mass transit – and the cultural competency of local institutions such as school systems. The "English Language Learner" programs for example – support for students for whom English is not their first language – may be more easily available in school districts with extensive student diversity and greater experience around this issue.

Strategic Questions

1. Given the growing differential in rental costs between higher opportunity areas and the rest of the county, how aggressively should we raise subsidy levels to assure continued access to these communities? Given the zero-sum trade-off between individual family subsidy levels and the number of households we can serve, what is the right balance?

2. While geographic choice has traditionally been associated with tenant-based vouchers and individual family mobility, evidence exists that significant benefits are also derived from "fixed" units in high opportunity neighborhoods. Should KCHA aggressively pursue the project-basing of additional vouchers in opportunity areas? This will result in a reduction in tenant-based vouchers.

3. KCHA has focused much of its acquisition resources on purchases in higher cost markets. These purchases enable us to preserve housing that will become increasingly affordable over time, stabilize existing residents and through the use of Section 8, provide housing opportunities for extremely low income households. KCHA will clearly pay top dollar in continuing to compete for

properties in these markets. Acquisitions in lower cost markets, while less expensive, provide housing that is not significantly below market levels. Housing acquisition and development in these lower cost markets can, however, provide senior housing in communities where it is in short supply, support the development of emerging mass transit corridors, and contribute long term to KCHA's balance sheet. What is the appropriate geographic balance for commitment of KCHA resources? Should KCHA pursue a set of strategic investments ahead of the market in lower cost areas of the county where anticipated regional growth will occur and where new opportunity neighborhoods are anticipated?

KCHA Briefing Paper – October 2014

Addressing the Need: Equitable & Efficient Distribution of Limited Resources

Background:

Faced with growing need for affordable housing in our jurisdiction and shrinking resources, KCHA is confronted with a daunting challenge: what is the most equitable and effective way to distribute our limited affordable housing resources? This is not a new challenge, in fact utilizing the flexibilities available through the MTW program, KCHA has already undertaken a number of initiatives to address this challenge. To understand the intersection between growing demand, limited resources, equity and policy we must examine three interrelated questions: 1) **who** gets subsidized housing, 2) **what amount** of subsidy is provided, and 3) **how long** is the subsidy provided?

<u>Growing need:</u>
Thirty-eight percent of renters in King County are considered 'rent-burdened' – paying too much of their income toward rent and utilities. Many of these households are at risk of homelessness and struggle to keep a roof overhead. The 2014 "*point in time*" homeless count reported almost 10,000 individuals living outside or in shelters in King County. The number of homeless children reported by local school districts in 2013/2014 rose to 6,200, a dramatic increase of 18% over two years. While homeless counts are notoriously inaccurate, and are widely considered to under report the problem, they do give a sense of year-to-year changes. It is safe to say that while homelessness among certain targeted sub-populations such as chronically homeless mentally ill individuals and homeless disabled veterans have been significantly reduced, most other categories, including families, youth and non-disabled adults, have continued to see increases in homelessness.

As a result, KCHA's programs are grossly oversubscribed. KCHA owns and manages some 2,000 public housing units and administers 11,800 Section 8 Housing Choice Vouchers. In 2011, when the Authority last opened its Section 8 wait list, almost **25,000** households applied during a two week window. We selected 2,500 names through a lottery for placement on the new list. It is estimated that the last households on this list will be served by the end of 2014. The current unduplicated count of households on our waiting lists for Public Housing is over **13,000**. While wait times vary by individual property and the particular bedroom size needed, households can expect to wait an average of 2.7 years to get into public housing.

Three interrelated factors are driving the demand for our programs:

1. The region's population is projected to continue rising as the economy recovers. Increased housing demand, driven by both in-migration and new household formation, continues to outstrip the growth in supply. **Rents are rising** accordingly. The average increase in 2014 for existing units is anticipated to reach 6.4% by the end of the year. Industry estimates project an additional 5.4% increase in 2015. Utility rates are rising as well, with income-tested relief for poor households limited to the Seattle City Light service area.

2. The **gap between housing costs and income** provided through wages and government support programs has continued to grow. In 2013, almost 40,000 families in King County were below the Federal poverty level. The National Low Income Housing Coalition calculates that a “housing wage” for the region - the wage that would, at 40 hours a week, enable you to pay 30% of your income for housing and utilities - is $20.60 per hour. Minimum wage in King County (with the exception of Sea-Tac) is currently at $9.32 per hour. Estimates show that less than 40% of the jobs within King County provide enough income to support a single-parent household.

3. **Washington State has also significantly cut** back on a number of income support programs for the neediest households in our community. In 2011 DSHS began removing households from the TANF roles that had exceeded the five year (60 month) lifetime limit on benefits. Over 5,500 households were dropped from the program, and this trend continues.

<u>Limited Resources:</u>
Affordable housing in the United States is not an entitlement in the same sense as food stamps or unemployment benefits. Just because you qualify doesn’t mean that you are provided guaranteed access to needed housing support.

Both the Public Housing and the Section 8 programs are essentially static, with little increase in funding and in the number of households served over the past decade. Federal budget cuts resulting from the sequestration of funds by Congress have actually resulted in the contraction of the Section 8 program nationally by an estimated 90,000 vouchers.

Opportunities and Challenges:

KCHA’s participation in the Moving to Work program provides us with significantly greater flexibility than enjoyed by non-MTW housing authorities in reshaping how we address our community’s housing needs. Under our Moving to Work agreement we receive a set amount of funding. Decreases in the per-household subsidy frees up funds that can be utilized to serve additional households. The policy changes KCHA has made to date have enabled us to increase program size significantly. Due to our participation in the MTW program, KCHA has been able to provide on-going rental assistance to an additional 511 households.

There are three interconnected sets of policy questions that shape how resources are distributed:

1. <u>Who Gets Subsidized Housing:</u>
   The first involves the issue of **who gets housed.** KCHA has traditionally prioritized those who are extremely poor. HUD regulations require that 75% of households in the Section 8 and Public Housing programs have incomes below 30% of Area Medium Income (AMI)[1] when they enter the program. The average income of households entering KCHA’s programs last year was 13% of AMI. Over the past three years, approximately 48% of our Public Housing and Section 8 subsidies were

[1] 30% of Area Median Income for a 4-person household in King County is $26,450.

directed to homeless or disabled households. KCHA's current policies targeting higher need households will inevitably increase the number of households with significant barriers to economic self-sufficiency. This will in turn increase lengths of stay, reducing our ability to serve additional households from our waiting lists.

Of the 8,445 housing choice vouchers that are available for targeting, 38% (or 3,180) are dedicated to specific populations. HUD targets 2,377 of those vouchers to specific populations including non-elderly disabled individuals, homeless disabled veterans and homeless families referred by DSHS's Children's Administration. KCHA targets 803 additional vouchers for homeless families under our Sound Families partnerships, referrals from domestic violence providers, people with disabilities, terminally ill individuals and homeless youth. The majority of these households were homeless prior to receiving a voucher. The remaining vouchers are made available to the general waiting list. To receive a voucher through the general waiting list process a household must be homeless or at risk of losing their housing, living in substandard housing, earning at or below 30 percent of AMI or paying more than 50 percent of household income on rent and utilities.

The public housing program (including project-based Section 8 subsidies utilized in properties run under the public housing program) provides apartments for 2,327 households. Fifty seven percent of this housing is reserved by HUD regulations to senior households and younger disabled individuals. The majority of this housing is studio or one-bedroom units in midrise apartment complexes. These units are filled on a first come first served basis by households qualifying under the public housing priorities (which are similar to the Section 8 priorities enumerated above) who are on the public housing waiting lists.

The remaining housing is family housing – most of it in units with two or more bedrooms. These families are also pulled off of waiting lists on a first come, first served basis under the same priorities as above. One in three vacancies are made available to formerly homeless families graduating from Section 8 transitional housing programs under the Sound Families Program. In 2014, it is expected that 30 families will be referred in through this program. This number is expected to reduce over time as the County down-sizes the transitional housing system.

While a household consisting of a single non-elderly, non-disabled individual is not eligible for subsidized housing under KCHA rules, households with two non-elderly, non-disabled adults, due to a nuance in the HUD definitions, are. KCHA also subsidizes households where the original head of household has left or is deceased and a non-elderly, non-disabled individual (frequently an adult child) remains on the lease. In public housing these latter households are frequently over-housed as very few one-bedroom units exist in our family housing complexes and these individuals are not eligible for transfer to our senior/disabled inventory. Currently KCHA subsidizes 1,332 individuals who are "work-able" and have no children living with them. Staff is currently reviewing this issue, including soliciting feedback from residents and stakeholder groups, and expects to make a recommendation to the Board by the end of the year.

KCHA is also reviewing the policies that define who a family member is and who can be added to a lease and have subsequent rights to the voucher or unit. We have become particularly concerned with situations where household size in the Section 8 program has expanded significantly after issuance of the initial voucher. In some cases the original recipient of the voucher is no longer a member of the household. We want to make sure that vouchers are not handed around through extended families in lieu of serving the next household on the waiting list.

2. <u>What Amount of Subsidy is Provided:</u>
A second set of policies revolve around the question of **how deep the subsidy** should be – how much direct and indirect support should households receive? This is a complicated question with lots of moving pieces. The first of these is the percentage of income subsidized families contribute to housing and utility costs. The widely accepted national standard of affordability is that households should pay 30% of their income for rent and utilities. This standard was adjusted upward from 25% in 1981. Currently KCHA's rent structures require payment of 28% (or slightly less if you are a working family that is seeing increases in income between certifications or rent band triggers) of household income. While this is slightly below national standard, medical and childcare deductions were eliminated, so KCHA's rent policy was fiscally net neutral.

In an effort to mitigate reductions in funding, target households most in need and continue serving as many households as possible, KCHA has limited the depth of its subsidies through the following measures:

- **Frozen Payment Standards**: Primarily due to the cuts from sequestration, KCHA has not changed its payment standards to keep pace with the rental market in the last 5 years. One reason that KCHA has been able to freeze payments is because it has allowed a higher percent of income to rent upon signing an initial lease. Prior to becoming an MTW agency, KCHA followed standard HUD regulations, which limited participants to paying no more than 30% of their income toward rent when entering a new lease. KCHA subsequently changed this policy to allow for up to 40% of income toward rent upon initial lease. This change provided tenants with a wider option of rental choices while at the same time increasing the potential rent burden.

- **Limited Occupancy Standards**: In 2005, KCHA set the Section 8 housing occupancy standards, which determine how many subsidized bedrooms a household is eligible for, at one bedroom for every two household members regardless of gender. Household members of different generations (adult/minor) are not expected to share a bedroom. This has been a significant cost-saving measure to KCHA, as the annual difference in cost between a 2 bedroom voucher and a 3 bedroom voucher is almost $5,000.

- **Reduced Utility Allowances**: KCHA no longer provides utility allowances based on the total number of bedrooms in the unit being rented. Instead utility allowances are calculated based on the number of subsidized bedrooms a household is eligible to receive.

- **Eliminated Flat Rents:** Under standard HUD rent policies, public housing residents have the option of switching to a flat rent. This means that households with significant income can remain in public housing while paying a set rent rather than a rent based on their income. Flat rents have typically been below market. Given the quality of our public housing it is not surprising that many higher income households chose not to move even though they had the financial resources to do so. By eliminating this option, KCHA incentivized households to move out once their income reached a certain level. As a result of this change, 246 higher income households moved out of public housing during the phase-in of the new policy. They were replaced by households with significantly lower incomes that qualified for priority housing under the program criteria.

3. <u>How Long is the Subsidy Provided</u>

The third category of policies determines **length of tenure.** There are two primary means for KCHA to increase its supply to serve as many households as reasonably possible – creating more units or vouchers and increasing turnover rates in our existing programs. By increasing economic self-sufficiency, some households are able to move out of KCHA programs, and **the turnover allows us to serve other households in need**. The turn-over rate for our public housing and project-based Section 8 units is approximately 9% annually. This translates into 360 new households being housed each year. Turn-over for Section 8 vouchers are about 6% annually, enabling KCHA to reissue approximately 500 vouchers each year.

The duration of the subsidy is not typically raised as a policy issue for senior or disabled households. The assumption is that their incomes are static and that they will remain in place as long as appropriate. The question of tenure – an increasingly controversial one around the country – is primarily related to length of stay for non-elderly, non-disabled households - also known as **"work-able" households**.

There is a direct tension when considering length of stay policies between the benefits of moving families off subsidy fairly quickly – which enables us to serve the next family on our waiting list – and the benefits that flow from the **long term stability** of subsidized housing. If post-subsidized housing living situations are not stable, critical long term outcomes for families, particularly educational outcomes for youth, are jeopardized.

KCHA has **no limits on length of stay** in either the public housing or Section 8 program. KCHA has a number of programs outside of the Section 8 program that provide shorter term rental assistance. The rapid rehousing program is a two year pilot program with the Highline School District to see if short term rental assistance, coupled with case management and employment assistance, can stably rehouse homeless households referred by local schools. Rental assistance in these instances is provided for three to six months. Working with local youth providers, KCHA has also developed a "step-down" subsidy program for homeless youth where subsidy reduces to zero in a series of steps over an 18 month period.

Strategic Questions:
The policy questions outlined above all interconnect. Decisions regarding who we prioritize for housing impact our approach to rent structure design. And both rent structures and who we serve impact lengths of stay. The Moving to Work program enables us to ask the hard questions about how our limited resources can best support the housing needs of the communities we serve:

1. Given growing demand, rising costs, flat-lined if not diminishing federal housing resources, what are the most equitable approaches to distributing available assistance?

2. Demand in all categories outstrips resources – should priority for access to housing be given based upon level of housing need (such as homelessness), level of vulnerability (such as elderly or disabled individuals or households with children), likelihood of success (defined as moving off of assistance in a short period of time), level of coordination and leveraged resources from other systems (such as mental health, child welfare, social services, criminal justice), other criteria, or simply based on a first come-first served approach from a general wait list?

3. There is a direct trade-off between subsidy levels and households served. If the households in our programs pay slightly more in rent, then we can serve additional families. However, increased shelter burdens on the other hand can divert money in tight household budgets from other critical necessities, including childcare, food and medicine, which has the potential to reduce household stability and the likelihood of long term successful outcomes from the affordable housing support. While households receiving subsidy from KCHA generally pay 28% of their income for rent, many of the households on the waiting list are paying over 50%. What is the right balance?

4. Longer term stays in subsidized housing – particularly public housing with extensive family and educational supports – may benefit some higher need families and increase the likelihood of academic success for children. On the other hand, long term dependency on government subsidies can create a disincentive to income progression, and increased length of tenure reduces our ability to serve additional families from our waiting lists. What should KCHA's approach to the length of stay question be?

5. KCHA is experimenting with a number of short term rental assistance programs targeted to specific populations – homeless youth and "lower need" homeless families with children. If these programs prove to be effective should KCHA expand them? Expansion could possibly entail use of working capital that might otherwise have gone into issuing additional subsidies through the traditional Section 8 voucher program.

KCHA Briefing Paper – October 2014

<u>Services Beyond Housing</u>

Background:

While KCHA has been providing community and human services to its residents since its founding, the current Resident Services Department was created in 1997. Service programming prior to that had been driven primarily by the availability of dedicated HUD funding and was scattered about the Authority, with programs administered in various silos ranging from the Human Resources Department to Public Housing Management.

The creation of a separate Resident Services Department, reporting directly to the Executive Director, was intended to integrate these efforts and send a message asserting the importance of these programs and outcomes to the overall agency mission.

The Department established in 1997 consisted of 15 staff drawn from various parts of the agency and had a budget of $1.5 million. The initial focus, reflecting HUD funding priorities, revolved around youth services and drug elimination activities. By 2014 the Department had increased significantly in size, with 32 staff and a budget of $6.3 million, and had expanded its scope considerably.

Calculated in 2014 dollars and allowing for the growth in the number of households served, the Housing Authority is now spending $364 per client on services annually, as opposed to $227 per client in 1997, a growth of 60% over 17 years. The average annual level of housing subsidy support for a Section 8 household, by way of comparison, is $9,516.

The Evolution of KCHA's Services and Programs:

A number of factors have influenced the scope and approach that KCHA has followed in providing services beyond housing.

> <u>Reduction in Funding:</u> At the same time as KCHA's programs have grown, the federal resources specifically available to housing authorities to support these activities have diminished. In 1997, 52% of resident services costs were provided through HUD service contracts, the largest being the Drug Elimination Grant (DEG). Today, most of these grant programs (including DEG) have been eliminated and 87% of Resident Services costs are borne directly through KCHA's operating budget.
>
> <u>Suburbanization of Poverty:</u> The growth in KCHA's involvement in community and service support roles for its clients must also be placed in the context of the movement of poverty into the suburbs. The Seattle metropolitan region is not unique in this. According to a recent Brookings report, across the U.S, the suburban poor population grew more than twice as fast as the urban poor population between 2000 and 2013 (66% versus 30%). By 2013, the suburbs accounted for 56% of the poor population in the nation's largest metro areas. In the Seattle Metro Region, the suburbs account for 67% of people living in poverty in our region.

Nationally the geographic shift in poverty is placing more and more poor households in communities not traditionally accustomed to diversity and which lack requisite physical infrastructure such as adequate public transportation, schools, clinics, parks, and community centers. These jurisdictions generally have fewer community-based service providers and offer limited government and philanthropic funding, as well as political support, for increasingly necessary community-based supports. It is important to note that federal funding available for place-based anti-poverty programs have not followed this movement to the suburban areas.

Delivery of Services: KCHA resident service activities are delivered by a mix of direct service staff and outside non-profit providers. Outside providers are in some cases funded directly (partially or in whole) by KCHA and in others cases solely funded through other sources of support. KCHA also administers an AmeriCorps program that provided up to 15 members annually to partner with non-profit organizations in the region.

KCHA's Services:

KCHA's programs and services are designed around a commitment to support and partner with individuals and families in ways that promote successful life outcomes with dignity and respect. Provided directly by KCHA staff or through contracts with services providers, these services and programs fall into the following four broad categories:

Housing Stability: Acknowledging that many of the KCHA's residents have experienced significant barriers and challenges to obtaining and keeping stable housing, ensuring that they retain their housing is a central component of the agency's mission. This is the case now more than ever as KCHA serves greater numbers of residents who were formerly homeless or have special needs. The Authority has a staff of 16 service coordinators who work with residents in KCHA properties to address housing stability issues and to connect clients to services and benefits. These coordinators work closely with property management staff to resolve landlord/tenant disputes and use an array of outside service providers for mental health, crisis intervention, domestic violence, emergency funds and hoarding support. Resident Services staff also reviews and respond to the 1500 reasonable accommodation requests KCHA receives each year.

Self-Sufficiency and Independent Living: Of the clients served by KCHA, approximately 10,000 are seniors or younger disabled individuals who require some degree of supportive services in order to remain independent and live on their own. Our programs educate and connect residents to services and resources that can improve their quality of life and enhance their ability to age in place with dignity.

Improved health for all of our residents is supported with the location of Public Health Clinics on-site at two of our largest complexes and through an array of health related initiatives around childhood obesity, physical exercise, healthy eating, smoking cessation and health care enrollment.

Programs and services that support self-sufficiency are tailored to the needs of specific demographic groups (youth, English language learners, seniors, younger disabled) but also consider the whole family and community as well. Programs and services include English as a second language (ESL) and citizenship classes; financial literacy and credit counseling; the Family Self-Sufficiency (FSS) and Resident Opportunity Programs; benefits and entitlement counseling; computer literacy courses; employment training, job placement and the Section 3 Program. KCHA has also revised its rent structure to incentivize "work-able" families to increase wage income (WIN Rent). A number of residents provide licensed family child care in their subsidized units and a small number of Live/Work units were developed at Greenbridge to support home businesses and entrepreneurs.

Education Programs and Initiatives: KCHA's education programs seek to engage the over 20,000 youth under the age of 18 who live in KCHA's family communities through early childhood education, after school and summer academic support, cultural activities and recreational programs

KCHA also leads three place-based initiatives with the Kent, White Center, and Bellevue school districts that combine multiple efforts and initiatives into an integrated collective impact model aimed at producing even greater academic and life outcomes. These partnerships also allow us to pilot smaller initiatives such as the Community Choice Program and the Highline Student and Family Stability Initiative.

Community Building and Empowerment: KCHA also supports resident community building activities on a building by building basis, and system-wide the Resident Services Department staffs two Resident Advisory Councils (north and south) tasked with providing feedback and input into KCHA's policies and annual planning cycles. Broader community building is a particular focus at the two HOPE VI projects in White Center, where there is more on-site staff. At the same time that KCHA seeks to create greater access to high opportunity areas, these community building efforts are essential for the creation of stronger networks and opportunities for residents who live in lower-opportunity areas.

Current Status, Strategic Issues, Opportunities and Challenges:

Significant Investments in On-Site Facilities: KCHA has completed a cycle of capital investment in community facilities to support programs in our residential properties. Our portfolio now includes 18 youth and after-school facilities, three Head Start Centers, two public health clinics and two food banks. In addition we've facilitated the development of an elementary School, Educare Center, public library and adult learning center on KCHA properties. While difficult to calculate, KCHA spends a significant percent of its resources annually in maintenance and utilities for these properties. An additional $1.9 million for direct services is spent on contracted services from non-profit providers, mostly for after-school and family counseling programs that take place on these sites. On an annual basis KCHA receives approximately $235,000 in rent or cost sharing from our government partners on the three Head Start facilities and the two public health clinics.

Our site-based facilities and programs have been successful at engaging non-subsidized low income households from the surrounding neighborhoods. While this integration is important (it helps eliminate an artificial distinction between "project kids" and the rest of the community and strengthens the community overall) it does result in KCHA expending funds to support services for households not participating in our residential programs. At the SW Boys and Girls Club facility at Greenbridge, for example, fully 80 % of the kids participating in the program come from the surrounding neighborhood.

Investment in Evaluation and Research: KCHA is pursuing a number of approaches to strengthening its ability to track and evaluate outcomes for residents. The new core software platform, scheduled to go live in the fall of 2015, is expected to significantly increase our capacity to analyze the extensive household data we currently collect. Internal competencies are being strengthened with the addition of a research and evaluation unit in the Policy shop. Outside partnerships with the University of Washington and nationally recognized research institutions such as the Urban Institute are being pursued. In addition, KCHA has entered into data sharing agreements with three school districts and with the State of Washington to match housing data to education, health, child welfare, and income support outcomes.

Growing Diversity of Residents: King County's residents and KCHA's program participants continue to diversify. A more complete briefing on resident demographics and characteristics will be provided at the retreat. Thirty four percent of the heads of household in the Section 8 and Public Housing programs were born outside the United States. Fifty percent are classified as "non-white" by the census bureau. Primary ethnic groups represented in KCHA's programs include East African (Somali, Ethiopian, Eritrean), Eastern European (Russian, Ukrainian) and Southeast Asian (Vietnamese and Cambodian). Family properties tend to be more heavily emigrant/refugee (59%) than our senior/disabled properties (41%).

While the Latino population is the fastest growing segment of the community, Latino households are significantly underrepresented in KCHA programs. Currently, 19% of the County poverty population is Latino as compared to 6% of KCHA's subsidized housing households.

The Challenges to Building Diverse Communities: The diversity of KCHA's clients presents real challenges for both effective communication and place-based community organizing. Despite spending significant resources on translation and interpretation services, creating a truly culturally competent organization in the face of such extensive diversity remains difficult. While the overall KCHA employee base was 38 % minority at the end of 2013 the organization's cultural diversity does not fully match our customer base. We have also not found the most effective medium, or array of mediums, for communication with tenants. The range of cultures living side by side at our sites has complicated site-based community organizing as well. Historically KCHA has had few functional tenant associations.

The rising volume of home sales at Greenbridge and Seola Gardens is moving these communities from exclusively renter (and predominantly subsidized renter) to a true mix of incomes and of renters and owners. Experience both locally and across the country lead us to anticipate some initial neighborhood tensions as the homeownership element of the community comes into its own. These communities represent a $250 million investment in the future of White Center and KCHA will need to devote whatever resources are necessary to address these growing pains.

Growing Number of Formerly Homeless in KCHA Programs: KCHA continues to work in close partnership with its regional partners to address homelessness in King County. This involves the commitment of a significant portion of our housing and subsidies to designated populations. These include chronically homeless mentally ill individuals, disabled veterans, families engaged with Child Protective Services, homeless youth and young adults, and victims of domestic violence. Over the past three years roughly 48% of households entering the public housing or Section 8 program were either homeless or were referred by one of our partner disability systems.

KCHA has been very successful, working in partnership with public and behavioral healthcare and human services systems, in moving homeless and special needs households into housing. Many of these families and individuals require on-going support to remain stably housed. While many of KCHA's referral agreements require on-going support and crisis intervention commitments from the referring provider, the effectiveness of these services vary. As a result, KCHA staff from various departments – Resident Services, Public Housing and Section 8 - are spending more and more time addressing housing stability issues. While our eviction and termination rates have not climbed appreciably, and remain some of the lowest in the nation, this has not been without considerable effort on their part. As the number of "hard to house" referrals has mounted over the last decade KCHA has not kept fully abreast of the growing support needs of these households.

The bulk of KCHA's services are focused on residents living in KCHA owned properties. KCHA has been less successful in engaging Section 8 voucher holders (70% of our extremely low income households) who live in privately owned housing scattered across the County. Services to voucher holders tend to be reactive and crisis driven.

Expanded Focus on Educational Outcomes: The initial student data generated through our partnerships with the school districts indicates that a significant number of our students are at risk of not graduating high school. This supports both the importance and the magnitude of this challenge. Measurement of outcomes will involve significant tracking over prolonged periods to evaluate success. One challenge is the tension between self-sufficiency goals that involve moving households out of public housing and off Section 8 subsidy - and the increasing reliance on "cradle to career" approaches to education that benefit from keeping households in public housing and connected to on-site resources. In fact, a recent longitudinal study conducted by one of our after-school providers found that students that participated in the program for a longer duration saw greater improvement in reading scores and had higher rates of four-year college attendance.

There is a growing focus on public education at both the State and local level. Significant new funding is expected from the state legislature this year. Locally Seattle and the south King County school districts have organized a collaborative effort (the Roadmap Project) to support improved academic outcomes. KCHA is a partner in these efforts. Significant foundation support (Gates and Seattle Foundation) is being provided and the Federal government has provided the consortium with a $40 million Race to the Top grant, a small portion of which is being directed to schools with significant KCHA student populations. Most recently, County Executive Constantine has announced a "*Best Starts for Kids*" levy to support additional investment in early childhood development. KCHA has been approached as a key partner in this effort.

In addition, KCHA has recently entered into a five year partnership with the Gates Foundation to explore new ways in which housing authorities and school districts can work together to improve educational outcomes for extremely low income students. The Foundation is currently reviewing initial proposals from KCHA and its school district partners in Bellevue, Highline and Kent. The foundation has committed up to $3.5 million to support these initiatives.

<u>Self-Sufficiency and the Regional Economy:</u> The job market in the region is clearly recovering, although progress in uneven. Unemployment has dropped significantly. Wages for low skilled jobs are not increasing at the same pace as higher skilled jobs and a significant amount of low wage employment remains on a part time basis. While Sea-Tac adopted a $15/hour minimum wage and Seattle adopted a stepped increase to the minimum wage there is little indication that this will be expanded to other areas of the county any time soon.

The average household income of public housing and section 8 households is $10,890. Forty-three percent of KCHA's households are working, and 13% are using TANF to support their income.

KCHA has been conducting a five year experiment with resident self-sufficiency known as the Resident Opportunity Plan (ROP). The approach is intended to test alternatives to the traditional HUD Family Self-Sufficiency (FSS) program. Primary differences include an emphasis on skill and credential development for living wage employment and cash incentives available only upon exit from subsidized housing. An outside evaluator has been used to assess the success of this program. The demonstration program will be concluding next year and KCHA will need to make a decision regarding future approaches to and the depth of its resource investment in family self-sufficiency programs. Initial results have identified significant barriers for many of our residents in moving to self-sufficiency and non-subsidized housing – particularly in today's expensive real estate market. Our success in moving households out of public housing and off of Section 8 rent subsidies is also one key element in the discussion of approaches to dealing with our growing waiting list.

<u>Changes to the Delivery of Health Care</u>: The health care landscape is changing significantly with the implementation of the Affordable Care Act. An increasing portion of our population is now covered and will be served by managed care organizations. Shifting funding and service delivery approaches opens new possibilities for funding enriched services to seniors living in KCHA buildings, for strengthening supportive services for high needs populations and for utilizing community health workers to promote preventive care approaches and assist households in navigating the health care system.

Strategic Questions:

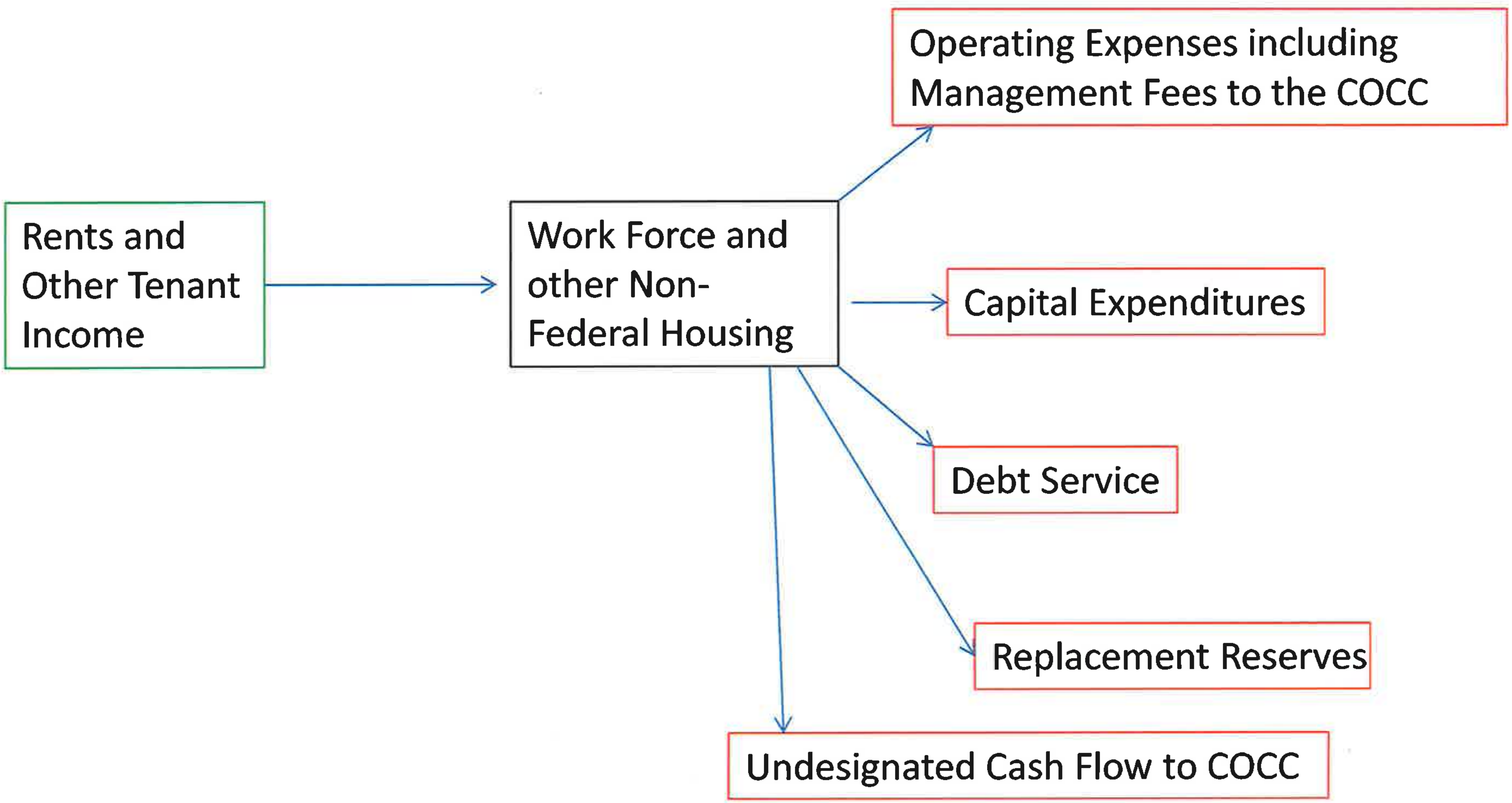
1. Self-sufficiency is one of the stated goals of KCHA's programs and is incorporated into decisions about policy design and resource allocation. Given the increased diversity (ethnic, cultural, physical and mental abilities, family composition, etc.) of the residents and communities that KCHA serves, should the agency develop an updated or expanded definition of self-sufficiency and if so, what guiding principles should be incorporated into the new definition?

2. KCHA serves residents and families at all stages of life. With KCHA's expanded evaluation and research capabilities there are new opportunities to understand how to deliver the most effective programs and services. As KCHA develops these capabilities, what kinds of information, data or reports would be useful for the Board to better understand this area of work and to provide policy guidance?

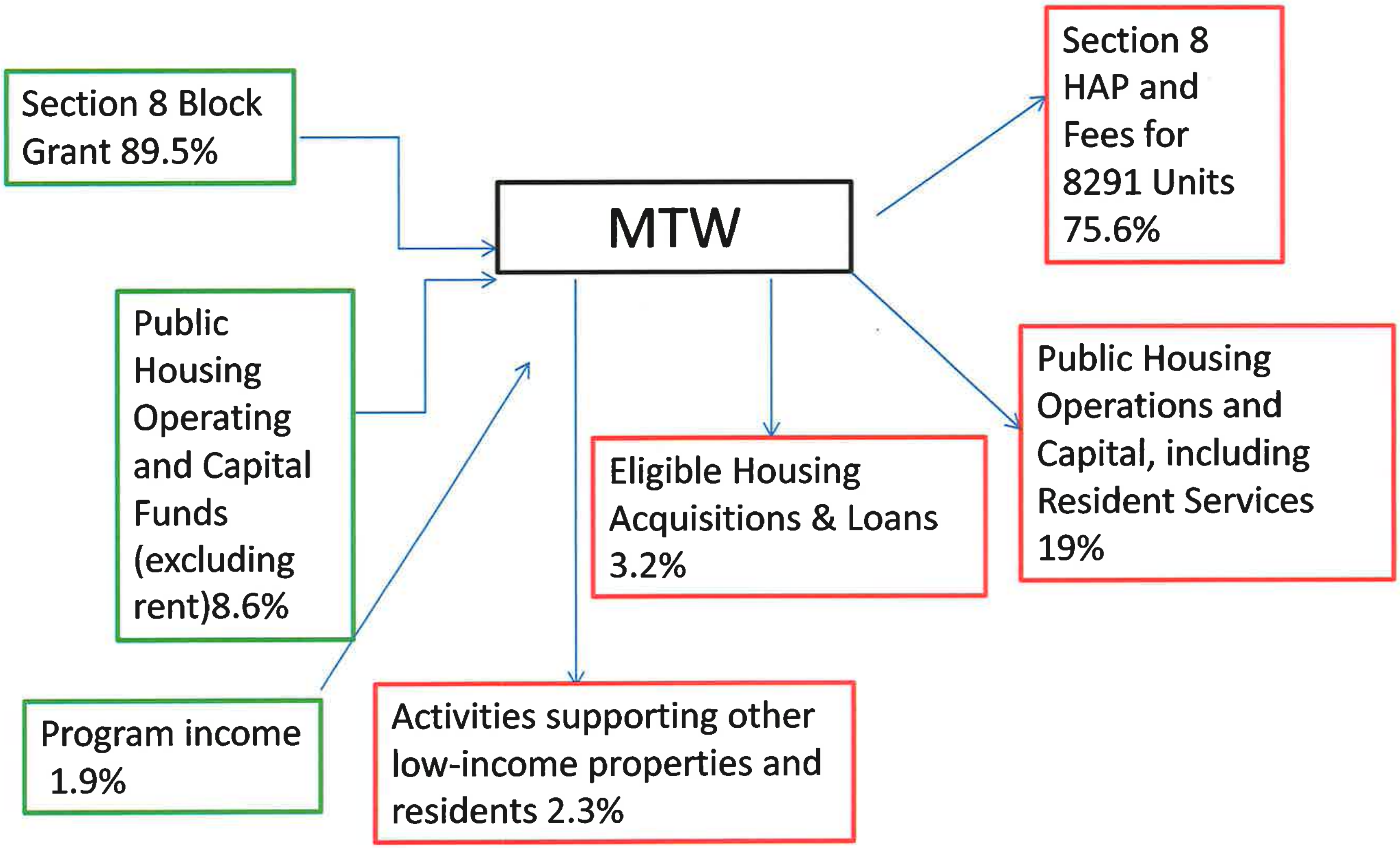
3. What is the Board's thinking on the tension between structuring programs to move residents out of subsidized housing in the shortest amount of time and research indicating that the best and most lasting and long term outcomes may be achieved through a greater length of engagement with the Authority's programs?

4. KCHA does not have the resources to respond adequately to either the level of housing or service needs in our communities. What is the Board's thinking on the trade-off between funding additional housing vs. services? Within the services strategy what are the most important principles we should keep in mind when allocating limited resources between competing needs?

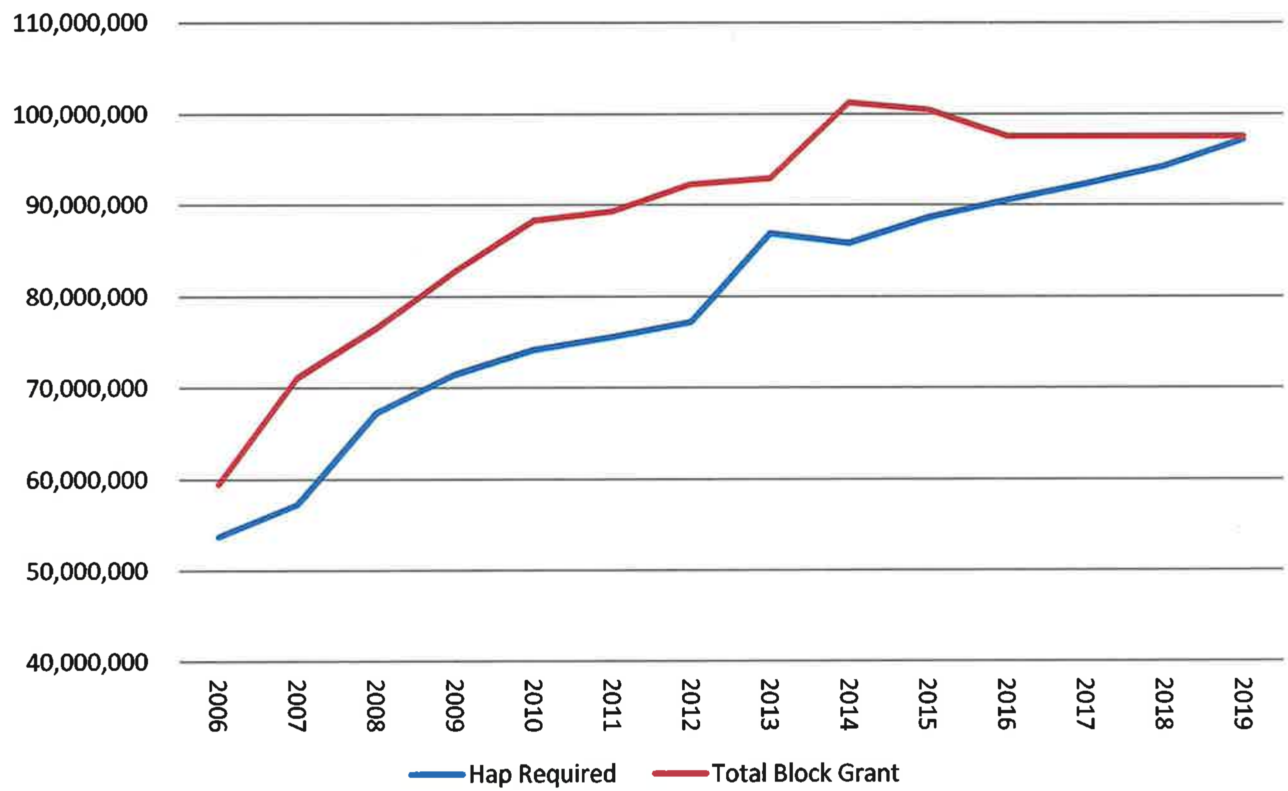
Local Properties Sources and Uses of Funds



MTW Sources and Uses of Funds



MTW Block Grant



Central Office Cost Center (COCC) Sources and Uses of Funds