RealEstateRama

King Co. Delegation Urges Administration to Fix Inflation Formula in Housing Voucher Program

June 19, 2015 by RealEstateRama

WASHINGTON, D.C. – June 19, 2015 – (RealEstateRama) — Today, Congresswoman Suzan DelBene (WA-01) led the congressional delegation representing Washington's King County in urging the Department of Housing and Urban Development (HUD) to fix the inflation formula used in the Housing Choice Voucher (HCV) program, which provides rental assistance to low-income households. The current formula has been particularly damaging in areas with rapidly escalating rental costs, such as the Puget Sound region. Senators Patty Murray and Maria Cantwell joined Reps. DelBene, Jim McDermott, Adam Smith and Dave Reichert in sending a letter to HUD Secretary Julian Castro.

The lawmakers wrote that the current formula has had "dire consequences" for constituents. "The HCV program is built on the promise of providing the most vulnerable members of our community with safe, affordable housing, in order to expand access to economic opportunity nationwide. We are deeply concerned that the current methodology for determining HCV inflation factors will not only hurt thousands of families in the short-term, but also erode the long-term effectiveness of the program in meeting these critical goals," the letter stated. "We urge you to adjust the methodology to account for changes in local rental markets experienced in 2014, and to ensure it effectively measures regional changes going forward." The King County Housing Authority saw a 26 percent increase in their neighborhoods' Fair Market Rents between 2014 and 2015, but did not receive a HCV inflation adjustment in 2015 due to the current flawed formula.

The full text of the letter is attached.

REP. SUZAN K. DELBENE
1ST DISTRICT, WASHINGTON

318 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6311

22121 17TH AVE SE, STE 220
BOTHELL, WA 98021
(425) 485-0085

204 W. MONTGOMERY ST.
MOUNT VERNON, WA 98273
(360) 416-7879

WWW.DELBENE.HOUSE.GOV

Congress of the United States

House of Representatives

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AGRICULTURE

SUBCOMMITTEE ON CONSERVATION, ENERGY
AND FORESTRY

June 19, 2015

The Honorable Julian Castro
Secretary
U.S. Department of Housing and Urban Development
451 7th Street, SW
Washington, DC 20410

Dear Secretary Castro:

We write to express our concerns with the Department's current methodology in determining the renewal funding inflation factors used to allocate Housing Choice Voucher (HCV) funds among Public Housing Agencies (PHAs). This policy has had serious unintended consequences for many areas experiencing rapidly escalating rental costs, including the Puget Sound region in Washington state. It is our hope that HUD will refine the methodology to account for changes in local rental markets experienced between 2014 and 2015, and to better address market differences in future years.

Prior to 2012, the HCV renewal funding inflation factors were determined primarily using Consumer Price Index (CPI) data that account for variations in rent and utility inflation among different geographic regions — the same indicators used to calculate the Fair Market Rents (FMR) for areas across the U.S. This was a well-reasoned formula, as PHAs are required to establish the level of subsidies they provide to HCV recipients using the FMR. In 2012, however, the Department updated its methodology to allocate HCV renewal funds among PHAs based on expected changes in the national Per-Unit Cost (PUC) for the HCV program. While this methodology may be effective when the change in PUC is positive, as was the case between 2012 and 2014, it has extraordinarily damaging consequences when the national PUC declines. Between 2014 and 2015, when the expected change in PUC was negative, no area in the nation — regardless of how steeply rental costs climbed — received an inflation factor.

This policy shift has had dire consequences in the Puget Sound region, where our local rental market has seen some of the fastest growing rental costs in the nation. We share the concerns expressed by HUD on April 20, 2015, that the current methodology may "reduce a family's ability to rent in higher rent markets and higher opportunity areas." For example, the King County Housing Authority, which serves a large suburban area that includes some of the highest and lowest performing schools in the region, saw a 26 percent increase in their neighborhoods' FMR between 2014 and 2015. Without a HCV inflation factor commensurate with local rental costs, families may be forced to live in neighborhoods that are farther from employment opportunities, with higher levels of poverty and lower performing schools. This risks

concentrating wealth, increasing racial disparities, and limiting the career and educational opportunities available to lower-income families.

The HCV program is built on the promise of providing the most vulnerable members of our community with safe, affordable housing, in order to expand access to economic opportunity nationwide. We are deeply concerned that the current methodology for determining HCV inflation factors will not only hurt thousands of families in the short-term, but also erode the long-term effectiveness of the program in meeting these critical goals. We urge you to adjust the methodology to account for changes in local rental markets experienced in 2014, and to ensure it effectively measures regional changes going forward.

Thank you for your consideration.

Sincerely,

Suzan DelBene
Member of Congress

Patty Murray
United States Senator

Maria Cantwell
United States Senator

Jim McDermott
Member of Congress

Adam Smith
Member of Congress

Dave Reichert
Member of Congress

cc: Miguel A. Fontanez, Director, Housing Voucher Financial Division
Peter B. Kahn, Director, Economic and Market Analysis Division

Software Key to Helping King County Housing Authority Open Doors for Area Residents

PUBLISHED ON FRIDAY, MAY 29, 2015 BY ADAM BLUEMNER

Craig Violante from King County Housing Authority shares the story of how improved financial software allowed their organization to more nimbly pursue funding, increase efficiency, and deliver more fully on their organizational mission.

Imagine this: You're a public sector CFO. You've been hemmed in for years by government regulation and restriction. While your organization already owns an impressive record of service delivery—it still faces an uphill battle.

Now imagine the rules of the game change. Inclusion in a congressionally-sponsored pilot program designed to loosen restrictions and promote innovation does exactly what it's supposed to do. New possibilities for funding appear alongside new freedoms for program administration.

With this opportunity before you, the question is, "What might hold you back from delivering bigger and better results?"

This is the question that Craig Violante, CFO for the King County Housing Authority, found himself asking back in 2010. He didn't have to go far for an answer.

"We were operating on a piece of accounting software that was so antique it was laughable. We knew we had to get off of that," says Violante. "We had to be able to support the results that various initiatives would have on our financial accounting structure."

Support for new initiatives ultimately came in the form of Business World, an ERP program from developer Unit4.

"We would be doing what we are doing even if we had not chosen Business World," acknowledges Violante. "But what we would have is a system relying on multiple spreadsheets, and we'd be spending a lot more on support. We wouldn't necessarily be considered one of the top 3 housing authorities in the nation. But because we are able to do all these things, we are a leader in

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everything we do. It is that perception of us by HUD and by the rest of the industry that means we can be a leader."

Regulatory change creates the need for flexible cost accounting

Keeping up with changing compliance requirements is an administrative challenge for any government organization. In 2003, entry into the Department of Housing and Urban Development's (HUD) Moving to Work (MTW) program shifted the compliance paradigm for King County Housing Authority (KCHA).

The HUD website describes the opportunities afforded by Moving to Work to public housing authorities (PHAs) this way:

PHAs selected for the [Moving to Work program] demonstration are permitted to seek exemption from many existing Public Housing and Housing Choice Voucher program rules... PHAs in the MTW Demonstration also have the flexibility to combine Federal funds from the public housing operating and modernization programs and Housing Choice Voucher program into a 'block grant' to help them better meet the purposes of the demonstration and the needs of their communities.

Participation in the MTW program didn't change KCHA's core mission of serving as a "safety net for people with the greatest housing needs," of course. KCHA continued to provide housing in the form of Section 8 vouchers, subsidized low income public housing, and other affordable housing initiatives. However, the ability to more flexibly combine and change funding sources did represent a significant alteration to business as usual.

Violante says that while shifting funding streams for properties and programs offers opportunities, it also leads to more complex and dynamic cost accounting needs.

"Because we are now one out of thirty-nine MTW authorities pulled from a group of three or four thousand public housing authorities, we are able to do things that other housing authorities are not able to do. We're able to take properties and change funding streams. We change things constantly within the system, so we needed to have the ability on-the-fly to say this property used to be part of our public housing and now it is part of our project-based Section 8 housing after selling it to a nonprofit partner—but it still gets rolled up to a particular business unit. We had no capability to do this in the old system and we knew we needed to have that capability."

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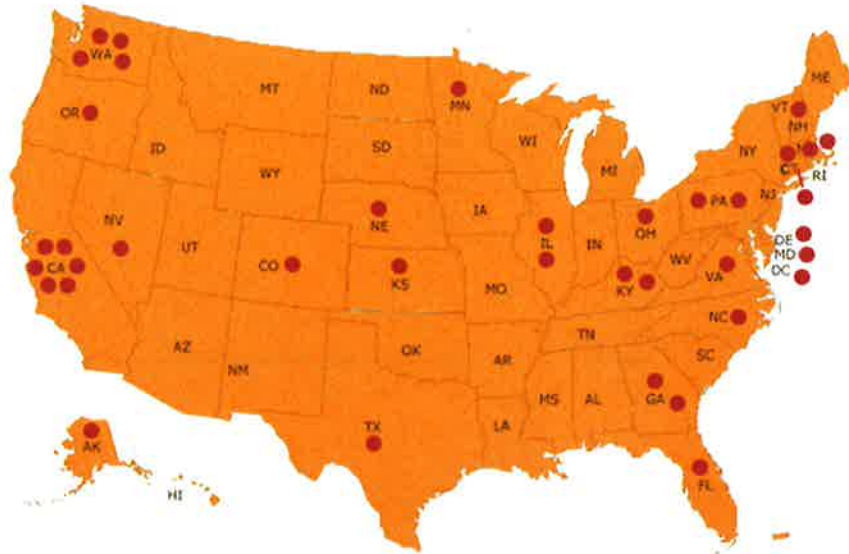
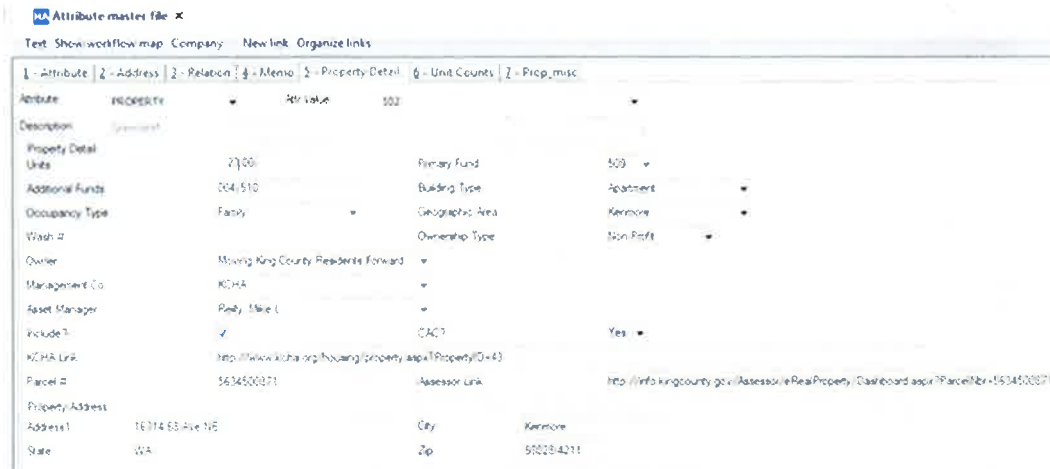King County Housing Authority is one of 39 authorities participating in the Moving to Work demonstration program.

The recent "Innovations in the Moving to Work Demonstration" study published in December 2014 and sponsored by the Public and Affordable Housing Research Corporation commended KCHA for the extent of its embrace of MTW-enabled flexibility.

Rather than orienting its MTW plan around one or two signature initiatives, KCHA has integrated MTW authority into the fabric of its day-to-day operations to the point where MTW is not seen as a stand-alone program but rather as a means to the end of achieving KCHA's broader policy goals.

The numbers bear out KCHA's energetic and creative approach to delivering subsidized housing. At the end of 2012, KCHA's inventory of HUD assisted housing was 11,552 units—up 1,138 units since joining the MTW program. A general shift away from direct ownership of subsidized public housing and toward the administration of project-based Section 8 vouchers was responsible in large part for the increased efficiency in delivering housing to a larger number of residents.

As change became the status quo at KCHA, adaptable software became a lynchpin for success. A mundane sounding feature in the Unit4 Business World software, called "attributes," provided the pivotal software functionality for supporting cost allocation flexibility.

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The Attribute Master File within Unit4 provides the ability to store custom data.

"You can set up relationships between just about anything," says Violante. "You can set up a record that's just a piece of data—it's called an attribute— and it can track anything. It's absolutely generic. It can track, if you wanted it to, the age of a tenant, you could track when a building was built—you can track whatever you want. So we needed to be able to track a bunch of different attributes for many different parts of our business and be able to say, okay, today this particular property is part of the public housing program, tomorrow it is part of our project based section 8 program and it is now owned by a 3rd party individual. You can easily go in and change these attributes to accomplish that."

Birch Creek was sold by KCHA to a nonprofit partner and is now supported by project based Section 8 funding. Once a magnet for drug and gang problems, the rehabilitated modern complex has helped revitalize the area.

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Breaking the restrictions imposed by inadequate software

Handling cost allocations in their previous software represented a significant issue for KCHA. But it was far from the only problem. In fact, KCHA dealt with many of the classic challenges associated with inadequate accounting software and software support.

- **Reporting difficulties.** Public sector financial reporting is notoriously complex. Administering housing programs only ups the ante. "Although HUD says be innovative, they still have to report back to Congress on the overall nationwide impact that the MTW program has. So, we have to be able to provide information," says Violante. KCHA's software wasn't always up to the task of efficiently delivering the necessary data, though. "On the old system, we used to have to make a copy of the database and post it over into another spot, because you couldn't actually query into it."
- **Dependence on a stagnant developer.** Capitalizing on funding opportunities requires agility. But as Violante describes, their previous software provider "wasn't putting anything into R&D, they weren't doing anything to make anything better." Being tied to a disengaged developer was problematic given the fast-paced environment. According to Violante, "A lot of things we do are very opportunistic. Sometimes the window of opportunity within HUD comes and goes very quickly. The ability to be agile and move things around on our own and not have to rely on the software company to make all of these changes was really a driving force for changing software."
- **Reliance on spreadsheet workarounds.** Spreadsheets are the virtual equivalent of duct tape for disjointed information systems in many organizations. KCHA was no different. Violante reports that KCHA frequently used spreadsheets to patch up limitations in their core software. Upon encountering tasks that their software couldn't support, "The answer more often than not was to create an Excel spreadsheet or access database and just track things manually."

The Unit4 Business World software provided an answer to each of these limitations.

Describing the improvements KCHA was able to realize via Business World, Violante says, "From a senior management standpoint, Business World provided the ability to operate quickly and efficiently and give everybody the tools they need, but also have a system where we could make changes easily without impacting day-to-day operations. That was really the key."

"We needed to know that we had the ability to support any direction we decided to go. And, so, again that was one of the key components. Before we went to Agresso, we always had to sit around and say, 'Okay, how can we support this?' Now, there is just no question."

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Leveraging improved software for real-world benefits

One of the operational changes that KCHA needed the software to support was a move from centralized to on-site property management. The advantages gained by supporting on-site management with Business World illustrate the organizational benefits gained via improved software.

Violante explains, "Prior to about 2004 or 2005, the typical model for housing authorities was centralized. So you owned properties all throughout your jurisdiction, but you had a central maintenance staff and a central management staff. HUD came in and said, 'No you need to go to the model that private industry uses where you have property managers located onsite and you have property maintenance people located onsite at each of your properties.'

"We had to create these things called site-based reports. Now each property manager was creating their own reports, when it used to be done centrally. We were able to get that out, but it was extraordinarily clunky. It was all done in Excel spreadsheets and would then go out to each property manager and they would look at it. You couldn't do any research on your own. If you had a question, you had to call accounting and say what's going on with this?"

The change in financial software unlocked a more efficient approach to managing site-reports.

"With the roll out of Agresso we still gave out these hard copy reports, but we also created an exact copy report in this thing called 'The Browser' which they can then access. So, if they say, 'I want to know why, say, security is above budget this month,' with just a few clicks they dive down and they can see what they budgeted and what the actual expenses are. They could even drill down and look at the copies of the actual invoices themselves. That took enormous time away of them having to call us, research and then send it back."

Violante reports that the net gain in labor cost efficiency savings was significant.

"We had estimated over the course of the first year that we were saving probably about $150,000 a year in recovered time. That doesn't mean our budget fell by $150,000—we didn't lay people off. But we were able to utilize them much more efficiently. They could actually spend more time with the tenants, which is what we need them to be doing."

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Beyond the impressive annual savings in employee time, the change in software provided other benefits.
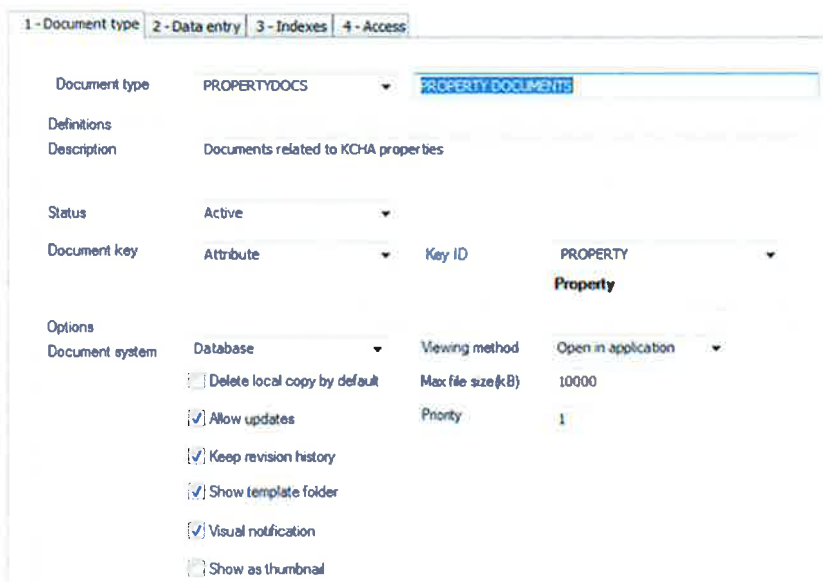
Violante says that improving site managers' budgeting accuracy was a particularly strong benefit. "The budgeting process used to be hit or miss at best. It was not at all uncommon to see budgets that didn't match reality. Now it's just the opposite. It is very rare to see any sort of significant variance that's the result of a budget screw up. We still of course have variances because we plan on doing something and then we decide not to do it, or whatever reason, but it has improved accuracy very much."

Harnessing the momentum

With a well-integrated software system supporting the administrative freedom allowed by the Moving to Work program, Violante feels that KCHA is in a strong position to continue to innovate.

"We're always going to keep expanding. We recently updated to the most recent version of Business World," reports Violante.

The most recent software initiative undertaken by KCHA even leveraged their updated Business World financial software as a document management solution. It's not an obvious application of the software, but using their accounting platform to store files tied to specific properties yielded immediate dividends.

This screenshot displays the document upload interface within Unit4 Business World which was used to attach property specific files.

"We could've just used a common drive or Sharepoint [to store files], but this was much more elegant," says Violante. We've actually just done a couple projects where had this not been in place we would've spent a couple weeks of man-hours just finding stuff. Instead it took about a day's worth of effort."

For a firm in the private sector, these sort of savings would represent a win—and a big win at that. In the mission-oriented public sector, they're still a win, but also a means to achieving a greater good. When describing what the integration of Business World has meant to KCHA, Violante points first to what he refers to as "programmic results."
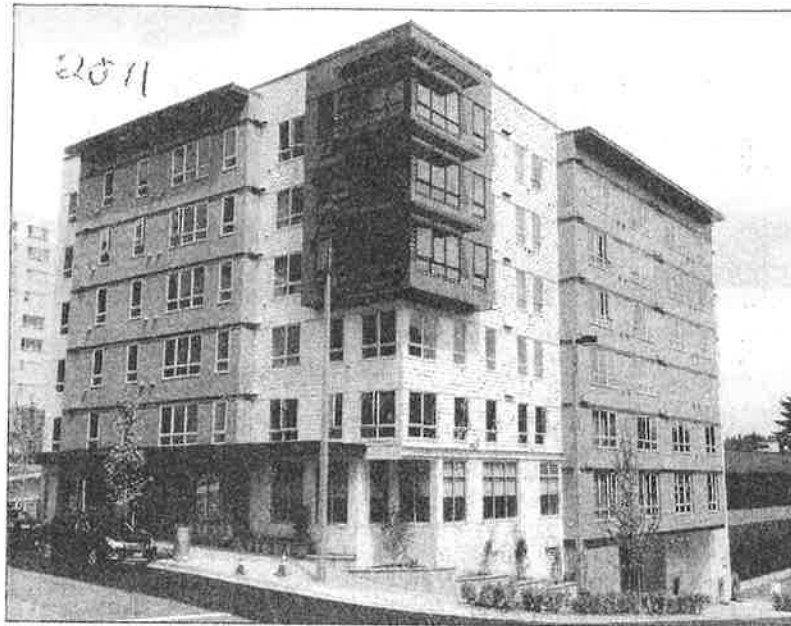
In one case a couple years back, KCHA faced a tough decision about what to do with 509 units. The units were located in 22 different complexes scattered throughout the county and had become expensive to maintain because of their locations. Selling the properties to a nonprofit allowed KCHA to apply project-based Section 8 vouchers to the properties. After pledging the new funding stream against a loan, KCHA was able to approximately triple their per unit funding. To date, they've spent $13M rehabbing the properties according to Violante.

Neither the rehabilitation work, nor the creative approach for securing its funding, are unusual for KCHA. In their 2014 annual Moving to Work report, KCHA reported that they've renovated 1,052 units since joining the MTW program. Additionally, KCHA increased the number of households served by 34% in the same time period.

The ability to provide better housing to more individuals is the real meaning of success at King County Housing Authority. Accordingly, technology success is a function of supporting the greater mission. "From our standpoint," says Violante, "Software success means that we can support any program we need to as part of our MTW authority."

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Rents for the 57 units range from $463 to $1,207.

August Wilson Place is open in Bellevue

By JOURNAL STAFF

The Low Income Housing Institute will hold a grand opening at 10 a.m. May 26 for August Wilson Place, a 57-unit apartment project in Bellevue named for the Pulitzer Prize winning African-American playwright.

GGLO is the architect and landscape architect on the project at 204 111th Ave. N.E. The contractor is Synergy Construction.

The team also includes KPFF Consulting Engineers, civil; Rushing, MEP; RDH Consultants, building envelope; JGL Acoustics, acoustical engineer; Emerald Aire, mechanical; Michael Nouwens Structural Consultants; Geotech Consultants; Rob's Electric; Rightway Plumbing; and Fire Sprinklers Inc.

The unit mix is studios, studio-plus, two-bedroom and three-bedroom, ranging from 349 to 1,059 square feet. Twelve units are for homeless people, eight are for veterans, and three are for families with developmental disabilities.

The apartments are open to people making at or below 60 percent of the area median income. Sixty percent is $37,680 for one person and $43,020 for two. Rents range from $463 to $1,207, including a utility allowance.

LIHI said housing in Bellevue is increasingly unaffordable: Over the past year the average rent increased 9.4 percent, from $1,547 to $1,692.

Sharon Lee, LIHI executive director, said more than 300 people — some in the service industry — applied for units at August Wilson Place, so LIHI held a lottery.

The project meets the state's Evergreen Sustainable Development Standard.

It has a community room, com-

Wilson Place

puter lab, gathering space and 23 stalls of underground parking. The site is near City Hall, shopping, employment, cultural opportunities and the future East Link light rail.

These groups helped fund the project: King County, A Regional Coalition for Housing, Wells Fargo, National Equity Fund, King County Housing Authority, the Department of Housing and Urban Development, Washington State Housing Finance Commission, Washington State Housing Trust Fund, Washington Community Reinvestment Association, The Home Depot Foundation and The Federal Home Loan Bank of Seattle.

August Wilson's work includes a series of 10 plays, "The Pittsburgh Cycle," for which he received two Pulitzer Prizes. Each is set in a different decade, depicting aspects of African-Americans' experience in the 20th century.

Wilson moved to Seattle in 1990 and worked with Seattle Repertory Theater Co. until his death in 2005 at the age of 60.

Constanza Romero, Wilson's wife, will be at the grand opening, and students will read passages from his plays.