

# The Commonwealth of Massachusetts

Department of Housing and Community  
Development

Mitigating the Impact of Sequestration on the Housing  
Choice Voucher Program



Regional  
Administering  
Agencies



Program  
Participants /  
Property Owners

DHCD is contracted through HUD, and administers a state-wide Section 8 – Housing Choice Voucher Program (HCVP)

DHCD contracts with 9 independent non-profit RAAs to administer DHCD's rental assistance programs

RAAs process program transactions and release rental-assistance payments to property owners

Moving to Work (MTW) is a demonstration program authorized by Congress, in which participating agencies are given the flexibility to waive certain HUD regulations to design and test approaches for housing assistance.

Three MTW statutory objectives:

1. Reduce cost
2. Give incentives to move families towards self-sufficiency
3. Increase housing choice for low-income families

## Household Type

Category	Number	% of Total
Non-Elderly, Non-Disabled Households	8,884	45%
Non-elderly, Disabled Households	7,898	40%
Elderly Households	2,962	15%
<b>Total</b>	<b>19,744</b>	<b>100%</b>
Working Households	5,923	30%

## General Income Data

Category	All HCVP	Elderly/Disabled	Project Based
Average Gross Income	\$15,011	\$14,205	\$13,737
Average Adjusted Income	\$14,032	\$13,339	\$12,865
Average Gross Income for Working Households	\$23,186	\$23,524	\$20,975
Average Adjusted Income for Working Households	\$21,914	\$22,500	\$19,823

## General Rent and Contract Data

Category	Tenant Based	Project Based
Average Gross Rent	\$1,287	\$1,117
Average Contract Rent	\$1,148	\$1,122
Average Family Share	\$398	\$323
Average Tenant Rent to Owner	\$269	\$270
Average HAP to Owner	\$880	\$852

## Notice of Sequestration

- ☐ On March 7, 2013 HUD Secretary Shaun Donovan sent a letter to all public housing authorities
- ☐ HUD will only be able to provide 94.1% of renewal funding (HAP) compared to anticipated need in FY 2013
- ☐ HUD will apply a 68.5% proration to funding for administrative fees.

## Financial Impact of Sequestration

Program	Pre-Sequestration	Proration	Post-Sequestration	Difference
HCVP - MTW	\$216,326,125	94%	\$203,346,558	\$12,979,567
FUP	\$1,779,339	94%	\$1,672,579	\$106,760
VASH	\$2,176,286	99%	\$2,154,523	\$21,763
Administrative Fee	\$21,620,000*	31%	\$15,900,000	\$5,720,000
<b>Total</b>	<b>\$241,901,750</b>		<b>\$223,073,660</b>	<b>\$18,828,090</b>
*This figure includes a 94% proration effective prior to sequestration				

## Principles for Achieving Cost Savings

- ☐ Identify cost saving measures that minimize the financial impact to households
- ☐ Meet the obligation of the MTW agreement to serve substantially the same number of households
- ☐ Keep subsidy and administrative funding streams separate
- ☐ Identify cost saving measures that preserve stability of resources
- ☐ Seek to use MTW flexibility to create opportunities to problem solve
- ☐ Evaluate both the short-term and long-term costs associated with program changes;
  - If the cost of implementation is greater than the savings realized, the initiative will not be considered

## Approaches to Mitigate Sequestration

- ☐ Reduction of voucher utilization rate to 98% or lower
- ☐ Reduction to administrative expenses and the administrative fees allocated to RAAs
- ☐ Implementation of a new Simplified Utility Allowance schedule to reduce subsidy expenses
- ☐ DHCD formed a working group consisting of staff from DHCD, the RAAs, The Regional Housing Network, and other stakeholders to identify additional cost saving measures

## Reduction to Utilization Rate

- ☐ DHCD is attriting Mobile MTW vouchers through turn-over to reduce the utilization rate
- ☐ Will reduce costs without terminating households, but still requires DHCD to use program reserves
- ☐ DHCD is issuing Mobile MTW vouchers at specific RAAs (HAC and HAP) to individual maintain a 98% utilization rate
- ☐ DHCD will continue to issue vouchers for current Project-Based Units, VASH, FUP-AOP, and 5-Year Mainstream

## Reduction to Utilization Rate

Allocation vs. Utilization		
	Allocation	Utilization
Mobile MTW	15,765	15,625
Special Programs	2,489	1,921
FUP 09-11	159	157
Total Mobile MTW	18,413	17,703
PBV	1,681	1,596
VASH	472	353
FUP-AOP	28	20
Five-Year Mainstream	75	72
Total Excluded Vouchers	2,256	2,041
<b>Total Vouchers</b>	<b>20,669</b>	<b>19,744</b>

## Evaluating the Impact of Program Changes

❑ DHCD identified three potential approaches to achieve significant cost savings

1. Reduce the Payment-Standard from 110% of Fair Market Rent to 100%
2. Increase the percentage of income a household contributes toward rent from 30% to 35%
3. Restructure the utility allowance schedule to a flat-rate for heat only

## Policy Change: New Utility Allowance

- ☐ This will only apply to MTW Households
- ☐ VASH, Five-Year Mainstream, and Moderate-Rehab are currently excluded
- ☐ The new utility allowance schedule will provide an allowance for heat only
- ☐ Households will no longer receive an utility allowance for electricity, hot water, or cooking/range
- ☐ DHCD plans to implement this change effective April 1, 2014
- ☐ This change will save approximately \$10 Million in subsidy expenses

## Policy Change Continued: New Utility Allowance

- ☐ Approximately 13,500 households will experience an increase to their tenant-share
- ☐ Approximately 4,600 households will experience no change to their tenant-share
- ☐ Approximately 1,000 households will experience a reduction to their tenant-share
- ☐ Households will receive a 60-day notice of the change to their tenant-share
- ☐ Households that experience an increase of \$100 or more to their tenant-share will receive a hardship waiver that will delay the effective date an additional 90-days. Currently 1,900 households are expected to receive the hardship waiver

## Accumulative Offset

- ☐ Reduction to utilization rate: approximately \$6.5 million annually, effective March 1, 2013
- ☐ Reduction in administrative expenses: approximately \$2.5 million annually, effective January 1, 2014
- ☐ Utility Allowance: approximately \$10.3 million annually, effective April 1, 2014
- ☐ Total anticipated savings: \$19.3 million

## Next Steps

- ☐ DHCD will monitor and evaluate initiatives to ensure objectives are achieved
- ☐ DHCD will continue to meet with the working group and stakeholders to identify program enhancements and cost saving measures
- ☐ DHCD will continue to provide a platform for economic mobility and self-sufficiency