**PRESENTATION BY**
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# U.S. CONGRESSIONAL STAFF BRIEFING ON THE STATE OF AFFORDABLE HOUSING IN THE UNITED STATES

**J. RONALD TERWILLIGER FOUNDATION FOR HOUSING AMERICA'S FAMILIES**

**FEBRUARY 21, 2017**

## INTRODUCTION

I am Richard C. Gentry, the President and Chief Executive Officer of the San Diego Housing Commission, which serves low-income residents in the city of San Diego—the eighth largest city in the nation and second largest city in California. I am honored to be here today to share with you my observations regarding certain Federal low-income housing programs operated by local public housing agencies, as well as the unique approach the San Diego Housing Commission (SDHC) has taken to address the housing needs of low-income and homeless San Diegans.

I began working in San Diego in 2008; however, my experience in affordable housing spans close to 45 years—beginning with the U.S. Department of Housing and Urban Development (HUD) in 1972. I have served as the CEO of the public housing authorities in Austin, Texas, and Richmond, Virginia, as well as working in the private sector as the Senior Vice President of Asset Management for the National Equity Fund in Chicago, Illinois, the nation's largest nonprofit Low-Income Housing Tax Credit syndicator, and as the Vice President for Public Housing Initiatives at the Local Initiatives Support Corporation (LISC) in Washington, D.C. My opinions today reflect the diversity of my background and the breadth of my experience.

Since the beginning of government involvement in providing affordable housing in the 1930s, the major public sector activities – primarily at the Federal and Local levels – to produce housing that is affordable to low-income individuals and families have reflected two types of financial assistance:

1) Supply-side, which supports the development of additional affordable housing units; and
2) Demand-side, which assists the low-income consumers who need affordable housing.

An essential question to address is whether the most effective decisions about the utilization of these types of financial assistance are made by the Federal or Local government.

Different jurisdictions across the country have unique housing needs. With this in mind, decisions are most effective when they are localized as often as possible and are made at the level closest to the jurisdiction. More local decision-making about affordable housing is needed in the United States today.

**Public Housing and Section 8 Housing Choice Voucher Rental Assistance - History**

Federally funded rental public housing in the United States dates back to the Housing Act of 1937, which provided Federal funds to public housing for low-income working class families. However, public housing proliferated after the Housing Act of 1949, which began applying income limits so that public housing served low-income residents, while working class families were supported in their access to private sector housing.

HUD was created by legislation in 1965 to oversee Federal housing programs for vulnerable low-income households, such as seniors, individuals with disabilities, and families.

The Housing and Community Development Act of 1974 and subsequent revisions to it, along with program rules from HUD, created the Section 8 Housing Choice Voucher rental assistance program.

It is important to note that private sector rental housing today continues to provide the majority of the rental housing opportunities for both Americans who receive Federal housing assistance and those who do not.

According to HUD, approximately 1.1 million American households live in public housing, which is 1 percent of the approximately 116 million households in the United States, based on U.S. Census Bureau data. In addition, approximately 3.4 million households, or 2.9 percent of all households in the United States, receive Federal Housing Choice Voucher rental assistance or Project-Based rental assistance, according to HUD’s proposed budget for Fiscal Year 2017 (October 1, 2016 – September 30, 2017).

With that said, I believe that the United States’ traditional public housing program is no longer viable in its current form to continue serving the needs of low-income Americans. America’s traditional public housing program has been, since its inception, a top-down, one-size-fits-all, centralized, command-and-control program operated in Washington, D.C., that is intended for implementation uniformly across the country. In a country as large and diverse as the United States, a public housing program with centralized mandated rules does not work.

This is not a criticism or denigration of the low-income individuals and families who live in public housing or those who operate the program. However, the program's structure is flawed and needs to be changed to more efficiently use taxpayer resources to serve the housing needs of low-income Americans.

The public housing program reflects an assembly line methodology of producing a high volume of uniform housing across jurisdictions, which was better suited to American culture decades ago in the 1930s, 1940s and 1950s. Vestiges of public housing remain; however, the development of new public housing since the 1970s has been scarce.

Today's culture reflects the influence of technological advancement and is analogous to a network of smartphones and personal computers supported by a standard structure, but with variabilities to meet individual needs. The Section 8 Housing Choice Voucher rental assistance program better serves this culture, delivering individualized assistance tailored to the needs of the individual customer.

The Section 8 Housing Choice Voucher rental assistance program is the most useful affordable housing program that I have seen the Federal government develop in my close to 45 years working with affordable housing. It is the most effective option available in the United States today and in the future for providing affordable housing for low-income individuals and families.

This is a Demand-side program that helps low-income individuals and families pay rent for the residence of their choice, within certain cost limitations.

However, with the recognition that the Section 8 Housing Choice Voucher program does not, in and of itself, contribute to the production of an additional supply of housing for a growing population, the Low-Income Housing Tax Credit (LIHTC) was created in the Tax Reform Act of 1986.

LIHTC provides significant tax advantages that allow developers to lower the cost of creating housing with rents that are affordable – 30 percent of household income or less – for individuals and families with income of 50 to 60 percent of the Area Median Income.

According to HUD's Office of Policy Development and Research, LIHTC "is the most important resource for creating affordable housing in the United States today."

A local public housing agency, such as SDHC, that has been able to creatively blend types of programs, such as rental housing vouchers and LIHTC, can produce quality affordable housing opportunities with flexibility that is not present in the public housing program.

Local agencies are also able to utilize additional Federal programs to create and preserve affordable housing, such as FHA-insured multifamily housing mortgages and Fannie Mae mortgage products. Both have been used in San Diego.

The combination of LIHTC, rental housing vouchers and mortgage insurance programs together with local flexibility and creativity can create a new world for affordable housing going forward.

In addition, the conversion of public housing, as it occurred with SDHC, should be included in programs the U.S. Senate considers. There also have been other structured types of public housing conversion utilized by local agencies across the country, including the Rental Assistance Demonstration program and, previously, the HOPE VI public housing revitalization program.

It is also important to keep in mind the need for funding at appropriate levels if public housing is converted to Housing Choice Voucher rental assistance. In its Fiscal Year 2017 budget, HUD proposed funding approximately $9,500 per family for Housing Choice Voucher rental assistance ($20.9 billion for 2.2 million families), compared with approximately $5,863 per family for public housing ($6.45 billion for 1.1 million families). Therefore, to successfully address affordable housing needs, the conversion of public housing to Housing Choice Voucher rental assistance requires a corresponding increase in funding per family.

I submit that providing affordable housing opportunities should look much like the San Diego model, with the innovative approaches we have implemented at SDHC.

## PUBLIC HOUSING CONVERSION – THE SAN DIEGO MODEL

A landmark agreement on September 10, 2007, between SDHC and HUD transferred full ownership and operating authority for 1,366 public housing units to SDHC—the largest public housing conversion at the time.

“San Diego knows more about what San Diego needs than the federal government does. And when San Diego came to me and said we need to do this, I was compelled to listen,” said Orlando Cabrera, the former HUD Assistant Secretary, who approved the landmark agreement with SDHC.

SDHC paid HUD $1,366 – a nominal $1 per unit – to acquire 137 properties with a combined fair market value of $124.2 million. All the properties were debt-free.

In exchange, SDHC committed to leverage the equity lying fallow in these former public housing units to create at least 350 additional affordable housing units—a number SDHC far surpassed.

The SDHC Board of Commissioners and the San Diego City Council approved SDHC's application to withdraw from HUD's public housing program, which HUD also approved.

"What the San Diego Housing Commission did was basically say we can't rely on the federal taxpayer to continue to maintain units, because it's not serving our residents well. It's not serving our community well. They essentially took resources, and then they created better units with them," said former HUD Assistant Secretary Cabrera.

- **Converting Federal Financial Assistance to Housing Choice Vouchers for Residents**

  SDHC's public housing conversion involved a transformation of the type of financial assistance that was provided by the Federal government.

  Property-based funding for public housing operations through Section 9 of the Housing Act of 1937 was converted into tenant-based rental assistance provided through Section 8 of the Housing Act—Housing Choice Vouchers.

  This allowed SDHC to separate the Federal financial assistance from the rental public housing properties and provide low-income families who resided in these units with more choices about where they would live, including the private sector.

  Low-income families are transformed from "clients" into "consumers" when they are able to make choices, which empowers them. A lack of choices hinders families from reaching the middle class.

  When the former public housing units converted to SDHC ownership, residents were provided with Federal Section 8 Housing Choice Vouchers.

  They could then use the vouchers at their existing units or take them with them as rental assistance to another rental home of their choice.

  This expanded the opportunities for affordable housing to hundreds of additional San Diego families.

  Approximately 50 percent of the residents chose to stay at their existing units, and approximately 50 percent moved to other properties, typically to be closer to family or work.

- **Providing Affordable Rental Housing for Low-Income Families**

  Those residents who used their new Section 8 Housing Choice Voucher rental assistance to move to another property created vacancies in the former public housing units.

Fulfilling its commitment to HUD, SDHC rented these vacant units as affordable rental housing to families with income of 80 percent of the San Diego Area Median Income or less, which is approximately $68,000 a year for a family of four.

SDHC has successfully managed this real estate portfolio, with a vacancy rate today of 4 percent for all SDHC-owned affordable housing rental properties.

This public housing conversion has not adversely affected the operating financial viability of these rental housing units.

- **Creating and Preserving Additional Affordable Housing**

SDHC presented HUD with a variety of options it was considering to fulfill the obligation for the creation of additional affordable rental housing units.

HUD responded on Oct. 17, 2008, by approving seven options, all of which required SDHC to have a property ownership.

Ultimately, SDHC chose two courses of action that would create and preserve affordable housing for families in the city of San Diego:

1. Purchase the land and provide a loan and ground lease to the developers. After the 15-year tax credit compliance period, SDHC would have the option to buy the public-private partnership properties.
2. Purchase property directly or in partnership with a government agency.

Also required were a series of administrative steps to obtain the appropriate local approvals from the SDHC Board of Commissioners and the San Diego City Council, sitting as the Housing Authority of the City of San Diego.

These approvals would bring about internal changes to past operating practices and set up SDHC for the financing and ongoing management of the public housing conversion program.

SDHC then implemented an innovative Finance Plan that was developed in 2009, which leveraged significant private sector financial investment.

California State Assemblymember Todd Gloria, who served on the SDHC Board of Commissioners at the time the agreement with HUD was being negotiated, said: “I think the concern that I had was how do we maintain the solvency of the agency as we saw the subsidy being reduced. That obviously produced a lot of financial challenges to the organization.”

SDHC leveraged the equity from this new real estate portfolio to create or preserve 810 additional affordable housing in the city of San Diego through direct acquisitions and public-private partnerships. All of the units will remain affordable for at least 55 years.

- **Minimizing Financial Risk**

In its loan underwriting, SDHC sought to minimize any financial risk. Among the key elements of the borrowing:

- Both Fannie Mae and FHA mortgage programs were used as sources of borrowing, providing more than one option for capital under circumstances when time was of the essence.
- SDHC limited its use of equity to only 78 converted public housing properties of five units or more, a total of 1,254 units.
- While lenders would have accepted a loan-to-value ratio (LTV) of 80 to 85 percent, SDHC limited itself to 70 to 75 percent, providing additional cash flow to support the debt load going forward.
- Variable interest rates were slightly better at the time, but SDHC used fixed-rate loans only to better quantify its risk, and used 30-year instead of 10-year loans.
- Reserve accounts also were established.

When SDHC closed its loans with Fannie Mae on December 30, 2009, it had raised $37.1 million at a 7.32 percent interest rate.

The FHA loans closed on August 31 and September 30, 2010. SDHC raised $58.2 million with a 3.76 percent interest rate.

- **Rehabilitating Former Public Housing Units**

Lender requirements prompted SDHC to collect financial statements, rent rolls, appraisals, title and zoning reports, regulatory agreements and other documents – as many as 80 reports per property – on the 78 former public housing properties that were leveraged.

After the properties were reviewed, lenders requested that SDHC perform critical and non-critical repairs. While the original work list was lengthy, it was limited in scope.

SDHC capitalized on this opportunity to expand the scope of work and provide a more comprehensive rehabilitation program than what was required by the lenders. At the conclusion of rehabilitation, nearly $3.2 million had been invested in the physical assets.

- **Local Action Amid Declining Federal Investment**

The public housing conversion emerged from a growing realization by the SDHC Board of Commissioners and executive leadership that SDHC's dependence upon the Federal government's historic investment in construction and maintenance of public housing could not be sustained under the current Federal model.

Federal public housing subsidies for operations and maintenance were based on a formula, were not keeping pace with need, and were counterproductive to good private sector management techniques. Across the nation, fewer new public housing units were being developed despite a growing demand for workforce and family housing.

"I think one of the most important things is that it created public-private partnerships, gave the Housing Commission the ability to sustain even more affordable housing units and to serve more people, to serve more families. And today if you look at the environment around us where you see an economic downturn, foreclosures, families who are in greater need than they were before, you know it was a really smart thing to do," California State Senator Toni Atkins, the former Speaker of the California State Assembly and a former San Diego City Councilmember, said in 2012.

On October 2, 2012, SDHC published a special multimedia digital report about the landmark public housing conversion and SDHC's Finance Plan, which is used today by other public housing authorities as a manual to emulate. The report, "Creating Affordable Housing Through Public Housing Conversion," is posted on SDHC's website: http://www.sdhc.org/uploadedFiles/Media_Center/Digital_Reports/PublicHousingConversionReport.pdf

In addition to SDHC's own particular type of public housing conversion, there is another landmark Federal program that provides additional public housing authorities with similar opportunities to transform or enhance their public housing:

- **Rental Assistance Demonstration**
  Nearly four years after SDHC's landmark public housing conversion agreement with HUD, the Federal Consolidated and Further Continuing Appropriations Act, 2012, was enacted on November 18, 2011, creating the Rental Assistance Demonstration (RAD) program.

  RAD allows public housing to be converted to long-term, Section 8 Housing Choice Voucher project-based rental assistance contracts. This conversion under RAD enables properties to obtain private financing to perform maintenance that had been deferred.

Although SDHC has not yet participated in RAD, we may utilize RAD in the future for our 189 remaining public housing units, and we support the public-private principles RAD is based upon.

## FEDERAL LOW-INCOME HOUSING TAX CREDIT PROGRAM

The Federal Low-Income Housing Tax Credit (LIHTC) Program, administered in California by the California Tax Credit Allocation Committee, is a successful and critical source of financing for affordable housing partnership developments. It is also a good example of public-private partnerships leveraging substantial private sector investments in affordable housing.

In the city of San Diego, the LIHTC has financed 14,612 units of affordable rental housing at 135 properties since 1989.

For example, recent SDHC public-private partnerships that were financed with the LIHTC include the following:

- San Diego Square Senior Apartments – 154 affordable rental housing units for low-income seniors age 62 and older in Downtown San Diego;
- Independence Point Apartment Homes (formerly known as Willie James Jones Apartments) – 28 affordable rental townhomes and three apartment flats for low-income households in Lincoln Park—the first residential complex in Southern California to provide affordable housing specifically for families with members who have developmental disabilities (25 units); and
- Rancho Del Sol – 95 affordable rental housing units for low-income families in Pacific Highlands Ranch, north of Interstate 8.

## PROVIDING FEDERAL RENTAL ASSISTANCE

- **Section 8 Housing Choice Vouchers**

  SDHC's largest program is Section 8 Housing Choice Voucher rental assistance.

  More than 15,000 low-income households in the city of San Diego, including formerly homeless San Diegans and chronically homeless Veterans, receive Federal Section 8 Housing Choice Voucher rental assistance from SDHC.

These households include more than 37,000 men, women and children.

Approximately 56 percent of these households are seniors or individuals with disabilities.

In addition to assisting low-income households to obtain rental housing, SDHC's Housing Choice Voucher program invests millions of dollars in the local economy each year.

In Fiscal Year 2016 (July 1, 2015 – June 30, 2016), SDHC paid $143,377,584 to approximately 5,600 participating landlords in the city of San Diego, who are essential to providing affordable housing to low-income San Diegans.

SDHC engages with private sector landlords to establish more affordable housing opportunities by providing Federal rental assistance.

SDHC partners with HUD to provide the most vulnerable San Diegans with rental assistance to help them locate housing in the competitive, high-cost San Diego rental housing market.

In addition, this program allows local agencies, such as SDHC, the flexibility to categorize Housing Choice Vouchers in ways that best serve their local communities, such as:

- Project-Based Housing Vouchers: Federal Project-Based Housing Vouchers are awarded to specific affordable housing developments to provide rental assistance linked to their units. When a tenant moves, the rental housing voucher remains with the affordable housing unit so that another low-income or homeless San Diegan is able to move into the unit and receive rental assistance.

- Sponsor-Based Housing Vouchers: SDHC awards Federal Sponsor-Based Housing Vouchers to nonprofit organizations, or "sponsors," that provide supportive services to homeless San Diegans. Sponsor-Based Housing Vouchers provide rental assistance that pays up to 100 percent of the tenant's rent, depending on their income level.

- **Veterans Affairs Supportive Housing (VASH) Vouchers**

  SDHC has a long-standing commitment to address Veteran homelessness in the city of San Diego.

To help chronically homeless Veterans begin to rebuild their lives, SDHC has been allocated 1,000 Veterans Affairs Supportive Housing (VASH) vouchers from HUD since the VASH program began in 2008.

VASH vouchers provide rental assistance to honorably discharged Veterans experiencing chronic homelessness while also having a disability.

SDHC partners with the U.S. Department of Veterans Affairs (VA) San Diego Healthcare System to provide VASH vouchers.

The VA provides clinical health and case management services to VASH voucher recipients.

The local VA identifies Veterans who qualify for VASH vouchers. SDHC confirms their eligibility and enrolls them in the VASH voucher program.

The VASH voucher program is similar to the Section 8 Housing Choice Voucher program, in which participants pay a portion of their rental costs. These Federal housing vouchers do not expire as long as the individual continues to meet qualifying criteria, such as income eligibility.

SDHC obtained a waiver from HUD that allows for a 20 percent higher rent payment amount with a VASH voucher, effective February 1, 2016.

For example, the rent payment amount for a 1-bedroom apartment with a VASH voucher is now $1,288 a month—up from $1,074 a month.

SDHC has committed 300 VASH vouchers to SDHC's 1,000 Homeless Veterans Initiative of **HOUSING FIRST – SAN DIEGO,** SDHC's three-year Homelessness Action Plan (2014-17), which is discussed in further detail later in this report.

- **Moving to Work**

  The U.S. government's creation of the "Moving to Work" program in 1996 established a significant tool to provide affordable housing opportunities, combining the flexibility to foster innovation with continuing government oversight from HUD. Public housing authorities must submit their proposed new MTW programs to HUD for approval.

MTW lessens the impact of the top-down approach of the public housing program because it provides flexibility and allows local agencies to determine the most effective programs for their communities.

MTW has been especially significant in the expensive housing markets of California, including San Diego.

SDHC is one of only 39 public housing agencies, out of 3,400 nationwide, to receive the MTW designation from HUD, which allows flexibility to create innovative, cost-effective approaches to provide housing assistance to low-income families.

The extension of the contracts of MTW agencies, such as SDHC, for 10 more years, through 2028, was approved in the Consolidated Appropriations Act of Fiscal Year 2016 on December 18, 2015.

This Congressional action also will expand the MTW program to an additional 100 public housing agencies across the country. I believe that the MTW program should eventually apply to all public housing agencies other than those identified by HUD as “troubled” to provide them with the structure and flexibility to design programs in their communities.

In San Diego, the MTW program has allowed SDHC to encourage families and reward them for productive activities, as you will see in my comments about the SDHC Achievement Academy.

SDHC’s MTW initiatives provide: opportunities for Section 8 Housing Choice Voucher rental assistance participants and public housing residents to become more financially self-reliant; funding toward the creation and preservation of affordable housing for homeless San Diegans; and rental housing vouchers to address homelessness.

- **SDHC Achievement Academy**

  A significant component of SDHC’s MTW initiatives is that we want to reward households for taking steps to move to work. The SDHC Achievement Academy is a critical MTW initiative to help low-income residents break the cycle of poverty and become more financially self-reliant.

  On October 4, 2010, SDHC opened the SDHC Achievement Academy, a state-of-the-art learning and resource center and computer lab at SDHC’s headquarters in Downtown San Diego. The SDHC Achievement Academy provides programs that emphasize career planning, job skills and personal financial education—at no cost to

Section 8 Housing Choice Voucher rental assistance participants and public housing residents.

In Fiscal Year 2016 (July 1, 2015 – June 30, 2016), 1,930 participants received services at the SDHC Achievement Academy.

The SDHC Achievement Academy's main program is Family Self-Sufficiency (FSS).

Heidi, age 39, was a homeless, pregnant teen when she began receiving Federal rental assistance from SDHC in 1997. She began participating at the SDHC Achievement Academy in 2012 and enrolled in FSS.

Working as a waitress, she was able to obtain an associate's degree in 2007. Two years later, she graduated from California State University, San Marcos with a bachelor's degree in criminology and justice studies. On June 17, 2016, she graduated with a doctorate degree in sociology from the University of California, San Diego.

"There is absolutely no way that I would have had the opportunity to go to school if I didn't have my rent subsidized. I didn't have to work three jobs to support my family. I was able to take that time and go to school. I always felt like I had someone in my corner, someone that supported me, someone that wanted me to be successful, and I'm speaking specifically of FSS," Heidi said.

Heidi is pursuing her goal of becoming a professor—teaching two courses last fall as a temporary lecturer at UC San Diego and serving as a faculty intern at MiraCosta College. She plans to phase out of Federal rental assistance, making assistance available for another low-income family.

SDHC utilized MTW flexibility to redesign the SDHC Achievement Academy's FSS, program, to provide enhanced opportunities for families to become more financially self-reliant.

A voluntary, two-year program, FSS provides a variety of courses, including: job training, career planning, and financial literacy education, such as budgeting, saving, establishing good credit, and income tax preparation.

Participants are required to follow a career plan and obtain a job working at least 32 hours per week. FSS is available at no charge to the head of household receiving SDHC HCV rental assistance and public housing residents.

SDHC Achievement Academy FSS participants are able to earn up to $10,000 in an interest-bearing escrow account based upon their educational and employment-related accomplishments. Funding for these financial incentives is provided by HUD. FSS program participants may use these funds as they wish when they complete the program.

In Fiscal Year 2016 (July 1, 2015 – June 30, 2016), 45 individuals graduated from the SDHC Achievement Academy's FSS program. Of these graduates, 41 increased their earnings to an average wage of $11.87 per hour.

- **Path to Success**

With the flexibility provided by MTW, SDHC created the Path to Success initiative to encourage Housing Choice Voucher families to become more financially self-reliant.

Under Path to Success, SDHC identifies Housing Choice Voucher rental assistance participants who are able to work (Work-Able).

Providing rental assistance to families who are not working requires more federal funds than assisting working families who contribute toward their rent.

<u>Work-Able Families:</u>

- Households with at least one adult who is under 55, not disabled, and not a full-time student ages 18-23.
- Full-time students ages 18-23 are considered Work-Able if they are the spouse, head or co-head of the household.
- Income and household circumstances are reviewed every two years instead of annually.

SDHC sees Housing Choice Voucher participants as partners in utilizing limited federal funds to help as many families in need as possible.

Path to Success sets minimum monthly rent payment amounts for Work-Able families.

New minimum monthly rent payment amounts were implemented for Work-Able families, effective July 1, 2015:

- Households with one Work-Able person now pay a minimum rent of $300 (up from $200); and
- Households with two or more Work-Able individuals now pay a minimum rent of $500 (up from $350).

When the Path to Success initiative was implemented on July 1, 2013, the initial minimum monthly rent payment amounts were based on California's minimum wage standards—$8/hour at the time.

SDHC determined what a Work-Able household could earn working 20 hours a week at minimum wage, and then calculated minimum rent payment amounts that would be approximately 30 percent of that monthly figure.

SDHC's Housing Choice Voucher program includes 6,587 Work-Able households. Of these, 2,814 pay minimum rents.

Before Path to Success, these families were required to pay $50 of their rent.

Work-Able families pay either the minimum monthly rent payment amount or the rent payment amount based on the family's annual income, whichever is greater.

Adjusted annual income is separated into income ranges. The lower edge of the range is used to calculate the family's rent payment.

<u>Example:</u>

- The monthly rent payment amount for any family with adjusted annual income between $20,000 and $24,999 will be calculated using $20,000 as their income.
- It is possible that a family's monthly rent payment amount may decrease under Path to Success.

In the third year of Path to Success, the average annual earned income of all Work-Able families was $22,193—which is 19 percent higher than five years ago.

This is great news.

<u>Hardships</u>

Families may apply for a temporary hardship exemption from the minimum monthly rent payment amounts.

If the exemption is approved, the household is required to participate in SDHC Achievement Academy work readiness programs for the duration of the hardship period.

Elderly/Disabled Families:
The Path to Success minimum rent payment amounts do not apply to Elderly/Disabled households:

- Households where all adult family members are 55 or older, disabled, or a full-time student ages 18 to 23.
- Income and household circumstances will be reviewed every two years instead of annually.
- The minimum monthly rent payment amount for an Elderly/Disabled family is $0.

- **Choice Communities**

In San Diego, one of the programs that helps to achieve economic integration through more economically diverse, balanced communities is SDHC's Choice Communities program (not the Federal Choice Communities program), an MTW initiative that began on January 1, 2010.

SDHC's Choice Communities program helps Section 8 Housing Choice Voucher rental assistance participants move from high- and medium-poverty areas to low-poverty neighborhoods in the city of San Diego.

Since the launch of the program, 322 low-income families in the city of San Diego have been able to move to areas with more options for transportation, schools, and employment opportunities.

Leasing a three-bedroom home from a private landlord was possible for Maria and her two sons, ages 6 and 12, because of SDHC's Choice Communities program. A no-interest loan through the program helped Maria pay the security deposit for the rental home.

"I would not have been able to do that on my own because that's a lot of money for me as a single mom," said Maria, who works in customer service for a local hospital. Maria has received Federal HCV rental assistance for the last six years.

The Choice Communities program:

- Allows a higher monthly rent subsidy, or "payment standard"

- Provides no-interest loans of up to $1,450 for security deposits, to be paid to the property owner, with low monthly repayments
- Provides additional resources, information and guidance to families interested in moving to one of the specified low-poverty Choice Communities

Overall, 836 Housing Choice Voucher families live in Choice Communities, including families who lived in these neighborhoods before the Choice Communities program began or who are new to SDHC's Housing Choice Voucher program and chose to live in these communities.

I believe that, as we move forward, many of the programmatic tools already exist to assist low-income families, as I have shown with the San Diego model for public housing conversion and SDHC's MTW initiatives. To help low-income families move out of poverty, it is essential for local agencies to be provided with the flexibility to choose the options that show the greatest success in their communities. As local agencies make these decisions, they are held accountable by HUD and local governing bodies, such as the SDHC Board of Commissioners and the Housing Authority of the City of San Diego.

## ADDRESSING HOMELESSNESS

The flexibility to meet local needs is utterly essential to effective affordable housing strategies. Challenges are not the same in all cities and counties across the country. A specific challenge for affordable housing in San Diego is homelessness.

The San Diego region ranks fourth in the nation in homeless population, with more than 8,600 homeless individuals, behind New York, Los Angeles, and Seattle, according to the Annual Homeless Assessment Report to Congress, published in November 2016. Of this population, 5,093 homeless individuals reside in the city of San Diego. Yet San Diego ranks 22nd in federal funding for homelessness programs.

- **Housing First Model**

  The future of affordable housing includes providing housing opportunities for homeless seniors, Veterans, families, and individuals.

  SDHC is a driving force of the national Housing First model in the city of San Diego – to provide homeless individuals with housing as quickly as possible, with supportive services as needed.

As an MTW agency, SDHC on July 1, 2010, became one of the first public housing authorities in the nation to receive approval from HUD use Federal rental housing voucher funding to provide long-term housing for chronically homeless individuals.

HUD also approved SDHC's request to utilize its MTW status to invest its Federal funds to preserve or build affordable housing for homeless San Diegans.

**HOUSING FIRST – SAN DIEGO**, SDHC's three-year Homelessness Action Plan (2014-17), is an effective, diverse funding and housing strategy that is on target to impact the lives of close to 3,000 homeless San Diegans—Veterans, families and individuals in the city of San Diego—which far exceeds its initial goal of 1,500 homeless San Diegans.

SDHC's Homelessness Action Plan is deeply rooted in the national "housing first" model of addressing homelessness.

This "housing first" approach was validated in the Project 25 partnership pilot program that began in 2011, to which SDHC awarded federal housing vouchers that were combined with mental health services for 25 men and women who were the most frequent users of emergency medical services and law enforcement resources. The County of San Diego provided an additional 10 housing vouchers to expand the program. Project 25 reduced emergency room visits by 77 percent and arrests were down by 73 percent within the first year, and the three-year program saved San Diego $3.5 million over two years.

Launched on November 12, 2014, SDHC's **HOUSING FIRST – SAN DIEGO** implements the principles of Project 25 on a larger scale. And it has become a critical homelessness strategic plan.

**HOUSING FIRST – SAN DIEGO** also fosters collaboration that is essential to addressing homelessness, such as SDHC's partnership with the County of San Diego on its homelessness program "Project One for All," which was initiated last year.

**HOUSING FIRST – SAN DIEGO** leverages SDHC's federal, state and city resources toward the creation of 523 permanent supportive rental housing units through new construction and acquisition.  A total of 1,853 federal housing vouchers have been awarded to nonprofits and developments that are providing supportive services, combined with permanent housing.

The accomplishments of **HOUSING FIRST – SAN DIEGO** include:

1. **Award up $30 million Development Funds over three years (up to $10 million per year) to create Permanent Supportive Rental Housing Units— Launched November 12, 2014**
   - **Total:** 407 Permanent Supportive Housing units for homeless individuals - 8 properties (This does not include Hotel Churchill or Village North Senior Garden Apartments, which are listed separately below.)
   - **Total:** $28.8 million awarded
   - $1.2 million available for development awards

2. **Renovate Hotel Churchill, creating permanent supportive housing—Grand reopening September 19, 2016**
   - 72 permanent supportive housing studios for 56 homeless Veterans, 8 transitional age youth, ages 18-25; and 8 adults exiting the corrections system
   - $20.6 million investment, utilizing federal, state and city funding. SDHC invested:
     - $9.2 million in MTW funds;
     - $2.9 million in HOME Investment Partnerships Program funds awarded by HUD to the City of San Diego and administered by SDHC; and
     - $3.2 million in City of San Diego funds administered by SDHC

   - Supportive services are provided on-site by the U.S. Department of Veterans Affairs (Veterans); Pathways Community Services – Catalyst (youth at risk); and Mental Health Systems – Center STAR Assertive Community Treatment (adults exiting the corrections system). Services for non-Veteran residents are funded by the State Mental Health Services Act, administered by the County of San Diego's Behavioral Health Services Division.

3. **Invest up to $15 million from Moving to Work Federal Funds to acquire a senior citizen property, setting aside 20 percent of units for homeless San Diegans — Purchased May 1, 2015**
   - SDHC purchased the 120-unit Village North Senior Garden Apartments in Clairemont Mesa.
   - 44 units – 36 percent – are set aside for homeless seniors, with 44 federal rental housing vouchers committed by SDHC to provide rental assistance

4. **SDHC-owned Housing Units - 25 Units dedicated year-round for homeless individuals and families — Launched January 2015**
    - SDHC is one of the first public housing agencies in the nation to commit affordable rental housing that it owns for this purpose.
    - This is a rapid re-housing component of **HOUSING FIRST – SAN DIEGO.** Rapid re-housing assists individuals and families who become homeless because of a recent, unexpected life experience, such as a job loss, domestic violence or a medical crisis.
    - 35 families have been assisted with rental housing (137 people, including 88 children) since the program was launched on January 1, 2015
    - 15 families have become financially self-reliant and were able pay rent on their own for permanent housing
    - 12 individuals secured employment through the SDHC Achievement Academy
    - 9 individuals enrolled in education or vocational training programs through the SDHC Achievement Academy

5. **Commit up to 1,500 federal housing vouchers awarded to non-profit agencies and developments that are providing supportive housing over three years — Launched November 12, 2014**
    - 1,853 awarded to nonprofit agencies and affordable housing developments:
        - 1,173 – HOUSING FIRST – SAN DIEGO developments and programs;
        - 100 – San Diego State University (SDSU) Guardian Scholars Program;
        - 25 – Monarch School Project;
        - 155 – Project One for All - County Partnership; and
        - 400 – SDHC's 1,000 Homeless Veterans Initiative.

6. **San Diego State University (SDSU) Guardian Scholars Program — Launched August 2016**
    - A nationally unprecedented partnership between SDHC and SDSU will provide rental assistance for up to 100 SDSU students who have been homeless or at risk of homelessness.
    - 61 Guardian Scholars students have secured housing
    - 32 are currently searching for housing

7. **The Monarch School Project — Launched December 2015**
    - SDHC is providing rental housing vouchers through this three-year pilot program for up to 25 families who have at least one child enrolled at The Monarch School, which serves homeless children.
    - 20 families have secured housing
    - 2 families are searching for housing

**8. Project One for All – County Partnership — Launched February 2016**

- SDHC partnered with the County of San Diego in its effort to provide housing opportunities to 1,250 homeless San Diegans combined with supportive services.
- 733 federal housing vouchers are being provided by SDHC to the County to serve homeless San Diegans who are living in the City of San Diego
- To date 155 housing vouchers have been awarded and 16 households have secured housing

**9. SDHC's 1,000 Homeless Veterans Initiative — Launched on March 1, 2016**

- SDHC's 1,000 Homeless Veterans Initiative will provide housing opportunities for up to 1,000 homeless Veterans in the city of San Diego. The "Housing Our Heroes" landlord outreach is one of the four major programs of SDHC's 1,000 Homeless Veterans Initiative.

As of February 14, 2017:

- 534 Homeless Veterans have secured housing placements
- 332 Homeless Veterans are searching for housing
- 315 unique landlords have joined the program

Additional details about **HOUSING FIRST – SAN DIEGO** are included in the February 10, 2017, informational report to the SDHC Board of Commissioners, which is posted on SDHC's website:

http://www.sdhc.org/HCR17023HousingFirstSanDiegoInformationalReport.aspx

SDHC's multimedia digital report about **HOUSING FIRST – SAN DIEGO** was published on November 21, 2014, and is also posted on SDHC's website:

http://www.sdhc.org/uploadedFiles/Media_Center/Digital_Reports/SDHC%20Homelessness%20Action%20Plan.pdf

Among the news releases posted on SDHC's website about **HOUSING FIRST – SAN DIEGO**:

– December 20, 2016: SDHC's 1,000 Homeless Veterans Initiative
  http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR_SDHC_VeteransInitiative_Update_122016.pdf

- December 3, 2015: The Guardian Scholars Program and The Monarch School Project
  http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR.SDHC-SDSU%20HousingFirstSanDiego.12.3.15.pdf

- November 12, 2014: **HOUSING FIRST – SAN DIEGO**
  http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR%20SDHC%20Housing%20First-San%20Diego.11.12.14.pdf

## CONCLUSION

Creating more affordable housing opportunities for low-income families requires innovative solutions that foster public-private partnerships.

As SDHC's experience demonstrates, converting public housing to Section 8 Housing Choice Voucher rental assistance is the type of ingenuity needed to maximize the benefit to low-income families, and to ensure that taxpayer funds are utilized efficiently.

With Section 8 Housing Choice Voucher rental assistance, low-income families are able to choose the housing that meets their individual needs, empowering them to be active consumers instead of clients—an option that public housing does not provide. In addition, the local economy benefits from the infusion of Federal funds paid to private landlords, who are essential partners.

The flexibility afforded by the MTW program is essential. MTW allows local housing agencies the ability to maximize the use of federal resources and programs addressing the need for additional affordable housing in an age of scarce resources.

However, programs with greater flexibility, such as Housing Choice Vouchers, MTW, LIHTC, and public housing conversion, should supplant programs that impose uniformity across jurisdictions nationwide, such as public housing.

As approaches toward affordable housing evolve in the United States, I encourage all of us to be constantly open to identifying a continuously changing variety of solutions and to recognize the importance of both the government and the private sector to meeting the housing needs of our unique communities.