



INFORMATIONAL REPORT

DATE: For the Agenda of July 19, 2002 **ITEM 103**

REPORT NO.: HCR02-065

SUBJECT: Summary of Lease-Up Activities During FY 2002 (Citywide)

SUMMARY

During fiscal year 2002, the Commission's Rental Assistance (primarily Section 8) Department had an unprecedented opportunity to provide rent subsidies to almost 2,500 more low-income families than it had been assisting while dealing with the constraints that the tight rental market had imposed on the existing program. By conducting business in the usual manner, helping 500 to 600 families per year lease up would not result in full usage of all the new vouchers within the time limit allowed by HUD. A new lease-up system was devised, and all vouchers were used within the time period – increasing the program by an unprecedented 40 percent, from 8,450 families to 11,824, serving almost 34,000 San Diegans.

BACKGROUND

The largest program of the San Diego Housing Commission is its Section 8 Rental Assistance Program, with a current HUD-funded budget of nearly \$90 million. It is designed to help low-income seniors, persons with disabilities, and families pay rent in private housing, with the Commission's portion of rent made directly to landlords through a voucher program. As many as 26,000 families have been on the agency's waiting list because of the large percentage (almost 40 percent) of low-income families in the city coupled with San Diego's high housing cost. In fact, it is estimated that 107,000 San Diego families could qualify for some form of housing assistance.

In the fall of 2000, HUD allocated an additional 1,264 vouchers to the Commission, which previously had a total allotment of 8,747 vouchers. A year later, another 1,100 vouchers were provided, bringing the total the Commission could issue to qualified residents to 11,111 for both new and at-risk participants.

The Housing Commission was confronted with a number of formidable obstacles that directly affected its ability to use these vouchers by "leasing up" families in desperate need of housing. "Leasing up" means reaching families on the waiting list, determining their



eligibility (income, live or work in San Diego, etc.), informing them of program regulations per HUD mandate, issuing vouchers and assisting them to locate appropriate units. Thereafter, the Commission inspects the apartments or houses where owners have agreed to lease to voucher holders, ensuring rents are reasonable for the market, and then beginning rent payments to the rental property owners.

Obstacles to leasing up the new vouchers included:

- The apartment vacancy rate for the City was less than two percent.
- Rents were increasing at an accelerated pace.
- Families were having a difficult time finding rental owners willing to participate in Section 8.
- HUD payment standards (maximum rents allowed) were not keeping pace with the rising market.
- Staff level was such that there were not enough employees needed to do the additional work required to lease up almost 2,500 more families.

The result of unused vouchers extended beyond forgoing assistance to families; it also meant a loss of administrative fees. (Each voucher managed by the agency earns it about \$60 per month per family in HUD administrative fees.) This strained the Commission's operating budget and jeopardized continuing efforts to increase lease-ups.

DISCUSSION

To meet the challenge, Commission staff developed a committee, the "Solution Team," to design and implement a plan that would result in the utilization of all allowed vouchers. Comprised of about 12 staff members from the occupancy, inspections, leasing, and eligibility teams of the Rental Assistance Department as well as Community Relations staff, its composition was crucial to the success of the leasing fairs. Line staff and management were partners. Full cooperation was solicited from every department in the agency, especially Financial Services and Human Resources, to reach the common goal.

The Solution Team met daily, then weekly, to review every process, procedure, and policy applicable to voucher issuance. Each was reviewed and re-evaluated for its relevancy, simplicity, cost-effectiveness, and practical application. A new system was developed step by step, and time needed to implement each new step in the process was calculated, salary costs for each was determined, and a budget for the aggressive plan was developed with the help of the Financial Services Department.

Key to the new lease-up plan was the development of "leasing fairs" that hundreds of families could attend at one time. Loosely based on the FEMA emergency response example, individuals were invited to the fairs at the Convention Center and other locations, and were screened, briefed, and issued vouchers within hours instead of the several weeks the process used to take.

Improvements were also made to make the federally regulated program as owner friendly as possible. Paperwork was reduced, on-the-spot deposit payments were instituted and followed by a new direct deposit of monthly Housing Assistance Payments, and inspection appointments were offered within 24 hours.

Once the “product” of Section 8 was improved, it was heavily marketed to rental property owners and managers, resulting in 1,000 new landlords participating and well over 3,000 more units brought into the program. In fact, the Commission is now assisting more than 11,800 families!

A budget revision was presented to the Housing Commission Board and the Housing Authority, and both approved the revision. The plan recommended the agency take a prudent risk of borrowing against reserve funds to provide the financial resources for temporary staff and other expenses necessary to achieve full lease-up, which would enable the Commission to recoup the expenditures and earn more in the future if the lease-up was successful.

The San Diego Housing Commission achieved its lease-up goals in less time than anticipated, despite an exceptionally tight market. It became a model for other agencies, hundreds of which contacted the agency for advice, and won two awards as well as national recognition.

Listed below are the highlights of lease-up push results:

- 12,000 applicants were contacted from the waiting list of 26,000 families.
- 5,637 families were issued vouchers.
- 3,728 families were leased-up.

This represents a 31 percent success rate of waiting list applicants who were able to locate a unit and lease up. Applicants who had been on the waiting list for as long as ten years were contacted, and the waiting list now consists of about 11,000 families.

Finally, the Housing Commission has applied for additional vouchers to be awarded in fiscal year 2003, and applications are pending for both “fair share” vouchers and for additional vouchers recaptured by HUD from other agencies.

Respectfully submitted,

Approved by,

Signature on File with Original Document

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