

Work Plan and Operating Budget 2024-2025



JANUARY 5, 2023

**Housing Choice Voucher
Program**



HCV Operations

Who we serve?

HACM's Housing Choice Voucher Program, commonly referred to as Rent Assistance Program (RAP) – Section 8, is designed to help extremely low to moderate income families rent privately-owned housing. Individuals or families earning below 50% of Area Median Income are eligible to participate in this program. The rent subsidy, known as a Housing Assistance Payment (HAP), is paid directly to the property owner or designated payee each month. This program is available to a limited number of families and allows them to pay approximately 30% of their income toward their monthly rent. The program pays the balance of the rent to the landlord either by check or direct deposit. The programs area of jurisdiction is the City of Milwaukee and Milwaukee County. However, under the Section 8 Portability Program, participants can rent outside of HACM's jurisdiction. This is done through partnerships with other Housing Authorities.

Participants must be on the RAP Waitlist to be able to be considered for the program. HACM's tenant -based and project-based waitlist are currently open.

What we serve?

HACM receives around \$40mm HAP grant and \$4mm in administrative fee annually from Housing and Urban Development (HUD). As of 2024, HACM has 7,823 (including EHV, FYI and SRO vouchers funded separately) in contracted units from HUD. These are comprised of Tenant- Based and Project- Based Voucher (PBV) units. Tenant-based vouchers are issued to participants, enabling the participants to use the voucher to subsidize their rent in any unit they choose to reside. Subsidies to the project-based units are attached to the project itself. the participant will choose to rent a unit in the project to be eligible for subsidy. HACM also manages special purpose vouchers (tenant or project based) specifically targeted towards unique needs. Below is the breakdown of the contracted units. Of the total PBV, 1,735 units are allocated on HACM owned projects.

- Regular tenant-based vouchers – 5,474
- Regular project-based voucher - 622
- Rental Assistance Demonstration project-based voucher – 1,211
- Veterans supportive housing vouchers – 372 (includes 101 PBV)
- Emergency Housing Voucher - 121
- Foster Youth Initiative voucher – 10
- Single Room Only (SRO) - 13

HACM also offers two programs that help promote economic self-sufficiency of voucher participants through the Section 8 program:

Family Self Sufficiency Program (FSS)

FSS is a HUD program that allows Housing Choice Voucher participants to build financial assets as the household increases income from wages. Participants commit to a five-year contract, during which participants establish educational, professional or personal goals. A portion of the participants rent increase (resulting from increase in income) is deposited into an escrow account. Upon completion of the program, the escrowed amount is given to the participants. The FSS participants work with a case manager to help them achieve their goals.

Section 8(Y) Home Ownership Program

This program is for Housing Choice Voucher tenant-based participants. Participants receive home ownership assistance for up to 15 years as long as they own and reside in the home. Eligible participants use their subsidy to pay for the mortgage instead of paying this to landlord as rent. This will allow them to build equity on the home they purchased instead of just paying regular rent subsidy payment to the landlord. To qualify, applicant must:

1. Receive rent assistance through HACM's Housing Choice Voucher Program.
2. Be employed full time (average of 30 hours per week) and have earned income of at least \$15,000 per year.
3. Be a first-time homebuyer or not have owned property in the past three years (unless displaced through death or divorce).
4. Be current with rent and compliant with all lease obligations.

Goals and Mission

In support of HACM's mission to provide a continuum of high-quality housing options, it is the Housing Choice Voucher Program's goal to continuously optimize voucher utilization within its budgetary constraint to ensure that maximum number of households are provided with rent subsidy. HACM intends to achieve this by optimizing operational efficiencies and ensuring compliance with rules and regulations.

“Achieve High Performance Status in 2025”

Challenges/Opportunities

The COVID-19 pandemic, and we are not an exception, significantly impacted the operations of the HCV Program. Unfortunately, it happened at the time when we were transitioning into a new housing software system – Yardi. The program had been “front facing in- person interaction” type of operations and the closure of the offices seriously affected its ability to operate efficiently. On top of this, the “great resignation” resulted in approximately 70% of staff turnover in the department. However, this afforded opportunity for HACM to re-imagine its structure, process and procedures with technology as a great enabler. Adaption to new technology accelerated as result of the pandemic. Also, the results of HUD reviews and HUD technical assistance provided guidance in developing strategies and an operational plan to get our HCV operations back to high performer status.

Strategies

HACM needs significant resources to implement the following strategies. Availability of funds are important, but “TIME” as a critical resource is a major consideration. The strategies when implemented will take time to work its way into the system and culture of the organization.

1. Implement the Yardi system entity-wide. Singular software system for operations and financial reporting.
2. Structured on-boarding and continuous training to all staff.
3. Implement Rent café and other mobile systems.
4. Electronic workflow systems and system generated performance tracking metrics.
5. Formalize standard operating procedures.
6. Improve organizational structure to enhance internal control and financial reporting.
7. Develop a Customer Centric and Team Focused corporate culture.
8. Engagement of third-party vendor/contractor to provide HCV services.
9. Track performance matrix [voucher utilization] separately for each voucher types.

10. Achieve higher voucher utilization on Project Based Vouchers specially those deployed on HACM owned developments. This should be achieved by:

- Assistance of third-party contractor,
- Regular coordination meeting between property manager and HCV- PBV department staff to discuss issues,
- Ensure that system is updated regularly for vacancies and turnover,
- As much as possible paper works for property management and HCV are signed by residents at the same,
- Conduct regular open house in the development/project and do briefing at the same time,
- Staff FOCUS and tight management oversight on various metrics (occupancy/lease up, late recerts, inspections, etc.).

Operating Plan and Budgets

This Operating Plan and Budget is prepared on the assumption that HACM will continue to administer inhouse the operations of the Housing Choice Voucher (HCV) Program. We will be issuing a Request for Proposal (RFP) for the full outsourcing of the HCV operations. This proposed budget will no longer be reflected once the RFP is awarded and an amended budget may have to adopted later. The accompanying 2024 budget was developed using a conservative funding and lease up assumptions. However, it took the strategies and required action items to achieve the program goals and mission. This will require HACM to provide additional funding out of its non-Section 8 funding stream to about \$900,000 in 2024 after using projected 2023 year-end reserved of \$490,000. This amount will be funded out of the current excess cashflows and reserves from HACM unsubsidized housing portfolio (Northlawn, Southlawn and Berryland developments.) This is HACM's Non-federal housing portfolio. HCV is budgeted to operate at a loss of \$1.4mm in 2024. Also, presented is HACM's projection in 2024 which reduces the additional funding to \$275,000., and a scenario analyses utilizing different Administrative Fee funding level at 85% while using 86% lease up assumption in 2024.

Summary of Assumptions Baseline Budget 2024:

1. Contracted Units under Annual Contribution Contract (ACC) – 7,823
2. Average Lease Up – 75% of ACC (same as current actual lease up)
3. Administrative Fee Funding level – 80% (tracks historical funding) – current 2023 funding is at 95%

4. Administrative Fee rate is at 2023 rates.
5. Staffing level – total 51 FTEs. This is higher than the Organizational Chart which project a staffing level of 41. Excess staffing to address backlog in 2024.
 - Regular – 45
 - Temporary – 6
6. Budgeted salary increase overall is 3% of current regular salaries, but individual increase could vary between 1-5% depending on performance.
7. Employee benefits projections are based on actual 2023 choices for health and dental plus statutory rates for FICA, plus other benefits based on 2024 existing rates.
8. Administrative expenses were estimated with due consideration to 2022 actual expenses, annualized 2023, impact of planned activities/strategies and efficiencies gained. This reflects management best estimates.
9. Contracted services included budget for financial review as required by HUD and third-party initial admissions/certifications assistance to ramp up leasing of units. The budget does not include the cost of file review to be done by a third party as required in the Corrective Action Plan. This work is part of the RFP that will be issued for the full outsourcing of the HCV program. We may have to amend the budget once this cost is known.
10. Similar to 2023, Central office is not charging \$850,000 management fee to cover for office cost and oversight fee (HR, IT, Finance, Procurement, portion of executive salaries) in 2024. However, we will accrue the management fee by the end of the year once the final administrative fee earned is determined. We expect to accrue \$850,000 in administrative fee by end 2023.

List of Attachments: (if provided in excel format – note of different tabs)

- 1. 2024 Budget (with additional Scenario Analysis)**
- 2. 2024 Budget with Comparisons**
- 3. HACM’s 2024 Projection (utilizing goal of 85% lease up)**
- 4. Details of Contract Services**
- 5. Organization Chart (Stabilized Operations) – with staffing projected for 2025.**

