

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

**REPORT TO COMMISSIONERS**

**FROM JON M. GUTZMANN  
EXECUTIVE DIRECTOR**

**REGARDING** Admission and Occupancy Policies  
For Public Housing; Time Limits for  
Over-Income Households

**DATE** September 23, 2015

Staff recommends that the Board consider whether and how to limit the length of time a family or an individual can remain in public housing after their annual income exceeds the maximum allowed for new applicants to be admitted, which is 80% of the Area Median Income (AMI). (A table showing those income limits appears below.) Staff is not recommending formal approval of a specific policy change at this meeting. If there is a consensus among the Commissioners that the Agency should adopt a policy to remove “over-income” households, then staff will engage in discussions with the Resident Advisory Board, the Hi-Rise Presidents Council, the City-Wide Residents Council and other interested parties, and bring a specific recommendation to the Board at a future meeting.

This topic made the national news lately, prompted by a HUD Office of Inspector General (OIG) report that 25,000 households living in public housing (out of 1.2 million households) had incomes above the income limit for admission. The OIG called on HUD to require housing agencies to remove “over-income” households from the program. Officials in HUD’s Office of Public and Indian Housing (PIH) initially defended the PHAs’ right to house some families with higher incomes, and then changed course and promised to encourage housing agencies to adopt policies to remove households that have extremely high incomes.

The Public Housing Authorities Directors Association (PHADA) and other housing industry groups strongly criticized the OIG’s report and recommendation. (PHADA’s letter is attached.)

They point out that federal law and regulations have encouraged housing agencies to house a “mix of incomes”, and the higher rents paid by households with relatively higher incomes help offset the declining federal subsidies. The market-based “Flat Rents” which housing agencies are required to offer to all public housing residents (mandated by the 1998 Public Housing Reform Act, QHWRA) are specifically designed to encourage higher-income households to remain in public housing. (Flat rents are discussed further below.)

However, as promised to the OIG, the HUD Principal Deputy Assistant Secretary for Public and Indian Housing (PIH) issued the attached letter to housing agencies on September 3, 2015, saying,

“HUD strongly encourages PHAs to utilize the discretion available to them to remove extremely-over-income families from public housing. As a first step to aid PHAs in limiting the most egregious over-income cases from continuing to reside in public housing, HUD encourages PHAs to adopt local policies while considering many factors, including, but not limited to:

- Definition of over-income ...
- Income stability ...
- Length of time for safety net ...
- [Admission] Preference for return ...
- Hardship policy ...”

As described below, staff has considered several alternative policies that would address most of those factors. HUD’s letter also notes that two categories of residents are exempted from any policy that allows removal of “over-income” households:

- a. Active participants in the Family Self-Sufficiency (FSS) program (which has a five-year time limit); and
- b. Households eligible for the 24-month “earned income disregard” (EID).

As explained below, the exemption for EID participants applies to almost one-third of the few households that have gross incomes above 80% of AMI.

**2015 INCOME LIMITS**

Household Size	TWIN CITIES AREA MEDIAN INCOME (AMI)	LOW INCOME (80% OF MEDIAN)	Very Low (50%) Income	Extremely Low (30%) Income
1	\$60,700	\$46,100	\$30,350	\$18,200
2	\$69,300	\$52,650	\$34,650	\$20,800
3	\$78,000	\$59,250	\$39,000	\$23,400
4	\$86,600	<b>\$65,800</b>	<b>\$43,300</b>	<b>\$26,000</b>
5	\$93,600	\$71,100	\$46,800	\$28,410
6	\$100,500	\$76,350	\$50,250	\$32,570
7	\$107,400	\$81,600	\$53,700	\$36,730
8	\$114,400	\$86,900	\$57,200	\$40,890
9	\$123,552	\$93,852	\$61,776	\$44,161
10	\$133,436	\$101,360	\$66,718	\$47,694
11	\$144,111	\$109,469	\$72,056	\$51,510
12	\$155,640	\$118,226	\$77,820	\$55,630

Although very few households in St. Paul’s public housing units have incomes above 80% of median, staff believes it is prudent for the Board to consider the issue and begin discussing whether this Agency should adopt a policy. The following data about resident incomes as of July 31, 2015 provide some perspective on the scope of the situation:

- Out of 4,262 public housing units (2,554 in hi-rises and 1,708 family units), 15 non-EID households had gross incomes above 80% of AMI, 8 in hi-rises and 7 in family housing. That is about 1/3 of 1 percent of units. A profile of each household is shown on the attachments.
- In seven additional households (3 hi-rise and 4 family) a wage earner started working recently enough that part or all of his or her earnings were excluded from consideration under HUD’s Earned Income Disregard (EID). With the EID, all but one of those

households had countable incomes well under 80% of median. Those households are included on the attached summaries.

- Several of the “over-income” households include one or more members who are elderly or disabled and receiving Social Security, SSI and/or Minnesota Supplemental Assistance.
- Most of the “over-income” households have more than one wage earner (up to as many as four) and some wage earners have multiple jobs.
- Some of the households that are now “over-income” have lived in public housing for more than ten years; others moved in within the last few years. All of the households had incomes below the 80% limit when they were admitted.
- Out of the 22 “over-income” households on the list from July 31, 2015, only 7 had been on the list at the beginning of 2014 (5 of the 11 hi-rise households and 2 of the 11 family households. The other “over-income” households from January 2014 either moved out, or the family members with higher incomes moved out, or some family members’ income went down.
- The average income for all public housing households as of June 30, 2015 was \$17,080 (25 % of median, adjusted for household sizes); \$23,300 for families (27% of AMI for a 4-person household) and \$12,900 for hi-rises (21% of AMI for a 1-person household).

Several times in past years staff has discussed whether to recommend Board action to set time limits for over-income households in public housing. Each time before, staff decided not to recommend action because the number of affected households was so small, and because special circumstances in some households might result in hardship for an eligible resident if the PHA enforced an income limit. Nevertheless, the recent OIG and media attention to this topic warrants discussion now.

Staff is now placing on the table for Board consideration the following alternatives for enforcing income limits, among others the Board may propose:

1. Terminate a household's public housing lease when their (countable) income first exceeds the income limit for admission to public housing (80% of median income), whether that coincides with an annual recertification or during the year, between annual recertifications.
2. Terminate a household's public housing lease after the first annual recertification when their annual income exceeds the income limit.
3. Terminate a household's public housing lease after their income exceeds the limit for six continuous months.
4. Terminate a household's public housing lease at the second consecutive annual recertification when their annual income exceeds the income limit.
5. Rather than terminating household's lease for being "over-income", the PHA could "non-renew" the lease at the time of an annual recertification. This is the approach chosen by HUD to enforce the Community Service requirement in public housing. It may still be contested by the tenant, in which case it becomes a "lease termination" action.
6. Exempt households whose head or spouse is an elderly person or a person with a disability. This exemption could be extended to any household with a member who is elderly or disabled.
7. Exempt a household whose only income is from Social Security Retirement or Disability Insurance (for example, two retired persons who both receive maximum SSRI benefits, which can be as high as \$3,500 per month for a worker who retires at age 70).

For each alternative, the PHA should give the over-income household reasonable advance notice that their lease would be terminated or "non-renewed", whether that time is 30 days, 90 days, 6 months, etc. That would give the family time to move or "downsize", with one or more higher-

income members moving out so the remaining members' household income did not exceed the limits.

As suggested by the HUD Assistant Secretary's letter, a policy to remove over-income households should be equitable, taking into account that many low income households have unstable income sources. Also, the letter from HUD suggested that PHAs may create a "return preference" for public housing residents who are removed from the program for being "over-income". Staff recommends that any policy explicitly allow for hardship exceptions. A policy should also be administratively workable and enforceable (that is, not easily evaded).

**Flat Rents.** One initial concern is that the PHA's information on higher-income households is not necessarily current or accurate, since under federal law households that choose the flat rent are allowed to go three years between recertifications of income and eligibility. (The information reviewed by the OIG had the same limitation.) Since their rent does not change with variations in their income, those households are not required to report interim income changes. As of June 30, 2015, only 262 public housing households (6%) were paying the flat rent (166 in hi-rises and 96 in family housing). All of the "over-income" households (those not on EID) are paying the flat rent. However, the great majority of flat rent payers have incomes well below the 80% of AMI threshold. As shown on an attachment, a household may benefit from choosing the flat rent when their income is only 34% of AMI, up to 47% in some family housing units.

The three-year recertification schedule for flat rent payers may have to be modified if the Agency adopts a policy directed at removing "over-income" households, for staff to be able to identify those who are over the income limit. That would eliminate one of flat rents' benefits, imposing a burden on those residents and the staff who perform rent re-examinations.

(There is no need for a similar policy in the Housing Choice Voucher/Section 8 program, because the voucher subsidy diminishes to zero as the household's income rises. HUD regulations require termination of the voucher if the subsidy has been at zero for six months.)

JMG/FAH/MW

Attachment: August 25, 2015 PHADA Letter to HUD  
September 3, 2015 HUD Letter to PHAs  
Profiles of "Over-Income" Households in Hi-Rises and Family Housing  
Summary of Incomes of All Households (from Monthly Management Report)  
Flat Rents – Effective Income Thresholds  
Charts of Incomes of All Residents

# **PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL**

**RESOLUTION NUMBER 15-09/23-02**

## **RESOLUTION IN RECOGNITION OF DEDICATED SERVICE**

**By**

**KATHY FRITS**

**W**HEREAS, Kathy Frits has served the people of Saint Paul as an employee of the Saint Paul Public Housing Agency (PHA) since October 13, 1983 and

**W**HEREAS, she has provided distinguished service in many ways including the following:

- She began work at the PHA as a temporary employee in the Rental Office, where her skills were immediately recognized, and she was hired as a permanent employee two and one-half months later, in December 1983. She was soon promoted to the Office Manager position in 1985 where she supervised staff, worked with personnel matters, interpreted union contracts, purchased items for the Agency and administered policies and procedures;
- Given her supervisory experience, fantastic people skills and knowledge of PHA policies and procedures, she was recruited by Human Resources in February 1993 to fill the position of Human Resources Generalist;
- For the past 32 years at the PHA including over 22 years in Human Resources, she has shown a fantastic ability to process paperwork, attend to detailed reports, answer multiple questions from supervisors and employees throughout the day and accomplish a large variety of work, all with a smile and pleasant approach to everyone;
- She has contributed in so many ways to make the PHA a great place for employees to work, including conducting new employee orientations, serving on the health fair and employee recognition event committees and the pension administrative committee, helping select medical and dental insurance coverage, serving on union negotiation committees, as well as making time to counsel employees on individual issues;
- In all these ways, she contributed to building the PHA's national reputation for excellence in public housing administration;

**N**OW THEREFORE BE IT RESOLVED, that we, the Board of Commissioners of the Saint Paul Public Housing Agency, on behalf of the Board, the staff, and residents, do recognize and hereby acknowledge with deep appreciation, respect and admiration the service provided to the Agency and the community by Kathy Frits and we wish her well in her retirement.

**September 23, 2015**

**PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL**

**RESOLUTION NUMBER 15-9/23-03**

**RESOLUTION IN RECOGNITION OF  
DEDICATED SERVICE**

**By**

**PAT SCHUMACHER**

**W**HEREAS, Pat Schumacher has served the people of Saint Paul as an employee of the Saint Paul Public Housing Agency (PHA) since July 29, 1987; and

**W**HEREAS, she has provided distinguished service in many ways including the following:

- She has proven over her 28 years of service to be a dedicated employee with wide-ranging knowledge of accounts payable practices and procedures, always striving for maximum compliance while dealing with many different individuals with various levels of understanding of accounts payable processes;
- She has been an exceptional co-worker, working diligently with PHA staff to help them resolve procurement issues, treating everyone with courtesy and respect;
- She has demonstrated her commitment to the Agency's mission, residents and community by serving with professionalism and a consistent pursuit of quality in all aspects of her work, which has made her an invaluable member of the Accounting team and the Finance Department;
- In all these ways, she contributed to the Agency's exemplary record that includes ongoing High Performer ratings from HUD, repeated awards for excellence in financial reporting from the Government Finance Officers Association and an unprecedented string of "zero-finding" audits, all of which have added to the PHA's national reputation for outstanding administration of public housing and Section 8 programs.

**N**OW THEREFORE BE IT RESOLVED, that we, the Board of Commissioners of the Saint Paul Public Housing Agency, on behalf of the Board, the staff, and residents, do recognize and hereby acknowledge with deep appreciation, respect and admiration the service provided to the Agency and the community by Pat Schumacher and we wish her well in her retirement.

**September 23, 2015**

# PUBLIC HOUSING AGENCY OF THE CITY OF SAINT PAUL

REPORT TO COMMISSIONERS

FROM JON M. GUTZMANN  
EXECUTIVE DIRECTOR

REGARDING (VASH) Vouchers; Expedited Inspections;  
Extraordinary Administrative Fee Request;  
Admissions & Occupancy Policies for  
Housing Choice Vouchers/Section 8;  
Contingent Requests for Proposals

DATE September 23, 2015

Staff recommends Board approval of Resolution No. 15-9/23-01 for the following actions related to the VASH program (Veterans Affairs Supportive Housing):

1. Revise the Admission and Occupancy (A&O) Policies for the Section 8 Housing Choice Voucher Programs to allow expedited inspections for units selected by homeless veterans who have VASH vouchers, effective immediately; and
2. Apply for up to \$50,000 in “Extraordinary Administrative Fees” recently announced by HUD as available for agencies administering VASH; and
3. Issue a “Contingent Request for Proposals” to identify one or more agencies that may be able to provide inspections and/or other services to help VASH voucher holders become stably housed more quickly, if HUD approves the PHA’s EAF request; and
4. Issue a second “Contingent Request for Proposals” during the coming year to identify developers that now have or plan to develop new units that could be subsidized with project-based vouchers (PBV) that HUD may again issue through VASH.

**Revising AOP to allow expedited inspections.** Staff is recommending that the following provision be added to Appendix H:

5. The PHA will give priority to an initial inspection of a unit selected by a new recipient of a VASH voucher.  
*Section 8 A&O Policies, Appendix H, II.D.*

**Extraordinary Administrative Fees (EAF)** for administering VASH Vouchers. By a letter dated August 4, 2015 (attached) HUD informed PHAs administering vouchers that EAF could be paid to

reimburse the PHA for extraordinary costs related to the VASH. This use of appropriated but undesignated “set-aside funds” furthers the national goal of ending veteran homelessness by the end of 2015.

Staff has identified several functions that EAF could pay for:

1. Expedited Inspections (extra staffing or contracted independent inspectors)
2. Housing search assistance
3. Landlord recruitment
4. Actively assisting the VA staff, and the homeless veterans they refer to the PHA, to obtain the information the PHA requires to determine eligibility for the VASH voucher.

Staff is already making arrangements to contract with qualified inspectors who can expedite inspections for new units selected by VASH participants in addition to other properties selected by non-VASH participants. If HUD approves the PHA’s EAF request, some of that new money can be used to cover costs already incurred for extra inspectors.

**Contingent Request for Proposals:** To compress the usual timeframe needed for the PHA to contract for services, staff is recommending issuing a Request for Proposals (RFP) in advance of receiving HUD approval of the PHA’s request for extraordinary administrative fees. The RFP would state that awarding a contract is contingent on HUD approving the special funding. This process would allow the PHA to respond more quickly if HUD approves the funds, to contract with one or more agencies that can provide the services listed above.

Staff described these options in a recent letter about VASH to St. Paul Mayor Chris Coleman, responding to a letter the Mayor had sent to Executive Director Jon Gutzmann. (Both letters are attached.) The PHA’s response listed a number of actions this agency has taken to support the VASH program and end veteran homelessness.

**VASH-PBV Contingent Request for Proposals:** Earlier this year HUD announced that a special allocation of VASH vouchers was available to provide rent subsidies for homeless veterans in a project-based model. The Notice of Funds Available (NOFA) was issued June 26, 2015 and applications were due August 28, 2015. The PHA did not receive any inquiries or proposals from developers for such a project in St. Paul, and staff determined that there was not enough time to issue an RFP and review new proposals before applications were due to HUD.

In anticipation of further VASH PBV opportunities that may occur in the future, staff is recommending that the PHA issue a contingent RFP before HUD issues another NOFA for such projects. As with previous offerings of Housing Choice Vouchers for PBV use, the PHA would issue this contingent RFP through Minnesota Housing's Super RFP process in the spring of 2016. The RFP would state clearly that the PHA would not approve any VASH vouchers for PBV unless HUD awarded VASH PBVs to the PHA pursuant to a new NOFA. Minnesota Housing would evaluate any proposals that requested funding in addition to VASH PBVs. After completing that process the PHA and the developer(s) would be better able to respond to a new NOFA with a similarly short timeline.

FAH/DJM

Attachment: Resolution No. 15-9/23-01  
Section 8 Admission & Occupancy Policy Revision  
August 4, 2015 HUD Letter Offering Extraordinary Administrative Fees for VASH  
July 29, 2015 Letter from Mayor Coleman Re: VASH  
August 31, 2015 Letter to Mayor Coleman Re: VASH

**SAINT PAUL PUBLIC HOUSING AGENCY**

**RESOLUTION NO. 15-9/23-01**

**AMENDING THE ADMISSION AND OCCUPANCY POLICIES FOR THE  
SECTION 8 HOUSING CHOICE VOUCHER PROGRAM;  
VASH VOUCHERS**

WHEREAS, the Public Housing Agency of the City of Saint Paul (PHA) has in effect Admission and Occupancy Policies (AOP) for the Section 8 Housing Choice Voucher Program, which include policies for special voucher programs and specifically for the Veterans Affairs Supportive Housing (VASH) program; and

WHEREAS, staff has recommended revising the AOP to allow expedited inspections for units selected by homeless veterans who have VASH vouchers, effective immediately;

WHEREAS, the Board finds that the recommended policy revision is necessary and appropriate to the administration of the Section 8 Housing Choice Voucher Program and the VASH program;

NOW THEREFORE BE IT RESOLVED by the Board of Commissioners of the PHA as follows:

The Admission and Occupancy Policies for the Section 8 Housing Choice Voucher Program are revised effective immediately by adding the following provision to Appendix H Special Programs, II.D.

5. The PHA will give priority to an initial inspection of a unit selected by a new recipient of a VASH voucher.