



**HOUSING AUTHORITY  
of the County of Los Angeles**

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Executive Director

December 18, 2012

The Honorable Board of Commissioners  
Housing Authority of the  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**APPROVE THE HOUSING AUTHORITY'S PLAN FOR THE HOUSING CHOICE VOUCHER  
PROGRAM IN THE EVENT OF INSUFFICIENT FUNDING DUE TO SEQUESTRATION  
(ALL DISTRICTS) (3 VOTES)**

**SUBJECT**

This letter requests approval of a plan to address a possible funding shortfall for the Housing Choice Voucher Program in the event of sequestration under the Budget Control Act of 2011.

**IT IS RECOMMENDED THAT THE BOARD:**

1. Instruct the Executive Director to submit a waiver request to the U.S. Department of Housing and Urban Development (HUD) for an immediate 8.2% reduction to the payment standard for the Housing Choice Voucher (HCV) Program should the sequestration provision of the Budget Control Act of 2011 become effective January 2, 2013.
2. Authorize the Executive Director to implement a plan, if the waiver request is not granted or a determination is not received from HUD within 30 days of the initial request, to terminate Housing Assistance Payments Contracts for approximately 1,800 HCV Program households based on a first in first out concept, excluding seniors, disabled, veterans, former homeless, project-based vouchers, family unification and moderate rehabilitation families.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

The purpose of this letter is to inform you of the possibility that the HCV Program funding may be reduced for Federal Fiscal Year 2013, beginning January 2, 2013. This funding cut will impact both the current and upcoming Fiscal Year budgets, by an estimated 8.2%. The process by which this

**ADOPTED**

BOARD OF COMMISSIONERS  
HOUSING AUTHORITY

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SACHI A. HAMAI  
EXECUTIVE OFFICER

reduction may take place, known as sequestration, is a provision of the Budget Control Act of 2011 (BCA). Sequestration will occur automatically in the absence of Congressional action to prevent the cuts.

The Housing Authority plans to address the shortfall in Housing Assistance Payments (HAP) funding by requesting that HUD approve the immediate implementation of reduced payment standards by 8.2% for all program participants, which would result in no voucher terminations. The payment standard is the amount generally needed to rent a moderately-priced dwelling unit in the local housing market and is used to calculate the amount of housing assistance a family will receive. The 8.2% reduced payment standards plan will impact approximately 21,132 households that will be required to pay a larger portion of their income towards their monthly rent. Of the households mentioned above, only 10% would be required to pay more than an additional \$100 per month. This plan will ensure that no family would be subject to losing their rental assistance and is an ideal method of addressing the funding shortfall because it distributes the burden equitably across all households.

However, to implement an immediate reduction in payment standards, the Housing Authority is required to obtain a regulatory waiver from HUD. Without a regulatory waiver, the payment standards cannot be reduced below 90% and the reduction would not be recognized until early 2014. Should HUD fail to approve the payment standards reduction within 30 days, the Housing Authority would be forced to terminate rental assistance for a number of households. If necessary, the Housing Authority is proposing to terminate contracts based on a first in, first out concept for approximately 1,800 households, in an effort to reduce HAP costs by 8.2%. The first in, first out concept terminates assistance for families that have received rental assistance for the longest period of time (ranging from 9 to 35 years) with the exception of seniors, disabled, veterans, former homeless, project-based vouchers, family unifications and moderate rehabilitation families.

Therefore, this letter seeks authorization to request approval from HUD to reduce payment standards for all households by 8.2%, and if unsuccessful, to terminate HAP Contracts for approximately 1,800 HCV Program households should the BCA sequestration cuts take place on January 2, 2013. Approval of these procedures will enable the Housing Authority to continue to operate within HUD authorized budget guidelines.

### **FISCAL IMPACT/FINANCING**

There is no impact on the County general fund.

Sequestration funding cuts will impact both the current and upcoming Fiscal Year budgets, by an estimated 8.2%. Should Congress fail to avoid sequestration by January 2, 2013, the Housing Authority estimates a HAP loss of approximately \$18.6 million.

In addition to the effect on participating families, the HAP loss to sequestration will also directly impact Administration Fees with an estimated \$1.6 million reduction to our administrative budget, which would result in the lowest funding level in the history of Housing Authority's HCV Program.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Housing Authority currently has the authority to terminate HAP Contracts, in accordance with HUD regulations and the Administrative Plan.

HUD regulation states that the Housing Authority may terminate HAP Contracts if the Housing Authority determines that “funding under the consolidated ACC is insufficient to support continued assistance for families in the program” (24 CFR § 982.454).

In 2006, the Housing Authority received your Board’s approval to terminate HAP Contracts due to insufficient funding in the following manner (Administrative Plan Section 14.6 (4) Termination of the HAP Contract by Housing Authority):

- Before terminating HAP contracts on the basis of insufficient funding, the Housing Authority is required to ensure that the determination of insufficient funding is documented. The Housing Authority will consider funding insufficient if it is determined that the projected year-end subsidy falls short of the authorized budget amount.
- The Housing Authority will determine the number of families that must be terminated, and will present the Board of Commissioners with a recommended method for terminating HAP contracts. Following Board and HUD notification, the Housing Authority will terminate HAP contracts.
- Contracts of elderly and disabled families will not be subject to termination.
- Terminated families will be placed on the waiting list and will receive a preference for assistance from the waiting list.

On December 12, 2012, the Housing Commission recommended approval of the proposed plan.

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of this action will allow necessary payment standard reductions or HAP Contract terminations in the event of sequestration, in order for the Housing Authority to continue providing housing assistance to as many families as possible within HUD authorized budget guidelines.

Respectfully submitted,



SEAN ROGAN  
Executive Director

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