

Cover Page
2025 MTW Supplement

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PHA Name: Housing Authority Of The County Of Santa Cruz

PHA Code : CA072

MTW Supplement for PHA Fiscal Year Beginning: 7/1/2025

PHA Program Type: Combined

MTW Cohort Number: Asset Building

MTW Supplement Submission Type: Annual Submission

B. MTW Supplement Narrative.

The Housing Authority of the County of Santa Cruz (HACSC) is pleased to submit this Fiscal Year (FY) 2025 Moving to Work (MTW) Supplement component of the Annual PHA Plan. HUD designated HACSC as an MTW Agency in September 2022, through the MTW Asset Building Cohort, to test asset building initiatives to encourage growth of savings accounts and/or aim to build credit for assisted households. HACSC's MTW Plan and Application selected the HUD defined "Opt-Out Savings Account" as the initial MTW asset building activity. HACSC has worked for the past two years with HUD and the evaluation team to develop, implement and evaluate the "Opt-Out Savings Account" initiative. HACSC has also actively participated in the "Community of Practice" with HUD, the evaluation team, and other MTW agencies in the Asset Building Cohort to further develop and implement best practices related to asset building.

This supplement identifies the MTW waivers and activities that HACSC has implemented and hopes to implement to achieve the three MTW statutory objectives which are outlined in more detail below in the sections of Economic Mobility, Cost Effectiveness, and Housing Choice.

Economic Mobility: Implementation of the Opt-Out Savings Account initiative is the focal point of HACSC initial economic mobility efforts. HACSC plans to use the Opt-Out Savings Account program as the baseline for future economic mobility programs. This initiative will assist HACSC to build and expand upon a network of partnerships with service providers, financial service institutions, and other community-based organizations to promote economic mobility. In the first year, the HACSC partnered with a financial capabilities service organization which has provided individual financial coaching sessions to Opt-Out Savings Program participants. Other activities to support economic mobility include administrative changes to the Housing Choice Voucher program such as alternative income inclusions / exclusions, alternative reexamination schedule, and extension of zero HAP participation from 180 to 360 days. HACSC will continue exploring opportunities to encourage assisted households to seek employment opportunities, increased wages, and build assets.

Cost Effectiveness: HACSC is leveraging MTW authority and has implemented a range of waivers to achieve administrative efficiencies and cost effectiveness. These waivers are enabling HACSC to provide more meaningful service to enhance customer service, and to reduce administrative burden for participants and property owners. Program participants benefit from alternative income inclusions / exclusions, alternative reexamination schedule, and self-certification of assets. HACSC conducting certain HQS functions and PBV processes in which third-party assistance was previously required has eliminated administrative time spent coordinating contractors, and support tenants to secure housing. Administrative time savings have allowed HACSC to provide additional resources to our families through the addition of a new Resident Services Coordinator.

Housing Choice: HACSC's approach to improving housing choice includes providing housing stability to program participants that are already housed through waivers such as alternative income inclusions / exclusions, alternative reexamination schedule, and Moving On policies to align tenant rent and utility payments between partner agencies. The strategy to promote housing choice and to increase the supply of affordable housing is being achieved through our increase to the PBV program cap and PBV project cap. The ability to expand the PBV program is already providing new housing opportunities to program participants and supporting the development of hundreds of new affordable housing units within our community. Additionally, housing choice will be expanded through implementation of an Agency Specific Waiver to adopt an alternative reasonable cost formula to include Hard Construction Cost (HCD) and Total Development Cost (TDC) for development and construction activities under the local non-traditional activities.

HACSC is excited to be participating in the Asset Building Cohort and implementing MTW waivers that achieve HUD's statutory objectives. These activities align with the HACSC mission and our long-term vision for MTW.

Under the MTW Operations Notice, the Housing Authority of the County of Santa Cruz is authorized to flexibly and interchangeably utilize Public Housing Operating Fund, Capital Fund Program and certain Housing Assistance Payments funds for any purpose authorized under Sections 8 and 9 of the US Housing Act of 1937 and for local, non-traditional activities. The agency may utilize this flexibility over the fiscal year to support activities described in the Annual

Plan in accordance with the requirements of the Operations Notice. HACSC intends, per Federal Register Notice FR-6284-N-01, to extend the term of FUP-Youth and FYI voucher assistance for up to an additional 24 months for youth participating in the HACSC Family Self-Sufficiency (FSS) program or who otherwise meet the criteria for extension as stipulated in FR-6284-N-01.

Development: Casa Pajaro Apartments is a 34-unit apartment complex, located at 127-193 East Front Street in the City of Watsonville, which consists of seventeen 2-bedroom units and seventeen 3-bedroom units. The Housing Authority is providing a loan with Moving to Work funds to the borrower in the amount of \$21,200,000 in order to facilitate the purchase of the property. The Housing Authority is applying a regulatory agreement and declaration of restrictive covenants in which the Authority agrees to provide an award of Project-Based Vouchers (PBV) for thirty-three of the units and the borrower agrees to accept the PBV Award and enter into a Housing Assistance Payment contract. This project is considered 100% affordable through assistance from the PBV program.

The Housing Authority may utilize LNT authority under waiver 17.c. for Housing Development Programs. The Housing Authority has an Option Agreement to acquire "Chanticleer" at 2021 – 2031 Chanticleer Avenue, Santa Cruz, CA 95602 from the seller. The Housing Authority plans to use MTW funds for the acquisition. At the time of purchase, the Housing Authority will record a regulatory agreement and declaration of restrictive covenants in which the property must be used for the development of affordable housing and for the units to be occupied by low-income households with incomes at or below 80% of the Santa Cruz County area median income level. After acquisition, the project is anticipated to consist of the new construction of an estimated 50 affordable units, with the exact amount and AMI levels to be determined pending a feasibility analysis. The proposed unit mix includes 50% two-bedroom and three-bedroom units, with the remaining 50% of units to include studios and one-bedrooms. The Housing Authority is currently conducting the feasibility analysis to determine the cost and source of funds to support the development and construction of the project. The Housing Authority anticipates MTW funds will also be used to support the development and construction costs of this project utilizing LNT authority and will seek other non-MTW funding such as low-income housing tax credits, HOME, CDBG, and other state and local funding.

Additionally, housing choice will be expanded through implementation of an Agency Specific Waiver to adopt an alternative reasonable cost formula to include Hard Construction Cost (HCD) and Total Development Cost (TDC) for development and construction activities under the local non-traditional activities.

C. The policies that the MTW agency is using or has used (not currently implemented, currently implementing, plan to implement in the submission year, plan to discontinue, previously discontinued).

1. Tenant Rent Policies	
a. Tiered Rent (PH)	Not Currently Implemented
b. Tiered Rent (HCV)	Not Currently Implemented
c. Stepped Rent (PH)	Not Currently Implemented
d. Stepped Rent (HCV)	Not Currently Implemented
e. Minimum Rent (PH)	Not Currently Implemented
f. Minimum Rent (HCV)	Not Currently Implemented
g. Total Tenant Payment as a Percentage of Gross Income (PH)	Not Currently Implemented
h. Total Tenant Payment as a Percentage of Gross Income (HCV)	Not Currently Implemented
i. Alternative Utility Allowance (PH)	Not Currently Implemented
j. Alternative Utility Allowance (HCV)	Not Currently Implemented
k. Fixed Rents (PH)	Not Currently Implemented
l. Fixed Subsidy (HCV)	Not Currently Implemented
m. Utility Reimbursements (PH)	Not Currently Implemented
n. Utility Reimbursements (HCV)	Not Currently Implemented
o. Initial Rent Burden (HCV)	Plan to Implement in the Submission Year
p. Imputed Income (PH)	Not Currently Implemented
q. Imputed Income (HCV)	Not Currently Implemented
r. Elimination of Deduction(s) (PH)	Not Currently Implemented
s. Elimination of Deduction(s) (HCV)	Not Currently Implemented
t. Standard Deductions (PH)	Not Currently Implemented
u. Standard Deductions (HCV)	Currently Implementing
v. Alternative Income Inclusions/Exclusions (PH)	Not Currently Implemented
w. Alternative Income Inclusions/Exclusions (HCV)	Currently Implementing
2. Payment Standards and Rent Reasonableness	
b. Payment Standards- Fair Market Rents (HCV)	Currently Implementing
c. Rent Reasonableness – Process (HCV)	Not Currently Implemented
d. Rent Reasonableness – Third-Party Requirement (HCV)	Currently Implementing

3. Reexaminations	
a. Alternative Reexamination Schedule for Households (PH)	Not Currently Implemented
b. Alternative Reexamination Schedule for Households (HCV)	Currently Implementing
c. Self-Certification of Assets (PH)	Not Currently Implemented
d. Self-Certification of Assets (HCV)	Currently Implementing
4. Landlord Leasing Incentives	
a. Vacancy Loss (HCV-Tenant-based Assistance)	Not Currently Implemented
b. Damage Claims (HCV-Tenant-based Assistance)	Not Currently Implemented
c. Other Landlord Incentives (HCV- Tenant-based Assistance)	Not Currently Implemented
5. Housing Quality Standards (HQS)	
a. Pre-Qualifying Unit Inspections (HCV)	Not Currently Implemented
b. Reasonable Penalty Payments for Landlords (HCV)	Not Currently Implemented
c. Third-Party Requirement (HCV)	Currently Implementing
d. Alternative Inspection Schedule (HCV)	Plan to Implement in the Submission Year
6. Short-Term Assistance	
a. Short-Term Assistance (PH)	Not Currently Implemented
b. Short-Term Assistance (HCV)	Not Currently Implemented
7. Term-Limited Assistance	
a. Term-Limited Assistance (PH)	Not Currently Implemented
b. Term-Limited Assistance (HCV)	Not Currently Implemented
8. Increase Elderly Age (PH & HCV)	
Increase Elderly Age (PH & HCV)	Not Currently Implemented
9. Project-Based Voucher Program Flexibilities	
a. Increase PBV Program Cap (HCV)	Currently Implementing
b. Increase PBV Project Cap (HCV)	Currently Implementing
c. Elimination of PBV Selection Process for PHA-owned Projects Without Improvement, Development, or Replacement (HCV)	Currently Implementing
d. Alternative PBV Selection Process (HCV)	Not Currently Implemented
e. Alternative PBV Unit Types (Shared Housing and Manufactured Housing) (HCV)	Not Currently Implemented
f. Increase PBV HAP Contract Length (HCV)	Not Currently Implemented
g. Increase PBV Rent to Owner (HCV)	Not Currently Implemented

h. Limit Choice Mobility for PBV Units (HCV)	Currently Implementing
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10. Family Self-Sufficiency Program with MTW Flexibility	
a. PH Waive Operating a Required FSS Program (PH)	Not Currently Implemented
a. HCV Waive Operating a Required FSS Program (HCV)	Not Currently Implemented
b. PH Alternative Structure for Establishing Program Coordinating Committee (PH)	Not Currently Implemented
b. HCV Alternative Structure for Establishing Program Coordinating Committee (HCV)	Not Currently Implemented
c. PH Alternative Family Selection Procedures (PH)	Not Currently Implemented
c. HCV Alternative Family Selection Procedures (HCV)	Not Currently Implemented
d. PH Modify or Eliminate the Contract of Participation (PH)	Not Currently Implemented
d. HCV Modify or Eliminate the Contract of Participation (HCV)	Plan to Implement in the Submission Year
e. PH Policies for Addressing Increases in Family Income (PH)	Not Currently Implemented
e. HCV Policies for Addressing Increases in Family Income (HCV)	Plan to Implement in the Submission Year
11. MTW Self-Sufficiency Program	
a. PH Alternative Family Selection Procedures (PH)	Not Currently Implemented
a. HCV Alternative Family Selection Procedures (HCV)	Not Currently Implemented
b. PH Policies for Addressing Increases in Family Income (PH)	Not Currently Implemented
c. HCV Policies for Addressing Increases in Family Income (HCV)	Not Currently Implemented
12. Work Requirement	
a. Work Requirement (PH)	Not Currently Implemented
b. Work Requirement (HCV)	Not Currently Implemented
13. Use of Public Housing as an Incentive for Economic Progress (PH)	
Use of Public Housing as an Incentive for Economic Progress (PH)	Not Currently Implemented
14. Moving on Policy	
a. Waive Initial HQS Inspection Requirement (HCV)	Currently Implementing
b. PH Allow Income Calculations from Partner Agencies (PH)	Not Currently Implemented
c. HCV Allow Income Calculations from Partner Agencies (HCV)	Currently Implementing
d. PH Aligning Tenant Rents and Utility Payments Between Partner Agencies (PH)	Not Currently Implemented
e. HCV Aligning Tenant Rents and Utility Payments Between Partner Agencies (HCV)	Currently Implementing
15. Acquisition without Prior HUD Approval (PH)	
Acquisition without Prior HUD Approval (PH)	Not Currently Implemented

16. Deconcentration of Poverty in Public Housing Policy (PH)	
Deconcentration of Poverty in Public Housing Policy (PH)	Not Currently Implemented
17. Local, Non-Traditional Activities	
a. Rental Subsidy Programs	Not Currently Implemented
b. Service Provision	Not Currently Implemented
c. Housing Development Programs	Currently Implementing

C. MTW Activities Plan that Housing Authority of The County Of Santa Cruz Plans to Implement in the Submission Year or Is Currently Implementing

1.o. Tenant Rent Policies – Initial Rent Burden
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative HACSC will waive the maximum family share at initial occupancy of 40% of the family's monthly income. HACSC will not allow the family share at initial occupancy to exceed 50% of the family's monthly income. Santa Cruz County is currently the most expensive rental market in the nation. HACSC requests this waiver to promote increased housing choice for households, allowing HCV participants more options in their housing search. Implementation of this activity allows participants to look for housing that may be more costly than otherwise permitted under HUD regulations, but it also gives participants the option to live in lower poverty neighborhoods with access to better schools and employment opportunities
Which of the MTW statutory objectives does this MTW activity serve? Housing choice
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today. Cost neutral.
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies to all assisted households
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. N/A
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does this MTW activity require a hardship policy? No
Does the MTW activity require an impact analysis? Yes
Does the impact analysis apply to more than this MTW activity? No
If the MtW agency plans to implement a new maximum income-based rent percentage (higher than 40% of adjusted monthly income), what is that maximum? 50%

1.u. – Standard Deduction (HCV)**Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative**

The HACSC intends to establish a standard deduction for medical expenses applicable to all elderly and disabled households with medical expenses exceeding an established threshold. The standard deduction for medical expenses and the threshold at which it applies shall both be indicated in the HACSC Section 8 Administrative Plan. Eligible elderly and disabled families who claim medical expenses at or above the established threshold will be required to sign a self-certification.

This MTW activity doesn't impact the family's eligibility to receive the elderly/disabled and dependent deductions in accordance with §5.611(a)(1) – (a)(2).

For purposes of this MTW activity, medical expenses are defined in accordance with 24 CFR §5.603: Health and medical care expenses are any costs incurred in the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body. Health and medical care expenses include medical insurance premiums and long-term care premiums that are paid or anticipated during the period for which annual income is computed.

For FY starting 7/1/2024, the proposed standard deduction for medical expenses is \$1,500 for elderly and disabled households with expenses at or above a \$1,500 threshold. HACSC will periodically adjust the amount of the standard medical deduction, adhering to HUD's methodology for calculating inflationary adjustments for the elderly/disabled family deduction, pursuant to a pending HUD Federal Register notice.

The MTW activity applies to all tenant-based units and properties with project-based vouchers.

Households may request a Medical Expense Hardship exemption to the standard deduction in accordance with the HACSC Medical Expense Hardship Policy. Families requesting a hardship exception will be asked to complete a medical expense verification packet, and may be asked to provide supporting documents, receipts, and/or contact information of healthcare providers that can verify the expenses.

Staff currently spend a significant amount of time calculating medical expenses to determine a household's allowable medical expense deduction. By establishing a standard deduction for medical expenses, and by allowing households eligible for the standard deduction to self-certify their medical expenses and applying a standardized deduction, significant staff time will be saved. It's anticipated that savings in staff time previously spent calculating medical expenses can be redirected to direct client services or other programs benefiting the clients served by HACSC.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies only to a subset or subsets of assisted households
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households New admissions and currently assisted households
Does the MTW activity apply to all family types or only to selected family types? The MTW activity applies only to selected family types: elderly and disabled.
Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers: The MTW activity applies to all tenant-based units and all properties with project-based vouchers.
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. The activity was approved by HUD in October 2024 and HACSC is in the process of implementation. Staff training and Yardi setup are scheduled for Spring 2025, with an anticipated effective date of 7/1/2025.
Does this MTW activity require a hardship policy? Yes.
Does the hardship policy apply to more than this MTW activity? No
Has the MTW agency modified the hardship policy since the last submission of the MTW Supplement? No
How many hardship requests have been received associated with this activity in the past year? 0
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does the MTW activity require an impact analysis? Yes
Does the impact analysis apply to more than this MTW activity? No

How much will the single standard deduction be in the Fiscal Year? \$1,500 for FY beginning July 1, 2024.
1.w. - Alternative Income Inclusions/Exclusions (HCV)
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative Exclude income from asset-building activities. This change benefits clients, increasing self-sufficiency and housing choice as well as saving tenant time. Additionally, it reduces staff time. Decreased staff paperwork increases operational efficiency and cost-effectiveness.
Which of the MTW statutory objectives does this MTW activity serve? Cost effectiveness; Self-sufficiency; Housing choice
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today. Increased expenditures
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies to all assisted households
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. The asset-building activities have been implemented, with deposits effective March 2024.
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? Yes
What is the status of the Safe Harbor Waiver request? The waiver was previously approved.
Please describe the extent to which the Safe Harbor Waiver is supporting the MTW agency's goal in implementing this MTW activity. Income attributable to the asset-building activities our PHA has implemented as part of the MTW Asset Building cohort are excluded. This safe harbor waiver contributes to the success of the asset building program.
What inclusions or exclusions will be eliminated, modified, or added? Income attributable to the asset-building activities our PHA implements as part of the MtW Asset Building Cohort is excluded.

2.b. - Payment Standards- Fair Market Rents (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

The HACSC shall implement a payment standard between 80% and 120% of Fair Market Rents.

Which of the MTW statutory objectives does this MTW activity serve?

Housing choice

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Neutral (no cost implications)

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households.

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation

The Housing Authority has established payment standards ranging between 80% and 120% of the Fair Market Rent (FMR). This strategic utilization of payment standards offers flexibility within a reasonable range, aiming to accommodate varying housing market conditions for the benefit of program participants.

Does this MTW activity require a hardship policy?

Yes

Does the hardship policy apply to more than this MTW activity?

No

Has the MTW agency modified the hardship policy since the last submission of the MTW Supplement?

No

How many hardship requests have been received associated with this activity in the past year?

0

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

Does the MTW activity require an impact analysis?

Yes

Does the impact analysis apply to more than this MTW activity?

No

Please explain the payment standards by FMR:

Currently, PHAs are required to establish payment standards between 90% - 120% Fair Market Rents. The proposed waiver would provide HACSC with greater flexibility to establish payment standards that reflect market rates, resulting in greater housing choice for program families.

2.d. - Rent Reasonableness – Third-Party Requirement (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC no longer requires a third party to conduct rent reasonableness tests and to assist the family in negotiating the rent to owner on units at properties that HACSC owns, manages, and/or controls. HACSC will follow the rent reasonableness process used for all other HCV properties and conduct the test using a database consisting of comparable units or properties. Requiring approval from a third party increases costs and creates potential delays in the availability of needed housing units. Conducting these rent reasonableness tests in-house will achieve greater cost-effectiveness in federal expenditures, improve administrative efficiencies, eliminate confusion for staff and participants, and improve the response time for conducting rent reasonableness analyses. The agency will meet all safe harbor requirements of the Operations Notice including (1) The agency shall establish and make available a quality assurance method to ensure impartiality; (2) The agency shall make available the method used to determine that rents charged by owners to voucher participants are reasonable when compared to similar unassisted units in the market area; and (3) At the Department's request, the agency must obtain the services of a third-party.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness; Housing choice

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies only to a subset or subsets of assisted households

Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

New admissions and currently assisted households

Does the MTW activity apply to all family types or only to selected family types?

The MTW activity applies to all family types.

Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers?

The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers.

Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity.

Applies only to units owned or controlled by the PHA.

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation

The Housing Authority has implemented the waiver and no longer uses a third party to conduct rent reasonable tests for at properties owned and/or controlled by the Agency.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

Please explain or upload a description of the quality assurance method.

The HACSC has developed and implemented procedures for the conduct of regularly scheduled quality control of PHA-owned rent reasonableness assessments, including establishing the sampling size and frequency within the procedures and designating quality control roles and responsibilities.

An explanation is provided in lieu of an uploaded document.

Please explain or upload a description of the rent reasonableness determination method.

Reasonable rent is currently determined using information produced by Affordable Housing.com, a national rent reasonableness system, via the AffordableHousing.Com database. The AffordableHousing.com database meets HUD regulatory requirements for rent comparisons based on comparable unassisted units, including information about each unit's location, size, type, age, quality/condition, utilities and amenities. HACSC may institute a change to which database is used for Rent Reasonableness determinations but will always utilize a national rent reasonableness system that meets HUD regulatory requirements.

An explanation is provided in lieu of an uploaded document.

3.b. - Alternative Reexamination Schedule for Households (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

Reducing the frequency of household certifications allows participants to keep more of their income as their income increases. It also reduces the burden on both participants and Housing Specialists in acquiring, submitting, and processing paperwork. This waiver gives tenants a longer time with stable rent to allow for better financial planning and housing security. Tenants have a greater ability to save for and accomplish life goals such as pursuing education and rent independence or home ownership. To enhance self-sufficiency and increase housing choice, HACSC will not perform an interim reexamination for earned and/or unearned income increases that occur between regularly scheduled reexaminations, regardless of the amount of the increase, unless requested by the family. This waiver, approved by HUD prior to HUD issuing the new HOTMA Final Rule updates to 24 CFR 982.505, supersedes the HOTMA updates which are in conflict with this approved waiver and at odds with the administrative efficiencies created by HACSC's implemented alternative reexamination schedule. Per our existing waiver, HACSC will only apply increases in the payment standard amount outside of regular re-examinations for contract rent increases in which the gross rent would result in an increase in the family share, or in the case of a hardship.

There is no limit to the number of interim reexaminations a family may request per year, without requesting a hardship, for qualifying events.

The activity meets all of the applicable safe harbor requirements in the Operations Notice including (1) Reexaminations must occur at least every three years; (2) The agency must allow at least one interim adjustment per year at the request of the household, if the household gross income has decreased 10% or more; (3) Agency must implement an impact analysis; and (4) Agency must include a hardship policy.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness; Self-sufficiency

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Increased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation

HACSC has implemented the waiver with no changes to the waiver request as submitted. With HACSC's waiver of certain provisions of 24 CFR Part 982.516(a) and (c), HACSC has introduced an Alternative Reexamination Schedule to streamline reevaluation processes. Under this initiative, MTW households reliant on fixed-income sources undergo reexaminations at least every three years, non-fixed income MTW households every two years, and all other households annually. Fixed income is defined as stable and primary income sources such as Social Security, Disability Insurance, employment pensions, Veterans Affairs benefits, or similar. As this waiver was written and implemented, HACSC conducts interim adjustments to redetermine subsidy only when the household experiences a qualifying event. Qualifying events are described in the HCV Administrative Plan and include decreases in income, increases in income when requested by the household, changes in household composition, and changes to the contract rent. This waiver, approved by HUD prior to HUD issuing the new HOTMA Final Rule updates to 24 CFR 982.505, supersedes the HOTMA updates which are in conflict with this approved waiver and at odds with the administrative efficiencies created by HACSC's implemented alternative reexamination schedule. Per our existing waiver, HACSC will only apply increases in the payment standard amount outside of regular re-examinations for contract rent increases in which the gross rent would result in an increase in the family share, or in the case of a

hardship.
Does this MTW activity require a hardship policy? Already provided.
Does the hardship policy apply to more than this MTW activity? No
Has the MTW agency modified the hardship policy since the last submission of the MTW Supplement? No
How many hardship requests have been received associated with this activity in the past year? 0
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does the MTW activity require an impact analysis? Yes
Does the impact analysis apply to more than this MTW activity? No
What is the recertification schedule? Other: The Housing Authority will conduct reexaminations for fixed-income households at least every three years, conduct reexaminations for non-fixed income households under MTW flexibility at least every two years, and all other households will have a reexamination conducted annually. Fixed Income means primary or sole source of income that comes from stable and fixed sources such as Social Security, Social Security Disability Insurance, employment pensions, Veterans Affairs benefits, or similar. Zero income families are not considered to be fixed income; zero income families will have reexaminations conducted annually. In between reexaminations, the HACSC will conduct any number of interim adjustments to redetermine subsidy when the household experiences a qualifying event. Qualifying events will include decreases in income, without regard to a specified threshold, increases in income (when requested by the household), changes in household composition, and changes to the contract rent. When interim adjustments are conducted, HACSC may apply payment standards and utility allowances in effect at the time of the effective date of the adjustment. HACSC will reserve the right to conduct reexaminations more frequently either for administrative or financial reasons. HACSC will not perform an interim reexamination for both earned and unearned income increases that occur between regularly scheduled reexaminations, regardless of the amount of the increase, unless requested by the family. Families may also request an interim reexamination under the HACSC hardship policy. A hardship may be requested if a family has experienced a decrease in income because of changed circumstances, including loss or reduction of employment, death in the family, or reduction in or loss of earnings or other assistance; and/or, the family has experienced an increase in expenses, because of changed circumstances, for medical costs, childcare, transportation, education, or similar items.
How many interim recertifications per year may a household request? 2 or more

Please describe briefly how the MTW agency plans to address changes in family/household circumstances under the alternative reexamination schedule.

The HACSC will conduct reexaminations for fixed-income families at least every three years and will conduct reexaminations for all remaining (non-fixed-income families) at least every two years. Between reexaminations, the HACSC will conduct interim adjustments to redetermine subsidy when the household experiences a qualifying event. Qualifying events are described in the HCV Administrative Plan and include decreases in income, increases in income (when requested by the household) changes in household composition, and changes to the contract rent. When interim adjustments are conducted, HACSC may apply payment standards and utility allowances in effect at the time of the effective date of the adjustment. HACSC will reserve the right to conduct reexaminations more frequently either for administrative or for financial reasons.

3.d. - Self-Certification of Assets (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

At reexamination, the agency will allow the self-certification of assets up to \$50,000. Reduced documentation requirements will reduce staff time for processing, thereby increasing operational efficiency and cost effectiveness. Reducing documentation saves time for staff and the majority of tenants whose assets are below a level that makes a difference in qualifying for support.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation.

The Housing Authority has implemented this waiver and is allowing households to self-certify assets up to \$50,000. This initiative simplifies the asset verification process, empowering eligible households to self-report assets within the specified threshold.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

Please state the dollar threshold for the self-certification of assets.

\$50,000.

5.c. - Third-Party Requirement (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC eliminated the requirement for third -party inspections on units at properties the PHA owns, manages, and/or controls, which will save staff time, increase operational efficiency, and increase cost effectiveness. Additionally, it may increase housing choice for tenants through a faster inspection process. With third-party inspections, delays are beyond HACSC's control. HACSC has certified HQS Inspectors on staff and plans to utilize them for PHA-owned unit inspections. This will increase efficiency and reduce staff time. This change will allow HACSC to operate more efficiently and strategically to serve its mission and focus on innovative programs and services to tenants.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness; Housing choice

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies only to a subset or subsets of assisted households

Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

New admissions and currently assisted households

Does the MTW activity apply to all family types or only to selected family types?

The MTW activity applies to all family types

Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers?

The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers.

Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity.

Applies only to units owned or controlled by the PHA.

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation.

The Housing Authority has removed the requirement for third-party inspections on all units, both PBV and HCV, owned or controlled by the Agency. This strategic move is streamlining operations, reducing staff workload, and enhancing cost efficiency by eliminating the need for external inspections.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

Please explain or upload the description of the quality assurance method:

HACSC has developed and implemented procedures for the conduct of regularly scheduled quality control of PHA-owned PBV and HCV unit inspections, including establishing the sampling size and frequency within the procedures and designating quality control inspector roles and responsibilities. An explanation is provided in lieu of an upload.

5.d. Housing Quality Standards – Alternative Inspection Schedule (HCV)**Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative**

HACSC proposes to modify the frequency of inspections for both HCV and PBV Units, to be conducted every three years instead of every two years. This change will result in the ability to reallocate staff time to better meet the needs of residents and participants and working with the community to assess and help meet other housing needs. Participants and/or property owners will continue to be able to request an inspection at any time. This change does not allow any alteration of the Housing Quality Standards, nor does it prohibit the Housing Authority from requiring an inspection at any time for health, safety and accessibility issues. This change will save staff time thus allowing staff to devote more time to supporting participants and the housing issues in the larger community and reduce the burden on participants and property owners who need to schedule time to open up the unit to our inspectors.

Which of the MTW statutory objectives does this MTW activity serve?

Cost Effectiveness

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households.

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation.

N/A

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

9.a. - Increase PBV Program Cap (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

The HACSC proposes to project-base the lower of fifty percent (50%) of the total authorized units or fifty percent (50%) of annual budget authority of its vouchers to attach the funding to specific affordable units through the Project Based Voucher program.

The Project-Based Voucher (PBV) program allows a Housing Authority to use up to twenty percent (20%) percent of its vouchers to attach the funding to specific affordable units. PHAs may project base an additional ten percent (10%) of vouchers that are excepted from this cap, for units designated for homeless, veterans, supportive services, or in a low poverty census tract.

Benefits to Development: Project basing gives developers a guarantee of a future source of stable income for a development, which can be integral to the financing package that makes constructing or rehabilitating affordable housing possible. In markets facing a housing shortage, this is one of the only tools housing authorities have to spur the construction of new, quality, affordable units. Many families with tenant-based vouchers struggle to find a unit in the private rental market due to an extreme scarcity of rental housing and property owner reluctance to participate in the voucher program. Scarcity of rental units leads to tenant-based vouchers often expiring before a household can secure a unit, and results in loss of voucher assistance. Committing vouchers to affordable properties through the PBV program ensures those units will be available exclusively to voucher households. Since the PBV program promotes construction of affordable housing in high opportunity low poverty neighborhoods, increasing the PBV cap allows more low-income households, often including children, to benefit from good neighborhoods that are likely to have better schools, parks, healthcare, jobs, transportation, and other assets that improve outcomes for low-income families. Families are not required to stay in PBV units and may move into any unit of their choosing in the private market using a tenant-based voucher at the end of their initial lease term, freeing up the PBV unit for the next eligible household waiting for assistance.

Which of the MTW statutory objectives does this MTW activity serve?

Housing choice

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Neutral (no cost implications)

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation.

This waiver has been implemented as planned, and HACSC is continuing to spur new affordable housing production with awards of project-based vouchers to projects selected through the RFP process. HACSC has introduced a new PBV Request for Proposals and will continue to expand the PBV portfolio. Before the end of FY 2024-25, HACSC's total commitment of PBVs is anticipated to exceed 30% of our ACC Authorized Units.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

What percentage of total authorized HCV units will be authorized for project-basing?

50.00%

9.b. - Increase PBV Project Cap (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

Allows more than the greater of twenty-five units or 25% of the units at a complex to receive Project-Based Voucher assistance. Under current regulations, "excepted" units that are for the elderly or those providing supportive services are already exempt from this cap. This activity would allow units that may not be serving the excepted populations to go above the cap up to 100% of the units at a project. This will increase housing choice and contribute to the development of additional affordable housing production available to households eligible for the Section 8 Program. The HACSC will continue to be subject to Notice PIH 2013-27 where applicable, or successor notices.

Which of the MTW statutory objectives does this MTW activity serve?

Housing choice

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Neutral (no cost implications)

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation.

The Housing Authority initially implemented this waiver in FY 2023-24 to allow more than the greater of twenty-five units or 40% of the units at a complex to receive PBV assistance and introduced a new PBV Request for Proposals. The Housing Authority has since reduced the PBV Project Cap back down to the greater of 15 units or 40 percent of the units at the project. The waiver as approved still allows HACSC to award up to 100% of the units at a project.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

9.c. - Elimination of PBV Selection Process for PHA-owned Projects Without Improvement, Development, or Replacement (HCV)

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

Under this waiver, the HACSC eliminated the independent third-party selection process and competitive process in the award of PBV's to properties owned or controlled by the agency when the agency is not engaged in an initiative to improve, develop, or replace a public housing property or site. All other PBV selection and approval requirements, including HQS compliance, NEPA review and subsidy layering review are still applicable and must be conducted. The HACSC will comply with the following Safe Harbor requirements (1) A subsidy layering review must be conducted; (2) The agency must complete site selection requirements; (3) HQS inspections must be performed by an independent entity according to 24 CFR 983.59(b) or 24 CFR 983.103(f), unless MTW waiver 5.c. or an Agency-Specific Waiver is implemented; (4) The agency is subject to Notice PIH 2013-27 where applicable, or successor; and (5) Property must be owned by a single-asset entity of the agency, see Notice PIH 2017-21. The HACSC has an approved MTW waiver to conduct its own inspections for PHA-owned or controlled units.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies only to a subset or subsets of assisted households

Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

New admissions and currently assisted households

Does the MTW activity apply to all family types or only to selected family types?

The MTW activity applies to all family types

Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers?

The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers

Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity.

Applies only to units owned or controlled by the PHA.

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation

The HACSC eliminated the independent third-party selection process and competitive process in the award of PBV's to properties owned or controlled by the agency when the agency is not engaged in an initiative to improve, develop, or replace a public housing property or site.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

9.h. - Limit Choice Mobility for PBV Units (HCV)**Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative**

HACSC will limit moves from PBV units using a Housing Choice Voucher for 24 months after PBV move-in for applicants coming from site-based waiting lists or from non-waiting list referral programs. PBV Residents coming from the HCV waiting list will continue to have portability with a Housing Choice Voucher after 12 months. This change ensures that households electing to move into a PBV unit cannot convert to an HCV after only one year, effectively bypassing the HCV waitlist. Additionally, it decreases the administrative burden for staff after initial intake. HACSC will comply with all safe harbor requirements including (1) Portability under this activity must not be restricted for more than 24 months; (2) The agency must have a clear and uniform policy in place to address how move requests are received and how they are approved/denied for PBV households; and (3) Participants must still retain the ability to request a tenant-based voucher for reasonable accommodation according to existing rules.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Decreased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation

The Housing Authority has not yet implemented this waiver.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

10.d. HCV – Modify or Eliminate the Contract of Participation (HCV)
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative The agency is authorized to modify the terms of or eliminate the FSS Contract of Participation (HUD-52650), in lieu of a local form. The agency may modify the terms of the Contract of Participation to align with adjustments made to its MTW FSS Program using MTW flexibility. Further, the agency may discontinue use of the Contract of Participation and instead employ a locally-developed agreement that codifies the terms of participation. The proposed activity will meet all of the applicable safe harbor requirements in the Operations Notice.
Which of the MTW statutory objectives does this MTW activity serve? Self Sufficiency
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today. Increased expenditures
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies only to a subset or subsets of assisted households.
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households New admissions and currently assisted households
Does the MTW activity apply to all family types or only to selected family types? The MTW activity applies only to selected family types.
Please select the family types subject to this MTW activity: Other – another specifically defined target population or populations. Please describe this target population: Participants in the FSS Program
Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers.
Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity. The MTW activity applies to all tenant-based units and to all properties with project-based vouchers
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. N/A
Does this MTW activity require a hardship policy? No
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does the MTW activity require an impact analysis? No

10.e. FSS Program with MTW Flexibility Activities – Policies for Addressing Increases in Family Income
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative HACSC proposes to increase the FSS Program incentives for income growth, resident participation, education and training outcomes. These new incentives could motivate and support residents to realize a higher degree of economic independence. HACSC proposes two parts to the escrow payment: (1) The existing monthly deposit to a participant's escrow account when they have increased earned income that results in a Total Tenant Payment (TTP) over the baseline set when they join FSS. (2) Specific dollar amounts, to be established annually, payable to a participant's escrow account based on specific achievements such as completion of financial literacy education, completion of vocational training, or maintaining employment for specified periods of time. Some of these incentive payments result in an immediate deposit to the escrow account while others would not be calculated and paid until a successful program graduation.
Which of the MTW statutory objectives does this MTW activity serve? Self Sufficiency
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today. Increased expenditures
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies only to a subset or subsets of assisted households.
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households New admissions and currently assisted households
Does the MTW activity apply to all family types or only to selected family types? The MTW activity applies only to selected family types.
Please select the family types subject to this MTW activity: Other – another specifically defined target population or populations. Please describe this target population: Participants in the FSS Program
Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to all tenant-based units and to all properties with project-based vouchers.
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. N/A
Does this MTW activity require a hardship policy? No
Does the hardship policy apply to more than this MTW activity? No.

Has the MTW agency modified the hardship policy since the last submission of the MTW Supplement? N/A
How many hardship requests have been received associated with this activity in the past year? N/A
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does the MTW activity require an impact analysis? No
Does the impact analysis apply to more than this MTW activity? N/A
<u>10.e. - Policies for Addressing Increases in Family Income:</u> How will the MTW agency treat increased earnings for families participating in the FSS Program with MTW flexibility HACSC proposes two parts to the escrow payment: (1) The existing monthly deposit to a participant's escrow account when they have increased earned income that results in a Total Tenant Payment (TTP) over the baseline set when they join FSS. This would be no change to how it is calculated without MTW flexibility. (2) In addition to the standard increases to the escrow account, specific incentive payment amounts, to be established annually, payable to a participant's escrow account based on specific achievements such as completion of financial literacy education, completion of vocational training, or maintaining employment for specified periods of time. Some of these incentive payments result in an immediate deposit to the escrow account while others would not be calculated and paid until a successful program graduation.

14.a. - Waive Initial HQS Inspection Requirement (HCV)
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative. HACSC may, at their discretion, waive the initial HQS inspection requirement for PSH residents transitioning into voucher-based assistance who are remaining in their unit. Waiving the initial HQS inspection will decrease costs and increase efficiency, allowing the PSH household to transition to voucher-based assistance seamlessly without the disruption of inspection. Participants retain the right to request inspection at any time.
Which of the MTW statutory objectives does this MTW activity serve? Cost effectiveness; Housing choice
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today. Decreased expenditures
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies only to a subset or subsets of assisted households
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households? Currently assisted households only
Does the MTW activity apply to all family types or only to selected family types? The MTW activity applies only to selected family types
Please select the family types subject to this MTW activity. Other – another specifically defined target population or populations.
If Other Selected in Previous Question: Please describe this target population in the text box. Only residents of Permanent Supportive Housing Programs.
Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers.
Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity. Tenant-based Permanent Supportive Housing units from which resident will transition into a tenant-based or project-based voucher unit.
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation The Housing Authority has implemented this waiver and now allows discretion for PSH residents transitioning to voucher-based assistance and staying in their current unit to potentially bypass the Initial HQS inspection. This streamlined approach aims to enhance efficiency and minimize costs during transitions, while participants retain the option to request an inspection at their convenience.
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No

14.b.HCV - Allow Income Calculations from Partner Agencies (HCV)
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.
HACSC may, at their discretion, utilize the income calculations and documentation from partner agencies for PSH households transitioning to voucher-based assistance, provided that income calculations must be determined in accordance with 24 CFR 5.609 and that any income calculations accepted from partner agencies must have been calculated within the past year. Utilizing the income calculations and documentation from partner agencies will decrease costs and increase efficiency, allowing the PSH household to transition to voucher-based assistance quickly and seamlessly without completing redundant paperwork and procuring verification documents, which can be extremely challenging for vulnerable populations. The Agency shall comply with all Safe Harbor provisions including 14.b.iv: Screenings for lifetime sex offender status and convictions of drug-related criminal activity for manufacture or production of methamphetamine on the premises of federally assisted housing must continue and are not waivable.
Which of the MTW statutory objectives does this MTW activity serve?
Cost effectiveness
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.
Decreased expenditures
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?
The MTW activity applies only to a subset or subsets of assisted households
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?
Currently assisted households only
Does the MTW activity apply to all family types or only to selected family types?
The MTW activity applies only to selected family types
Please select the family types subject to this MTW activity.
Other – another specifically defined target population or populations.
If Other Selected in Previous Question: Please describe this target population in the text box.
Only residents of Permanent Supportive Housing Programs transitioning to a voucher.
Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers?
The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers
Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity.
Tenant-based Permanent Supportive Housing units from which resident will transition into a tenant-based or project-based voucher unit.
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation
The Housing Authority has implemented a waiver allowing the use of partner agency income calculations and documentation, aligning with 24 CFR 5.609 (defining annual income) and within a one-year timeframe. This measure is aimed at streamlining transitions, reducing costs, and simplifying the process for PSH households by eliminating redundant paperwork and easing document verification burdens, especially for vulnerable populations.
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?
No

14.c.HCV - Aligning Tenant Rents and Utility Payments Between Partner Agencies (HCV)
Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative. HACSC may, at their discretion, adjust the subsidy for PSH residents transitioning into voucher-based assistance to align the tenant's portion of rent with the PSH program they are transitioning from. If a PSH tenant is transitioning from a program with a different subsidy structure, the transition could result in a significant increase in the tenant's contribution of rent, potentially resulting in displacement from their current unit. Having the flexibility to align the voucher subsidy with the subsidy from the PSH program will avoid increases in tenant rent burden and the potential for displacement.
Which of the MTW statutory objectives does this MTW activity serve? Housing choice
What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today. Increased expenditures
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies only to a subset or subsets of assisted households
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households? Currently assisted households only
Does the MTW activity apply to all family types or only to selected family types? The MTW activity applies only to selected family types
Please select the family types subject to this MTW activity. Other – another specifically defined target population or populations.
If Other Selected in Previous Question: Please describe this target population in the text box. Only residents of Permanent Supportive Housing Programs transitioning to a voucher.
Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to specific tenant-based units and/or properties with project-based vouchers
Please describe which tenant-based units and/or properties with project-based vouchers participate in the MTW activity. Tenant-based Permanent Supportive Housing units from which resident will transition into a tenant-based or project-based voucher unit.
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation The Housing Authority has implemented a waiver enabling the adjustment of subsidies for PSH residents transitioning to voucher-based assistance, aligning with the tenant's previous rent contributions from their PSH program. This measure aims to prevent substantial increases in tenant rent payments during transitions between programs with varying subsidy structures, thereby mitigating the risk of displacement for affected individuals.
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No

17.c. - Housing Development Programs

Describe the MTW activity, the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC intends to use MTW funding to acquire, renovate and/or build affordable units that are not public housing units. Eligible activities may include gap financing or construction costs for development of affordable housing, conducted by the PHA or a PHA-controlled affiliate or by a non-PHA affordable housing developer, including but not limited to development of tax credit units, or affordable units funded with any other local, state, or federal funds. HACSC will not spend more than 10% of its HAP budget on local, non-traditional activities. Families receiving housing or services through local, non-traditional activities must meet the definition of low-income. Local, non-traditional development activities will be conducted in accordance with the applicable requirements of PIH Notice 2011-45 and the MTW Operations Notice. The Agency shall comply with Safe Harbor provisions requiring compliance with Section 30 of the 1937 Housing Act and that any MTW Funding awarded to a third-party provider must be competitively awarded.

Which of the MTW statutory objectives does this MTW activity serve?

Housing choice

What are the cost implications of this MTW activity? Pick the best description of the cost implications based on what you know today.

Increased expenditures

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to all assisted households

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation

The Housing Authority has provided \$8 million of LNT funding for the construction of a 20-unit affordable housing development called Natural Bridges in Santa Cruz. That development is helping the Housing Authority reach its goal of providing new affordable housing opportunities to program participants in the community. Construction at Natural Bridges was completed in December 2024, and the process of moving tenants in has commenced.

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

No

Table 17.c.1

Housing Development Programs that the MTW Agency plans to commit Funds to in Fiscal Year

Name of Development and Address	MTW Role: Acquisition, Rehabilitation or New Construction	Type of MTW Agency Financing: Gap Financing, Tax Credit Partnership or Other	Number of Affordable Units	Total Number of Units	Number of Units by Affordability 80% AMI	Number of Units by Affordability 50% AMI	Number of Units by Affordability 30% AMI	Number of Units by Affordability Other
Chanticleer 2021-2031 Chanticleer Ave Santa Cruz, CA 95062	New Construction	TBD	50	50	0	0	0	N/A
Portola 3501 Portola Avenue Santa Cruz CA 95062	Acquisition	TBD	0	0	0	0	0	0

Housing Development Programs that the MTW Agency plans to spend funds on in Fiscal Year

Name of Development and Address	MTW Role: Acquisition, Rehabilitation or New Construction	Type of MTW Agency Financing: Gap Financing, Tax Credit Partnership or Other	Number of Affordable Units	Total Number of Units	Number of Units by Affordability 80% AMI	Number of Units by Affordability 50% AMI	Number of Units by Affordability 30% AMI	Number of Units by Affordability Other
Chanticleer 2021-2031 Chanticleer Ave Santa Cruz, CA 95062	New Construction	TBD	50	50	0	0	0	N/A
Portola 3501 Portola Avenue Santa Cruz CA 95062	Acquisition	TBD	0	0	0	0	0	0

Table 17.c.2

Housing Development Programs that the MTW Agency committed funds to in prior Fiscal Year

Name of Development and Address	MTW Role: Acquisition, Rehabilitation or New Construction	Type of MTW Agency Financing: Gap Financing, Tax Credit Partnership or Other	Number of Affordable Units	Total Number of Units	Number of Units by Affordability 80% AMI	Number of Units by Affordability 50% AMI	Number of Units by Affordability 30% AMI	Number of Units by Affordability Other
Natural Bridges Apartments 415 Natural Bridges Drive Santa Cruz, CA 95060	New Construction	Gap Financing or Construction	20	20	0	20	0	0
Chanticleer 2021-2031 Chanticleer Ave Santa Cruz, CA 95062	Acquisition	TBD	50	50				
Portola 3501 Portola Avenue Santa Cruz CA 95062	Acquisition	TBD	0	0	0	0	0	0

Housing Development Programs that the MTW Agency spent funds on in prior Fiscal Year

Name of Development and Address	MTW Role: Acquisition, Rehabilitation or New Construction	Type of MTW Agency Financing: Gap Financing, Tax Credit Partnership or Other	Number of Affordable Units	Total Number of Units	Number of Units by Affordability 80% AMI	Number of Units by Affordability 50% AMI	Number of Units by Affordability 30% AMI	Number of Units by Affordability Other
Natural Bridges Apartments 415 Natural Bridges Drive Santa Cruz, CA 95060	New Construction	Gap Financing or Construction	20	20	0	20	0	0
Chanticleer 2021-2031 Chanticleer Ave Santa Cruz, CA 95062	Acquisition	TBD	50	50				
Portola 3501 Portola Avenue Santa Cruz CA 95062	Acquisition	TBD	0	0	0	0	0	0

D.	Safe Harbor Waivers.								
D.1	Will the MTW agency submit a request for approval of a Safe Harbor Waiver this year? No.								
E.	Agency-Specific Waiver(s).								
E.1	Agency-Specific Waiver(s) for HUD Approval: The MTW demonstration program is intended to foster innovation and HUD encourages MTW agencies, in consultation with their residents and stakeholders, to be creative in their approach to solving affordable housing issues facing their local communities. For this reason, flexibilities beyond those provided for in Appendix I may be needed. Agency-Specific Waivers may be requested if an MTW agency wishes to implement additional activities, or waive a statutory and/or regulatory requirement not included in Appendix I. In order to pursue an Agency-Specific Waiver, an MTW agency must include an Agency-Specific Waiver request, an impact analysis, and a hardship policy (as applicable), and respond to all of the mandatory core questions as applicable. For each Agency-Specific Waiver(s) request, please upload supporting documentation, that includes: a) a full description of the activity, including what the agency is proposing to waive (i.e., statute, regulation, and/or Operations Notice), b) how the initiative achieves one or more of the 3 MTW statutory objectives, c) a description of which population groups and household types that will be impacted by this activity, d) any cost implications associated with the activity, e) an implementation timeline for the initiative, f) an impact analysis, g) a description of the hardship policy for the initiative, and h) a copy of all comments received at the public hearing along with the MTW agency's description of how the comments were considered, as a required attachment to the MTW Supplement. Will the MTW agency submit a request for approval of an Agency-Specific Waiver this year? Yes. <table border="1"> <thead> <tr> <th>Title</th><th>Supporting Documents Attached</th></tr> </thead> <tbody> <tr> <td>E.1.a PBV Independent Entity Requirements</td><td>2</td></tr> <tr> <td>E.1.b Alternative Development Cost Limits</td><td>4</td></tr> <tr> <td>E.1.c PBV Subsidy Standards</td><td>2</td></tr> </tbody> </table>	Title	Supporting Documents Attached	E.1.a PBV Independent Entity Requirements	2	E.1.b Alternative Development Cost Limits	4	E.1.c PBV Subsidy Standards	2
Title	Supporting Documents Attached								
E.1.a PBV Independent Entity Requirements	2								
E.1.b Alternative Development Cost Limits	4								
E.1.c PBV Subsidy Standards	2								

E.2	Agency-Specific Waiver(s) for which HUD Approval has been received: Does the MTW agency have any approved Agency-Specific Waivers? Yes: A. <u>Allow use of Tenant Income Certification (TIC) for PBV eligibility determination.</u> Has there been a change in how the waiver is being implemented from when it was originally approved? Yes. If there has been a change, please provide a description of what has changed. HACSC initially implemented as approved, however we revised the waiver effective 7/1/2024 to: For PBV units that also are subject to the requirements of the Low-Income Housing Tax Credit (LIHTC) Program, HACSC proposes to use the TIC form required under the LIHTC Program as verification of the family's income and assets. Owners of PBV units that receive LIHTCs must comply with Federal LIHTC regulations, which are similar to HCV regulations regarding verification of income and assets when determining and recertifying income eligibility of residents. The TIC will only be used as verification of income and assets. This MTW activity applies to: ☒ Both new admissions and currently assisted households
	B. <u>Extend Zero HAP participation from 180 days to 360 days.</u> Has there been a change in how the waiver is being implemented from when it was originally approved? No.

F. Public Housing Operating Subsidy Grant Reporting.				
F.1	Total Public Housing Operating subsidy amount authorized, disbursed by 9/30, remaining, and deadline for disbursement, by Federal Fiscal Year for each year the PHA is designated an MTW agency.			
Federal Fiscal Year (FFY)	Total Operating Subsidy Authorized Amount	How Much PHA Disbursed by the 9/30 Reporting Period	Remaining Not Yet Disbursed	Deadline
0	0	0	0	N/A

G.	MTW Statutory Requirements.
G.1	75% Very Low Income – Local, Non-Traditional. HUD will verify compliance with the statutory requirement that at least 75% of the households assisted by the MTW agency are very low-income for MTW public housing units and MTW HCVs through HUD systems. The MTW PHA must provide data for the actual families housed upon admission during the PHA's most recently completed Fiscal Year for its Local, Non-Traditional program households.
Income Level	Number of Local, Non-Traditional Households Admitted in the Fiscal Year*
80%-50% Area Median Income	0
49%-30% Area Median Income	0
Below 30% Area Median Income	0
Total Local, Non-Traditional Households	0

*Local, non-traditional income data must be provided in the MTW Supplement form until such time that it can be submitted in IMS-PIC or other HUD system.

G.2	Establishing Reasonable Rent Policy.
Has the MTW agency established a rent reform policy to encourage employment and self-sufficiency? Yes	
G.3	Substantially the Same (STS) – Local, Non-Traditional.
Please provide the total number of unit months that families were housed in a local, non-traditional rental subsidy for the prior full calendar year.	0
Please provide the total number of unit months that families were housed in a local, non-traditional housing development program for the prior full calendar year.	0

Number of units developed under the local, non-traditional housing development activity that were available for occupancy during the prior full calendar year:

PROPERTY NAME/ ADDRESS	0/1 BR	2 BR	3 BR	4 BR	5 BR	6+ BR	TOT AL UNIT S	Popu- lation Type	if 'Populatio n Type' is Other	# of Section 504 Accessible (Mobility)**	# of Section 504 Access ible (Hearin g/ Vision)	Was this Property Made Available for Initial Occupancy during the Prior Full Calendar Year?	What was the Total Amount of MTW Funds Invested into the Property?
	0	0	0	0	0	0	0						

G.4 Comparable Mix (by Family Size) – Local, Non-Traditional.	
To demonstrate compliance with the statutory requirement to continue serving a 'comparable mix" of families by family size to that which would have been served without MTW, the MTW agency will provide the number of families occupying local, non-traditional units by household size for the most recently completed Fiscal Year in the provided table.	
Family Size:	Occupied Number of Local, Non-Traditional units by Household Size
1 Person	0
2 Person	0
3 Person	0
4 Person	0
5 Person	0
6+ Person	0
Totals	0

H.	Public Comment
No public comment received. A summary of the public hearing and proof of public notice is attached.	
I.	Evaluations.
No known evaluations.	

Eucalyptus Grove Apartments	69	\$73,829,434	\$10,500,000	70,641	\$1,045.14	\$1,069,991.80
Belmont Family Apartments	125	\$130,067,043	\$14,210,000	165,971	\$783.67	\$1,040,536.34
AVERAGE					\$808.58	\$789,454.93

E.1.b ASW Alternative Development Cost Limits Appendix B
2023 and 2024 Santa Cruz Project-Based Voucher Awardees

Project Name	Units	Total Project costs	Land Cost	Total Square Feet	Cost Per Square Foot	Cost Per Unit
Westside Village	42	\$40,330,110	\$5,000,000	38,990	\$1,034.37	\$960,240.71
Capitola Manor	52	\$46,919,470	\$3,148,124	72,028	\$651.41	\$902,297.50
Beverly Gardens	25	\$25,416,272	\$3,450,000	25,327	\$1,003.52	\$1,016,650.88
Pinnacle Pass	40	\$40,661,566	\$4,550,000	42,775	\$950.59	\$1,016,539.15
Banana Belt Apartments	60	\$55,525,552	\$6,500,000	74,289	\$747.43	\$925,425.87
4575 Scotts Valley Drive	100	\$94,887,499	\$8,500,000	42,775	\$2,218.29	\$948,874.99
150 Felker Street	44	\$42,343,331	\$3,300,000	17,859	\$2,370.98	\$962,348.43
525 Water Street	90	\$98,888,522	\$7,700,000	96,200	\$1,027.95	\$1,098,761.36
41st & Soquel	289	\$215,423,839	\$10,003,500	245,253	\$878.37	\$745,411.21
136 River Street	51	\$48,849,276	\$1,650,000	50,311	\$970.95	\$957,829.00
AVERAGE					\$1,185.39	\$953,437.91

IMPACT ANALYSIS

E.1.b

Agency-Specific Waiver Title– E.1.b. Alternative Development Cost Limits

Regulations to Waive: 905.314(b) and 905.314(c)

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

The Housing Authority of the County of Santa Cruz (HACSC) proposes to waive 905.314(b) and 905.314(c) and establish an alternative to the existing Total Development Cost (TDC) and Housing Construction Cost (HCC) limits.

MTW housing authorities that wish to develop new affordable housing have the unique opportunity to leverage local, non-traditional abilities and directly support the development costs of a project with MTW funds. However, the established TDCs and HCCs limit the amount of MTW funds that HACSC can include in the project's budget. These limits are too low and do not align with the actual cost to develop a project, so HACSC is unable to leverage enough MTW funds to adequately support new projects.

Construction costs have increased significantly in recent years and continue to rise rapidly in the form of increased material and labor costs and higher interest rates. Current industry construction cost projections anticipate continued increases due to supply chain issues and other market factors. Further, Santa Cruz County is part of a larger metro-region, and competition for general contractors and trades, which includes Santa Clara and the greater Bay Area, increases construction costs in Santa Cruz.

HUD's TDC's are based on average costs derived from cost estimation books, which do not reflect real-world conditions. HACSC has been unsuccessful in replicating HUD's calculation using R.S. Means for "average" and Marshall & Swift for "good," specifically for Santa Cruz County. It is unclear how these databases apply and sort their data, as several variables and filters are not publicly disclosed. Additionally, these indexes require a paid subscription, which is costly. Furthermore, the underlying market data is limited in scope and does not adequately represent high-cost regions such as Santa Cruz County. The results are then aggregated and adjusted by location factors. Location factors are applied after the fact to account for differences in market costs, but the derivation of these location factors is not evident. These insufficiencies result in TDCs and HCCs being far below actual costs experienced in Santa Cruz County.

Due to these insufficiencies, HACSC must depend on conventional methods for funding affordable housing projects, primarily low-income housing tax credits (LIHTCs), tax-exempt bonds, and other state subsidies. In California, HACSC must contend for these awards alongside other public and private developers, simply increasing the competition for funds that are already heavily oversubscribed. This means that if HACSC wins an award, another developer has not, and vice versa, which would likely result in the unawarded project not moving forward. The competitive nature of LIHTCs and similar subsidies is compounded by the fact that these programs are limited and underfunded. Because of this, the inefficient level of existing TDCs and HCCs effectively renders HACSC unable to create more affordable housing than what would otherwise be built through these standard funding opportunities. Further, due to the intense competitive environment, HACSC cannot rely on winning these awards, and HACSC seeks to construct affordable housing regardless of whether the funds are ultimately obtained.

Additionally, a UC Berkeley Turner Center study of California projects awarded LIHTCs between 2020 and 2023 found that *"the inclusion of one additional public funding source adds, on average, four months to the timeline of being able to start construction, and is associated with an increase of approximately \$20,460 in per-unit total*

development costs.” As such, decreasing the number of sources needed to finance a project will likely lead to shorter development timelines and a reduction in overall project costs.

Therefore, HACSC seeks to establish TDCs and HCCs that better align with the actual construction costs of a project in Santa Cruz County and when necessary can fully support projects with MTW funds, thereby reducing competition for already oversubscribed subsidies and facilitating the creation of more affordable housing than what would already otherwise be funded through existing channels.

HACSC proposes to establish an alternative TDC that is equivalent to the annual Threshold Basis Limits as established by the California Tax Credit Allocation Committee (CTCAC), the state low-income housing credit agency, for the South and West Bay Region.

The CTCAC Threshold Basis Limits cap the maximum “eligible basis” that a project may claim low-income housing tax credits against. The eligible basis includes hard construction costs of the housing and other soft costs directly related to that construction.

The CTCAC Basis Limits are established for each CTCAC region and are based on a combination of estimated and actual construction costs of new construction projects that have received tax credits within the previous five-year period. Estimated project costs are replaced with actual costs upon project completion and receipt of final cost certifications from developers. The Basis Limits are evaluated annually by CTCAC and adjusted every year as costs change. This will allow HACSC to utilize revised limits on an annual basis, allow HACSC to rely on an objective third party’s measure, and allow HACSC to utilize costs that are based on actual, changing market values. Further, the usage of objective and replicable examples contrasts from HUD’s TDC methodology.

Santa Cruz County is included in the CTCAC Central Coast Region, which also includes the Counties of San Luis Obispo, Monterey, Santa Barbara, and Ventura. However, Santa Cruz County borders Santa Clara County and San Mateo County, which comprise the South and West Bay Region. HACSC has identified the Basis Limits for the South and West Bay Area region to be more reflective of the costs that developers experience in Santa Cruz County, and therefore proposes to utilize the South and West Bay Region Basis Limits instead of the Central Coast Region Basis Limits.

HACSC based this analysis on South and West Bay projects that received 4% or 9% tax credits during the 2023 and 2024 tax credit cycles and on projects that received an award of Project-Based Vouchers through its 2023 and 2024 Requests for Proposals. These years reflect the most recent costs of construction, which are similarly impacted by recent inflationary pressures, and are more easily comparable. Projects that did not pay for land and/or acquired land for well below market value (ex. \$55), were excluded from the analysis.

The average per-unit cost for the projects in the South and West Bay Region is \$789,454.93, and the per-square foot cost is \$808.58. For Santa Cruz County projects, the average-per unit cost and per-square foot are \$953,437.91 and \$1,185.39 respectively.

For the South and West Bay Regions, each project’s unit count, total project cost, land cost, total square footage, average cost per square foot, and average cost per unit, are listed in Appendix A. For the Santa Cruz County PBV projects, some of which were also awarded tax credits in the 2023/4 cycles, the unit count, total project cost, land cost, total square footage, average cost per square foot, and average cost per unit, are listed in Appendix B.

HACSC proposes a single TDC for all building and unit types (elevator, walkup, rowhouse, detached, etc.), as these differences are not identified by CTCAC, and does not propose establishing a separate HCC. Each year, HACSC will use the most recently established CTCAC Basis Limits as the applicable TDCs, as they are updated.

The 2025 Basis Limits for the South and West Bay Region, which will serve as the 2025 TDCs, are below:

SRO & STUDIO	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM
\$523,060	\$613,460	\$740,000	\$947,200	\$1,055,240

Contrastingly, the TDCs and HCCs for an elevator building in Santa Cruz County are the following:

0 BEDROOM		1 BEDROOM		2 BEDROOM		3 BEDROOM		4 BEDROOM	
HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC
\$128,432	\$205,491	\$179,805	\$287,688	\$231,178	\$369,884	\$308,237	\$493,179	\$385,296	\$616,473

As shown, the TDCs and HCCs are not reflective of the actual costs of construction in Santa Cruz County and significantly inhibit the ability of HACSC to support projects with MTW funds, while the CTCAC Basis Limits better represent the experience of developers in Santa Cruz County and will directly enable HACSC to create more affordable housing in the community.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness
Housing Choice

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The waiver applies to all assisted households.

Does the MTW activity apply to all family types or only to selected family types?

The waiver applies to all family types

Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions).

HACSC anticipates that the use of MTW funds applied to development projects through an alternative TDC methodology will be cost neutral as these funds will be returned to HACSC during the project lifecycle through a combination of sources, which includes fees and rental income

Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)

HACSC anticipates that this proposed waiver will not affect how much affected families will pay towards housing costs.

Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist)

HACSC anticipates that this proposed waiver will reduce the amount of time families wait on the waiting list through additional affordable housing development, making more housing available sooner.

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency)

HACSC anticipates that this proposed waiver will not impact the agency's termination rate of families.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program HACSC anticipates that this proposed waiver will not impact the agency's current utilization rate in the HCV Program.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice This proposed waiver will support the MTW statutory goal of housing choice by providing additional affordable housing units through increased development activity and support cost effectiveness due to the ability to build affordable housing quicker.
Impact on the agency's ability to meet the MTW statutory requirements HACSC does not anticipate that this waiver would result in any change in the Agency's ability to meet the MTW statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity Given that this waiver would benefit assisted households, the HACSC does not anticipate any hardship requests resulting from this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact) HACSC does not anticipate that this waiver would result in any disparate impact to any protected class.
Implementation timeline HACSC will implement this initiative upon approval from HUD.
Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate. Given that this waiver would benefit the impacted families, HACSC does not anticipate any hardship requests resulting from this waiver.

AGENCY SPECIFIC WAIVER

E.1.c

Agency Specific Waiver Title: Establish Alternative Subsidy Standards Schedule for Project-Based Voucher Units

Citations/Regulations/Statutes to be Waived: 42 USC § 1437a(b)(3)(A), 24 CFR 982.402(b)(3), and 983.260

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC proposes an alternative subsidy standard schedule for all PBV units. In the tenant-based HCV Program, the subsidy standards determine the voucher size for the family and help to inform the applicable payment standard used in the rent calculation. In the PBV Program they determine the appropriate unit size, but they do not impact the rent calculation as most PBV participants simply pay their TTP regardless of the unit size they occupy or the amount of rent to owner.

HACSC proposes to establish an alternative subsidy standards schedule for PBV units that better aligns with occupancy standards of the affordable housing industry. An example of an alternative schedule, which shall be established annually in the HCV Administrative Plan, is below:

Unit Size	Minimum Family Size	Maximum Family Size
1-bedroom	1 person	3 persons
2-bedrooms	2 persons	5 persons
3-bedrooms	3 persons	7 persons

HACSC fills standard PBV vacancies with the following method: For a given PBV vacancy, HACSC conducts outreach to the HCV Waiting List or PBV site-based waiting list and selects families to apply. Interested families apply to the property directly and the owner processes families in accordance with the requirements of the tenant selection plan. Owner-approved applicants are referred back to HACSC and the owner indicates which vacant PBV unit the applicant has chosen and/or been assigned to. HACSC processes the owner-approved applicant for PBV eligibility, during which HACSC will confirm eligibility in accordance with the HACSC subsidy standards. Owners are encouraged to ensure families meet the subsidy standards while performing their own eligibility determinations, before sending an owner-approved applicant to HACSC.

The existing requirements result in difficulty filling larger units and has caused unnecessary displacement of existing households since the required use of HCV subsidy standards is overly rigid.

Upon approval of an alternative subsidy standard, HACSC shall ensure the policy does not result in overcrowding and will still permit families to transfer to tenant-based assistance after they have met all the applicable criteria, such as the one-year assistance requirement.

If the family becomes over-housed or underhoused based on the alternative subsidy standard schedule, HACSC will follow the regulations for occupancy of a “wrong-sized” unit pursuant to 24 CFR 983.260.

Typically, affordable housing utilizes occupancy standards, which are a range. Occupancy standards ensure that units are not overcrowded and that families are not severely over housed, but are also designed to give families more flexibility in the unit types that they are able to rent. This contrasts with the subsidy standards, which is a fixed number and is more restrictive. Since the subsidy standards must be consistent for both the HCV and PBV Programs, this creates difficulties in filling PBV units and reduces housing choice for families, since families are only able to occupy the exact PBV unit size as determined by the subsidy standards. However, HCV families may choose to rent a larger or smaller unit than their voucher size.

This activity will support HACSC’s ability to stably house families, improve housing choice, and improve PBV utilization in the following ways:

New Admissions

The average household size of families on HACSC’s HCV Waiting List is approximately 2.35 persons, meaning that it can be difficult to fill larger-sized PBV units (such as 3- or 4-bedroom units) as the restrictive subsidy standards limit the eligible pool of families that can be selected for such units. By establishing an alternative subsidy standard schedule for PBVs as a range, families will be eligible for a unit if their family size aligns with any value within that range. This may expand the eligible pool of families for any given unit, which may reduce the length of vacancies, and increase the number of housing opportunities that families are eligible to apply for.

Existing Participants

Additionally, the more restrictive existing subsidy standards strains current PBV participants since if they change their family size or composition and their new family size or composition exceeds or drops below the subsidy standard for the unit size that they occupy, current regulations require them to vacate the PBV unit. Therefore, families that wish to change their family size or composition may be unable to do so for fear of jeopardizing their housing stability.

By establishing the subsidy standards as a range, families will continue to occupy a “right-sized” unit if their family size aligns with any value within that range. Therefore, there will be more opportunities for families to add or remove family members without disrupting their housing.

This MTW activity serves the following statutory objectives:

Housing Choice

Cost Implications

Neutral (no cost implications)

Different policy by household status/family types/sites? Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households

The MTW activity applies only to a subset or subsets of assisted households

If previous question is a subset.

Household Status. Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

New admissions and currently assisted households

If waiver doesn’t apply to all assisted households:

Family Types. Does the MTW activity apply to all family types or only to selected family types?

The MTW activity applies to all family types.
If not all assisted households are selected. For HCV activities: Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to all properties with project-based vouchers
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does this MTW activity require a Hardship Policy: No
Does the MTW activity require an impact analysis? Yes
Does the impact analysis apply to more than this MTW activity? No
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. N/A
Comments received at the public hearing for the Agency-Specific waiver and the agency's description of how the comments were considered. No public comment received.

IMPACT ANALYSIS

E.1.c

Agency Specific Waiver Title: Establish Alternative Subsidy Standards Schedule for Project Based Voucher Units

Citations/Regulations/Statutes to be Waived: 42 USC § 1437a(b)(3)(A), 24 CFR 982.402(b)(3), and 983.260

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC proposes an alternative subsidy standard schedule for all PBV units. In the tenant-based HCV Program, the subsidy standards determine the voucher size for the family and help to inform the applicable payment standard used in the rent calculation. In the PBV Program they determine the appropriate unit size, but they do not impact the rent calculation as most PBV participants simply pay their TTP regardless of the unit size they occupy or the amount of rent to owner.

HACSC proposes to establish an alternative subsidy standards schedule for PBV units that better aligns with occupancy standards of the affordable housing industry. An example of an alternative schedule, which shall be established annually in the HCV Administrative Plan, is below:

Unit Size	Minimum Family Size	Maximum Family Size
1-bedroom	1 person	3 persons
2-bedrooms	2 persons	5 persons
3-bedrooms	3 persons	7 persons

HACSC fills standard PBV vacancies with the following method: For a given PBV vacancy, HACSC conducts outreach to the HCV Waiting List or PBV site-based waiting list and selects families to apply. Interested families apply to the property directly and the owner processes families in accordance with the requirements of the tenant selection plan. Owner-approved applicants are referred back to HACSC and the owner indicates which vacant PBV unit the applicant has chosen and/or been assigned to. HACSC processes the owner-approved applicant for PBV eligibility, during which HACSC will confirm eligibility in accordance with the HACSC subsidy standards. Owners are encouraged to ensure families meet the subsidy standards while performing their own eligibility determinations, before sending an owner-approved applicant to HACSC.

The existing requirements result in difficulty filling larger units and has caused unnecessary displacement of existing households since the required use of HCV subsidy standards is overly rigid.

Upon approval of an alternative subsidy standard, HACSC shall ensure the policy does not result in overcrowding and will still permit families to transfer to tenant-based assistance after they have met all the applicable criteria, such as the one-year assistance requirement.

If the family becomes over-housed or underhoused based on the alternative subsidy standard schedule, HACSC will follow the regulations for occupancy of a "wrong-sized" unit pursuant to 24 CFR 983.260.

Typically, affordable housing utilizes occupancy standards, which are a range. Occupancy standards ensure that units are not overcrowded and that families are not severely over housed but are also designed to give families more flexibility in the unit types that they are able to rent. This contrasts with the subsidy standards, which is a fixed number and is

more restrictive. Since the subsidy standards must be consistent for both the HCV and PBV Programs, this creates difficulties in filling PBV units and reduces housing choice for families, since families are only able to occupy the exact PBV unit size as determined by the subsidy standards. However, HCV families may choose to rent a larger or smaller unit than their voucher size.

This activity will support HACSC's ability to stably house families, improve housing choice, and improve PBV utilization in the following ways:

New Admissions

The average household size of families on HACSC's HCV Waiting List is approximately 2.35 persons, meaning that it can be difficult to fill larger-sized PBV units (such as 3- or 4-bedroom units) as the restrictive subsidy standards limit the eligible pool of families that can be selected for such units. By establishing an alternative subsidy standard schedule for PBVs as a range, families will be eligible for a unit if their family size aligns with any value within that range. This may expand the eligible pool of families for any given unit, which may reduce the length of vacancies, and increase the number of housing opportunities that families are eligible to apply for.

Existing Participants

Additionally, the more restrictive existing subsidy standards strains current PBV participants since if they change their family size or composition and their new family size or composition exceeds or drops below the subsidy standard for the unit size that they occupy, current regulations require them to vacate the PBV unit. Therefore, families that wish to change their family size or composition may be unable to do so for fear of jeopardizing their housing stability.

By establishing the subsidy standards as a range, families will continue to occupy a "right-sized" unit if their family size aligns with any value within that range. Therefore, there will be more opportunities for families to add or remove family members without disrupting their housing.

Which of the MTW statutory objectives does this MTW activity serve?

Housing Choice

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies to a subset or subsets of assisted households.

Does the MTW activity apply to all family types or only to selected family types?

This MTW activity applies to all family types.

Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions).

No change to agency's finances. No change to agency's per family contributions.

Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)

No change in housing costs for families.

Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist)

This MTW activity may reduce the amount of time that families are on the waiting list as this will expand the number of PBV units that a family may be eligible for.

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency) This MTW activity may reduce the termination rate of families because it will allow families more flexibility to live in PBV units and changing their family size or composition may no longer result in them needing to vacate a PBV unit.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program This MTW activity is anticipated to improve the utilization rate of PBV units by expanding the pool of eligible families.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice This MTW activity improves housing choice.
Impact on the agency's ability to meet the MTW statutory requirements This MTW activity positively impacts the agency's ability to meet the MTW statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity. The agency anticipates that there will be no hardships associated with this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact). None.
Implementation timeline. Upon approval of the MTW Supplement.
Description of a hardship policy, if needed. The agency anticipates that there will be no hardships associated with this waiver.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

IMPACT ANALYSIS
1.o.
1.o. Tenant Rent Policies – Initial Rent Burden (HCV)
Waiver Description: The agency may waive the maximum family share at initial occupancy of 40% of the family’s monthly income.
Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency’s goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative. HACSC will waive the maximum family share at initial occupancy of 40% of the family’s monthly income. HACSC will not allow the family share at initial occupancy to exceed 50% of the family’s monthly income. Santa Cruz County is currently the most expensive rental market in the nation. HACSC requests this waiver to promote increased housing choice for households, allowing HCV participants more options in their housing search. Implementation of this activity allows participants to look for housing that may be more costly than otherwise permitted under HUD regulations, but it also gives participants the option to live in lower poverty neighborhoods with access to better schools and employment opportunities.
Which of the MTW statutory objectives does this MTW activity serve? Housing Choice
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies to all assisted households.
Does the MTW activity apply to all family types or only to selected family types? The MTW activity applies to all family types.
Impact on the agency’s finances (e.g., how much will the activity cost, and any change in the agency’s per family contributions). No changes to the agency’s finances. No changes to the agency’s per family contributions.
Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.) For families that voluntarily elect to exceed the standard 40% maximum at initial occupancy, their family share may go up to as much as 50% of the family’s monthly income.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist) No change.
Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency) No change.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program No change.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice This waiver supports the MTW statutory goal of increasing housing choice.
Impact on the agency's ability to meet the MTW statutory requirements. This waiver positively impacts the agency's ability to meet the MTW statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity. Not applicable, the agency does not anticipate any hardship due to implementation of this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact). None.
Implementation timeline. Upon HUD approval of the MTW Supplement.
Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate. None, not applicable, there is no hardship policy needed.

Medical Expense Hardship Policy
MTW Activity: 1.u. Standard Deduction (HCV)

Description of the MTW Activity

Under MTW Activity 1.u., Standard Deduction, the HACSC intends to establish a **standard deduction for medical expenses** applicable to all elderly and disabled households with medical expenses exceeding an established threshold. The standard deduction for medical expenses and the threshold at which it applies shall both be indicated in the HACSC Section 8 Administrative Plan. Eligible elderly and disabled families who claim medical expenses at or above the established threshold will be required to sign a self-certification.

This MTW activity doesn't impact the family's eligibility to receive the elderly/disabled and dependent deductions in accordance with §5.611(a)(1) – (a)(2).

For purposes of this MTW activity, medical expenses are defined in accordance with 24 CFR §5.603: Health and medical care expenses are any costs incurred in the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body. Health and medical care expenses include medical insurance premiums and long-term care premiums that are paid or anticipated during the period for which annual income is computed.

For FY starting 7/1/2024, the proposed standard deduction for medical expenses is \$1,500 for elderly and disabled households with expenses at or above a \$1,500 threshold. HACSC will periodically adjust the amount of the standard medical deduction, adhering to HUD's methodology for calculating inflationary adjustments for the elderly/disabled family deduction, pursuant to a pending HUD Federal Register notice.

The MTW activity applies to all tenant-based units and properties with project-based vouchers.

Hardship Policy

- I. Elderly and disabled households for whom application of the standard deduction for medical expenses policy results in an increase in tenant share of rent may apply for the Medical Expense Hardship.
- II. Medical Expense Hardships must be requested by the household. To request a Medical Expense Hardship, the household must complete a Medical Expense Hardship Request form, complete a medical expense verification packet and may be asked to provide supporting documents, receipts, and/or contact information of healthcare providers that can verify. Staff will review and determine the total amount of unreimbursed allowable medical expenses. HACSC will approve all hardship requests from elderly and disabled households having verified eligible expenses above the threshold and for whom this MTW activity results in an increase in tenant share of rent.
- III. Approved Medical Expense Hardships will provide a medical expense deduction equal to the household's total annual unreimbursed allowable medical expenses that exceed 3% of household income. HACSC is using MTW authority to *continue* to use a 3% threshold

Medical Expense Hardship Policy
MTW Activity: 1.u. Standard Deduction (HCV)

in lieu of following HOTMA requirements at 5.611(a)(3) that increase the threshold to 10% including Hardship Exemptions (general and phased in relief) at 5.611(c)(1); 5.611(c)(1)(D); and 5.611(c)(2).

- IV. The approved Medical Expense Hardship will remain in force until the household's next scheduled reexamination.
- V. A Medical Expense Hardship denial may be issued, and the household will be sent a denial letter, if the medical expenses submitted did exceed the threshold or included ineligible expenses. If the household believes the decision is in error, they may request a secondary review which must include supporting documentation sufficient for staff to verify their allowable expenses exceed the threshold.
- VI. As a reasonable accommodation, upon request, the Medical Expense Hardship Request form will be made available in an accessible format.

HACSC will provide residents with information about the Hardship policies on our webpage, in Annual Recertification packets, and upon request. HACSC will consider if a resident qualifies for a hardship exemption at the time of a potential termination of assistance that is due to this MTW activity. HACSC will make the determination of whether a financial or other hardship exists within a reasonable time after the family's request.

Impact Analysis
MTW Activity 1.u. Standard Deductions (HCV)

MTW Activity 1.u. Standard Deductions (HCV) – Impact Analysis

Waiver Description: Standard Deduction for Medical Expenses

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

The HACSC intends to establish a standard deduction for medical expenses applicable to all elderly and disabled households with medical expenses exceeding an established threshold. The standard deduction for medical expenses and the threshold at which it applies shall both be indicated in the HACSC Section 8 Administrative Plan. Eligible elderly and disabled families who claim medical expenses at or above the established threshold will be required to sign a self-certification.

This MTW activity doesn't impact the family's eligibility to receive the elderly/disabled and dependent deductions in accordance with §5.611(a)(1) – (a)(2).

For purposes of this MTW activity, medical expenses are defined in accordance with 24 CFR §5.603: Health and medical care expenses are any costs incurred in the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body. Health and medical care expenses include medical insurance premiums and long-term care premiums that are paid or anticipated during the period for which annual income is computed.

For FY starting 7/1/2024, the proposed standard deduction for medical expenses is \$1,500 for elderly and disabled households with expenses at or above a \$1,500 threshold. HACSC will periodically adjust the amount of the standard medical deduction, adhering to HUD's methodology for calculating inflationary adjustments for the elderly/disabled family deduction, pursuant to a pending HUD Federal Register notice.

The MTW activity applies to all tenant-based units and properties with project-based vouchers.

Households may request a Medical Expense Hardship exemption to the standard deduction in accordance with the HACSC Medical Expense Hardship Policy. Families requesting a hardship exception will be asked to complete a medical expense verification packet, and may be asked to provide supporting documents, receipts, and/or contact information of healthcare providers that can verify the expenses.

Staff currently spend a significant amount of time calculating medical expenses to determine a household's allowable medical expense deduction. By establishing a standard deduction for medical expenses, and by allowing households eligible for the standard deduction to self-certify their medical expenses and applying a standardized deduction, significant staff time will be saved. It's anticipated that savings in staff time previously spent calculating medical expenses can be redirected to direct client services or other programs benefiting the clients served by HACSC.

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness.

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies only to a subset of assisted households.

Does the MTW activity apply to all family types or only to selected family types?

The MTW Activity applies to elderly and disabled family types.

Impact Analysis
MTW Activity 1.u. Standard Deductions (HCV)

Location: For HCV activities: Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? Yes. The MTW activity applies to all tenant-based units and properties with project-based vouchers.
Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions). The change in annual total HAP is anticipated to be a reduction of \$53,556.
Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.) There are currently 5,370 households, 581 of which have medical expenses. 2,620 households will have no change. 2,495 households will have a decrease averaging \$4. 255 households will have an increase averaging \$54.
Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist); No changes anticipated.
Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency). No changes anticipated.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program. No changes anticipated.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice. Anticipated to enhance the agency's ability to meet the MTW statutory goal of cost effectiveness.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity. It is anticipated that some households experiencing an increase will submit hardship requests, but it is not yet known how many. This will be easier to assess after the first year of implementation.
Across the other factors above, the impact on protected classes (and any associated disparate impact). None anticipated.
Implementation timeline. Upon HUD approval of the MTW Supplement for FY starting 7/1/2024.
Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate. Elderly and disabled households for whom application of the standard deduction for medical expenses policy results in an increase in tenant share of rent may apply for the Medical Expense Hardship. Medical Expense Hardships must be requested by the household. To request a Medical Expense Hardship, the household must complete a Medical Expense Hardship Request form, complete a medical expense verification packet and may be asked to provide supporting documents, receipts, and/or contact information of healthcare providers that can verify. Staff will review and determine the total amount of unreimbursed allowable medical expenses. HACSC will approve all hardship requests from elderly and disabled households having verified eligible expenses above the threshold and for whom this MTW activity results in an increase in tenant share of rent. Approved Medical Expense Hardships will provide a medical expense deduction equal to the household's

Impact Analysis
MTW Activity 1.u. Standard Deductions (HCV)

total annual unreimbursed allowable medical expenses that exceed 3% of household income. HACSC is using MTW authority to *continue* to use a 3% threshold in lieu of following HOTMA requirements at 5.611(a)(3) that increase the threshold to 10% including Hardship Exemptions (general and phased in relief) at 5.611(c)(1); 5.611(c)(1)(D); and 5.611(c)(2).

The approved Medical Expense Hardship will remain in force until the household's next scheduled reexamination.

A Medical Expense Hardship denial may be issued, and the household will be sent a denial letter, if the medical expenses submitted did exceed the threshold or included ineligible expenses. If the household believes the decision is in error, they may request a secondary review which much include supporting documentation sufficient for staff to verify their allowable expenses exceed the threshold.

As a reasonable accommodation, upon request, the Medical Expense Hardship Request form will be made available in an accessible format.

HACSC will provide residents with information about the Hardship policies on our webpage, in Annual Recertification packets, and upon request. HACSC will consider if a resident qualifies for a hardship exemption at the time of a potential termination of assistance that is due to this MTW activity. HACSC will make the determination of whether a financial or other hardship exists within a reasonable time after the family's request.

Safe Harbor Waiver

1.w. Tenant Rent Policies – Alternative Income Exclusions (HCV)

The specific safe harbor and its implementing regulation:

The safe harbor for the Alternative Income Exclusion (HCV) waiver states that an agency must exempt elderly and disabled individuals from this rent determination policy. The relevant implementing regulation is the definition for Annual Income located at 24CFR5.609.

The proposed MTW activity the MTW agency wishes to implement via this Safe Harbor Waiver:

The HACSC intends to apply this waiver to all households instead of excluding elderly and disabled households, which is outside of Safe Harbor.

A description of the local issue and why such an expansion is needed to implement the MTW activity:

The waiver being requested would allow the HACSC to exclude income from MTW asset building activities for the purpose of determining adjusted annual income used for calculating rental subsidy. This waiver *benefits* households by reducing their contribution to rent through the exclusion of certain income. The HACSC does not wish to prevent any eligible elderly and disabled households who may receive asset-building and/or guaranteed income from the benefit of having those incomes excluded.

An impact analysis is required for this activity.

The proposed waiver will benefit households. No household will be adversely impacted by the proposed waiver.

A description of the hardship policy for the MTW activity, if applicable: No hardship policy is needed for this MTW activity, as the waiver being requested benefits households by reducing their contribution to rent through the exclusion of certain income.

A copy of all comments received at the public hearing along with the MTW agency's description of how the comments were considered.

No comments were received at the public hearing.

Housing Authority of the County of Santa Cruz
Hardship Policy
Activity 2.b. – Payment Standards – Fair Market Rents

Under MTW Activity 2.b., the Housing Authority of the County of Santa Cruz (HACSC) will establish payment standards for the Housing Choice Voucher (HCV) program that are between 80% and 120% of the Fair Market Rent (FMR) for each applicable bedroom size. Without this MTW flexibility, payment standards must be established between 90% and 110% of the applicable FMR.

By establishing more flexible payment standards, HACSC projects that overall program participants will benefit and that additional housing opportunities will be affordable to HCV participants including housing units in higher opportunity areas, i.e. areas with lower poverty rates and greater access to jobs, education, services and other amenities. An additional projected benefit is that housing cost burdens may decrease for some households living in units for which the payment standard increases.

The MTW Operations Notice requires that HACSC implement a hardship policy for MTW activity 2.b. HACSC will review this hardship policy during its intake and recertification process. While it is highly unlikely that any household's assistance will be terminated as a result of this activity, if this situation arises, HACSC will consider if a household qualifies for a hardship exemption at the time of potential termination of assistance that is due to this activity.

HUD requires that the hardship policy address the following potential situations:

The family has experienced a decrease in income because of changed circumstances, including loss or reduction of employment, death in the family, or reduction in or loss of earnings or other assistance.

Activity 2.b. will not result in decreases to household income and, therefore, will not create a hardship in this situation. However, households who experience income decreases can request an interim recertification in accordance with HACSC's existing Administrative Plan policies.

The family has experienced an increase in expenses, because of changed circumstances, for medical costs, childcare, transportation, education, or similar items.

If HACSC reduces payment standards below 90% of FMR pursuant to Activity 2.b., some existing HCV participants may experience an increase in total tenant payment (TTP) compared to their TTP prior to implementation of the reduced payment standards. To eliminate any hardship caused by this activity, HACSC will not apply the lower payment standard to families who have already leased units under the higher standard until they move to a new unit. HACSC does not expect any hardship requests as a result of this waiver and no secondary level of review will be required.

Housing Authority of the County of Santa Cruz
Impact Analysis: Activity 2b

Waiver Number: 2.b.
Waiver Description: Payment Standards – Fair Market Rents
Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.
HACSC proposes to waive the requirement to establish Payment Standards between 90% - 110% of FMRs. Instead, HACSC proposes to establish Payment Standards between 80% - 120% of FMRs in order to provide the agency with more flexibility to establish Payment Standards that better reflect actual market rents.
Which of the MTW statutory objectives does this MTW activity serve?
☐ Cost effectiveness. ☐ Self-sufficiency. ☒ Housing Choice
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?
The proposed waiver applies to all assisted households.
Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?
The proposed waiver applies to both new admissions and currently assisted households.
Does the MTW activity apply to all family types or only to selected family types?
The proposed waiver applies to all family types.
Please select the family types subject to this MTW activity.
The proposed waiver applies to all family types.
Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions).
The proposed waiver is cost neutral. The cost of any particular payment standard will be analyzed prior to establishment and implementation.
Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)
The proposed waiver would allow HACSC to establish Payment Standards that better reflect market rents with the goal of increasing housing choice and reducing rent burden for families.
Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist);
The proposed waiver will not impact HACSCs waiting list.

Housing Authority of the County of Santa Cruz
Impact Analysis: Activity 2b

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency);
The proposed waiver will not impact HACSCs termination rate.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program
The proposed waiver could potentially improve the utilization rate of HCV program.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice
The proposed waiver will support housing choice by providing the agency with greater flexibility to establish Payment Standards that reflect market rents.
Impact on the agency's ability to meet the MTW statutory requirements;
The proposed waiver will not impact HACSCs ability to meet statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity.
HACSC does not anticipate hardship requests related to this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact).
HACSC does not anticipate any impact on protected classes as a result of this waiver.
Implementation timeline.
HACSC will implement this initiative upon approval of the MtW Supplement, Agency and Administrative Plan, with an anticipated operation period beginning 7/1/2023.
Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate.
HACSC has prepared "Hardship Policy Activity 2.b. – Payment Standards" for this activity which is included with the MTW Supplement submission.

5.1.b. Opt-Out Savings Account (HCV)
Statutes and Regulations Waived: Certain provisions of sections 23(b)-(f), and (n)(1) of the 1937 Act and 24 CFR 984.101-105, 984.201-204, 984.301-306 and 984.401.
The Housing Authority of the County of Santa Cruz (HACSC) – the agency - is authorized to provide funds to assisted households with the goal of increasing savings of assisted households.
Narrative: Funds shall be provided in the form of a savings account that will accrue for at least one year or until the account reaches \$120; no contract of participation will be required; households do not need to meet eligibility requirements in the FSS statute; all HCV assisted households shall be eligible to participate in the savings program, regardless of elderly and/or disabled status; and the amounts of contributions are not tied to income and contributions will be made whether or not there is a corresponding increase in participant contribution. The HACSC shall select one randomly selected treatment group and one deeply targeted treatment group in order to test our hypothesis that targeting such an asset building intervention to deeply targeted population would result in more significantly measurable positive outcomes than a randomly selected population of Section 8 participants.
Structure: The HACSC shall contribute a pre-determined, set amount of funds per household, per month into an escrow or personal savings account for the benefit of each assisted household participating in the savings program.
Eligibility: All Section 8 and Section 9 assisted households shall be eligible to participate in the savings program, regardless of elderly and/or disabled status.
Implementation Period: The HACSC shall provide the monthly contributions to assisted households participating in the savings program for at least 24 consecutive months.
Number of Households: The HACSC shall select one randomly selected treatment group and one deeply targeted treatment group and shall offer the savings program to at least 25 Section 8 assisted households per treatment group but in total not more than 50% of our total Section 8 assisted households during the 24-month implementation period. The Asset Building Cohort evaluator may assist the HACSC in randomly selecting assisted households to participate in the savings program as needed.
Amount of Savings Contribution: The HACSC shall contribute at least \$10 per month for the benefit of each assisted household participating in the savings program. The HACSC shall not contribute more per month for the benefit of each assisted household participating in the savings program than the applicable fair market rent of the unit in which they reside, and this amount must be the same for each assisted household participating in the savings program.
Access to Banking: The HACSC shall develop and implement a strategy to connect assisted households participating in the savings program with banking resources in the community. Banking resources should seek to maximize access to banking and minimize fees and other risks to the financial position of assisted households. This strategy could be developed internally at the HACSC or in conjunction with a

community partner organization. Assisted households participating in the savings program must have or obtain a bank account in order to receive funds from the savings program.

Access to Funds by Assisted Households: The HACSC may opt to pre-fund the account with \$120 or more so that the assisted household may access funds immediately if needed. Alternatively, the HACSC may establish guidelines wherein assisted households may receive funds for an urgent need before the account has reached a balance of \$120. The HACSC shall not place restrictions on how the funds are utilized by the assisted household after the account has reached a balance of \$120.

This MTW activity serves the following statutory objectives:

- ☒ Housing Choice
- ☒ Self-Sufficiency

A MTW activity may apply to all assisted households or only to a subset or subsets of assisted households by having a different policy by household status/family types/sites. This MTW activity applies:

- ☒ All assisted households

This MTW activity has the following cost implications:

- ☒ Increased expenditures

The implementation timeline for the initiative is:

Upon approval of MTW Supplement, Agency and Administrative Plan, design of and approval by evaluator of asset-building program, and training of staff.

Safe Harbors:

- i. The PHA must continue to follow all requirements of 2 CFR part 200.
- ii. 24 CFR 984.305(a) on accounting and reporting must be retained.
- iii. The PHA must contribute at least \$10 per month for the benefit of each assisted household participating in the savings program.
- iv. The PHA must not contribute more per month for the benefit of each assisted household participating in the savings program than the applicable fair market rent of the unit in which they reside.
- v. The PHA must provide an opportunity for households to opt-out of this activity.

This MTW activity does not require an impact analysis.

This MTW activity does not require a hardship policy.

Comments received at the public and the agency's description of how the comments were considered. There were no comments received at the public hearing.

**2023 HUD-APPROVED
AGENCY SPECIFIC WAIVERS
and
Associated
Impact Analysis**

- 1. ASW Extend Zero HAP to 360 Days**
- 2. ASW Use of TIC for PBV Eligibility**

Agency-Specific Waiver
1. 24 CFR 982.455 Automatic termination of HAP contract. Extend zero HAP participation from 180 days to 360 days.
Waive: 24 CFR 982.455 Automatic termination of HAP contract. The HAP contract terminates automatically 180 calendar days after the last housing assistance payment to the owner.
This activity waives certain provisions of 24 CFR 982.455(a) and extends the length of time a household may stay on the HCV program after the last housing assistance payment (HAP) was made to the owner to 360 days. This activity will impact all household types in the HCV program. This extension of time gives incentives to families with children, and to all participants, to become economically self-sufficient without losing their housing assistance after only 180 days without a HAP payment. The additional time on the HCV program offers the household protection against changes in their income and provides encouragement to the household that they can continue maintaining their current income level after successfully doing so for a full year.
This MTW activity serves the following statutory objectives: ☒ Cost effectiveness ☒ Self-sufficiency
This initiative achieves one or more of the 3 MTW above statutory objectives by: This activity promotes the MTW statutory goals of self-sufficiency and cost effectiveness. The extension of time gives incentives to families with children, and to all participants, to become economically self-sufficient without losing their housing assistance after only 180 days without a HAP payment. The additional time on the HCV program offers the household protection against changes in their income and provides encouragement to the household that they can continue maintaining their current income level after successfully doing so for a full year.
A MTW activity may apply to all assisted households or only to a subset or subsets of assisted households by having a different policy by household status/family types/sites. This MTW activity applies:☒to all assisted households
A MTW activity can apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households. This MTW activity applies to: ☒Currently assisted households only
A MTW activity can apply to all family types or only selected family types. This MTW activity applies to: ☒all family types
An MTW activity can apply to a tenant-based and or project-based voucher. ☒The MTW activity applies to all properties with project-based vouchers.

This MTW activity has the following cost implications: ☒Neutral
The implementation timeline for the initiative is: Upon approval of MTW Supplement, approval of revised Administrative Plan and training of staff.
This MTW activity does require an impact analysis.
Hardship: No households will be adversely affected by this MTW activity. The proposed activity allows families whose incomes have increased to the point that their rent is affordable without subsidy and who are no longer receiving any rental subsidy to have additional time before the automatic termination of their contract.
Comments received at the public hearing for the Agency-Specific waiver and the agency's description of how the comments were considered will be inserted after public hearing. No comments were received at the public hearing.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

Agency-Specific Waiver
Waiver Description: 24 CFR 982.455 Automatic termination of HAP contract. Extend zero HAP participation from 180 days to 360 days.
Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.
This activity waives certain provisions of 24 CFR 982.455(a) and extends the length of time a household may stay on the HCV program after the last housing assistance payment (HAP) was made to the owner to 360 days. This activity will impact all household types in the HCV program. This extension of time gives incentives to families with children, and to all participants, to become economically self-sufficient without losing their housing assistance after only 180 days without a HAP payment. The additional time on the HCV program offers the household protection against changes in their income and provides encouragement to the household that they can continue maintaining their current income level after successfully doing so for a full year.
Which of the MTW statutory objectives does this MTW activity serve?
☒ Cost effectiveness. ☒ Self-sufficiency. ☐ Housing Choice
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?
The waiver applies only to currently assisted households.
Does the MTW activity apply to all family types or only to selected family types?
This waiver applies to all family types
Please select the family types subject to this MTW activity.
All family types.
Impact on the agency's finances (e.g. how much will the activity cost, and any change in the agency's per family contributions.)
HACSC anticipates that this proposed waiver is cost neutral and will not impact agency costs.
Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)
HACSC anticipates that this proposed waiver will not affect how much affected families will pay towards housing costs. The proposed waiver is directly specifically to households whose incomes have increased to the point where they are not receiving any subsidy whatsoever. The increase in time before automatic termination of the HAP contracts provides an additional safety net in case the family experiences a decrease in income and needs to resume receiving rental assistance.
Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist.)
HACSC anticipates that this proposed waiver will not impact the amount of time families wait on the waiting list.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency.)
HACSC anticipates that this proposed waiver may prevent some families from being terminated from the program in the case of decreases in income.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program.
HACSC anticipates that to the extent this proposed waiver prevents families from being terminated, it would not result in reductions to the utilization rate of the HCV program.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice.
This proposed waiver will support the MTW statutory goal of self-sufficiency by providing incentives to families with children, and to all participants, to become economically self-sufficient without losing their housing assistance after only 180 days without a HAP payment. The additional time on the HCV program offers the household protection against changes in their income and provides encouragement to the household that they can continue maintaining their current income level after successfully doing so for a full year.
Impact on the agency's ability to meet the MTW statutory requirements.
HACSC does not anticipate that this waiver would result in any change in the Agency's ability to meet the MTW statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity.
Given that this waiver would benefit the impacted families, the HACSC does not anticipate any hardship requests resulting from this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact.)
HACSC does not anticipate that this waiver would result in any disparate impact to any protected class.
Implementation timeline.
HACSC will implement this initiative upon approval of the MtW Supplement, Agency and Administrative Plan, with an anticipated operation period beginning 7/1/2023.
Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate.
Not applicable. Given that this waiver would benefit the impacted families, the HACSC does not anticipate any hardship requests resulting from this waiver.

Agency-Specific Waiver
Allow use of Low-Income Housing Credit (26 U.S.C. 42) (LIHTC) Tenant Income Certification (TIC) for PBV eligibility determination.
Waive: 24 CFR Part 5 5.609(c)(3) Use of other programs' determination of income and 24 CFR Section 982.516 (family income and composition; regular and interim examinations) as necessary to implement use of the Low-Income Housing Credit (26 U.S.C. 42) (LIHTC) Tenant Income Certification (TIC) for PBV eligibility determination.
For PBV units that also use LIHTC, HACSC proposes to use the attached Tenant Income Certification (TIC) form required under The Low-Income Housing Credit (26 U.S.C. 42) (LIHTC) Program as verification of the income and assets. Owners of PBV units that receive tax credits must already comply with Federal LIHTC regulations which are similar to HCV regulations regarding verification of income and assets when determining and recertifying income eligibility of residents. Therefore, at initial eligibility and reexamination for each tenant residing in PBV units that also has LIHTC, the owner and HACSC are duplicating efforts in the verification process. This causes unnecessary delays in processing new tenants and creates redundant demands on clients to submit the same documentation to both the owner and the HACSC. Following language is excerpted from Federal Register / Vol. 88, No. 30 / Tuesday, February 14, 2023 / Rules and Regulations HOTMA mandates that HUD allow PHAs and owners to use income determinations from TANF block grants, Medicaid, and SNAP assistance. In addition, HUD believes that the definition of adjusted gross income used for the EITC is similar enough to the definition of income used by HUD to justify the inclusion of the EITC on the list. In this final rule, HUD is adding several forms of assistance to the list of means-tested public assistance that a PHA or owner may rely upon for an alternative income determination under § 5.609(c)(3): LIHTC; WIC; the SSI program; and other HUD programs, such as the HOME program. In addition, PHAs or owners may use income determinations from other forms of means-tested Federal public assistance if HUD has established a memorandum of understanding with the agency administering the assistance. Because the use of outside income determinations is permissive for PHAs or owners, PHAs or owners must specify in their written admission and continued occupancy policies, HCV administrative plan, or House Rules, as applicable, the policies that they are adopting, including which programs from the HUD-approved list, if any, they will accept and their method for choosing between potentially competing determinations from different programs. In response to questions received in public comments, HUD is also adding regulatory language specifying how PHAs or owners that choose to use income determinations

from other programs are to verify the information. PHAs or owners are to use third-party verification, which must include the tenant's family size and composition and state the family's annual income. The verification must also be dated within the time frame specified for the type of verification, including within the previous 12-month period for purposes of the specified means-tested forms of Federal public assistance. If the PHA or owner cannot obtain the required third-party verification, or if the family disputes the determination, the PHA or owner must calculate the family's annual income using the methods established in § 5.609(c)(1) and (2) or in the applicable program regulations.

...

In this rule, HUD, to the extent practicable and allowed by statute, is aligning programmatic regulations and requirements across HUD programs. Aligning with LIHTC is outside this rule's scope, but HUD would note that income for tenants occupying LIHTC projects is calculated in accordance with 26 U.S.C. 42(g)(4) (referencing 26 U.S.C. 142(d)(2)(B)), which says "income of individuals and area median gross income shall be determined by the Secretary in a manner consistent with determinations of lower income families and area median gross income under section 8 of the United States Housing Act of 1937." Section 1.42-5(b)(1)(vii) of title 26, Code of Federal Regulations, has similar language that states, "[t]enant income is calculated in a manner consistent with the determination of annual income under Section 8 of the United States Housing Act of 1937 ('Section 8')." Therefore, HUD believes that LIHTC and HUD program income calculations are currently aligned and will continue to be aligned when the changes in HOTMA are codified. When a project is using multiple sources of HUD funding, HUD already has in place programmatic policies and requirements on how to combine and administer those multiple sources. For example, MFH addresses tenant rent issues for units with LIHTC financing and HAP assistance in the Multifamily Occupancy Handbook. PHAs and owners should continue to follow such policies.

The use of the TIC for income verification at PBV properties is consistent with the rules that will be codified by HUD effective 1/1/2024:

Effective 1/1/2024

5.609(c)(3)Use of other programs' determination of income.

(i) The PHA or owner may, using the verification methods in paragraph ©(3)(ii) of this section, determine the family's income prior to the application of any deductions applied in accordance with § 5.611 based on income determinations made within the previous 12-month period for purposes of the following means-tested forms of Federal public assistance:

- (A) The Temporary Assistance for Needy Families block grant (42 U.S.C. 601 , et seq.).
 - (B) Medicaid (42 U.S.C. 1396 et seq.).
 - (C) The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
 - (D) The Earned Income Tax Credit (26 U.S.C. 32) .
 - (E) **The Low-Income Housing Credit (26 U.S.C. 42) .**
 - (F) The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786) .
 - (G) Supplemental Security Income (42 U.S.C. 1381 et seq.).
 - (H) Other programs administered by the Secretary.
 - (I) Other means-tested forms of Federal public assistance for which HUD has established a memorandum of understanding.
 - (J) Other Federal benefit determinations made in other forms of means-tested Federal public assistance that the Secretary determines to have comparable reliability and announces through the Federal Register .
- (ii) If a PHA or owner intends to use the annual income determination made by an administrator for allowable forms of Federal means-tested public assistance under this paragraph (c)(3), the PHA or owner must obtain it using the appropriate third-party verification. If the appropriate third-party verification is unavailable, or if the family disputes the determination made for purposes of the other form of Federal means-tested public assistance, the PHA or owner must calculate annual income in accordance with 24 CFR part 5 , subpart F. The verification must indicate the tenant's family size and composition and state the amount of the family's annual income. The verification must also meet all HUD requirements related to the length of time that is permitted before the third-party verification is considered out-of-date and is no longer an eligible source of income verification.

The TIC form used by the LIHTC Program follows HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification. The form requires the client's statement of income and assets, the client's signature, and the property owner's certification that they verified the data provided by the client and is therefore reliable documentation of the client's income/asset profile.

For Project Based Voucher Applicants applying for PBV units at a property with low-income housing tax credits the property management company conducts income and asset verifications utilizing methods outlined in the California Tax Credit Allocation Committee compliance manual following income and asset verification guidelines from chapter 5 of the HUD handbook. Once property management completes verification of income and assets,

they compile the data on the Tenant Income Certification (TIC) form, which will be submitted with consent from the applicant to the PHA along with the Housing Authority application packet. The PHA will utilize the TIC as verification of income and assets for an applicant household for initial certification. The PHA will conduct its standard background screening and collect any additional information needed for the 50059 as part of the initial certification process in addition to using the TIC as verification of income and assets.

The TIC form collects all information that is required for a PBV rent calculation except childcare deduction, disability assistance deduction, medical expense deduction, and elderly family deduction. The TIC form records income, income from assets, and identifies the utility allowance. Information on the TIC also allows the HACSC to record dependent deductions. HACSC will continue to allow households to supply any documentation that will permit them to claim the other applicable deductions.

While the TIC does not collect all the information that is required for the Form 50058 submission to PIC, HACSC will collect all the appropriate data from the household. The TIC will only be used as verification of income and assets for the income eligibility and rent calculation processes.

The Housing Authority intends to continue use of Enterprise Income Verification (EIV) after implementation of this Agency-Specific Waiver.

Considerations around Section 102/104 of HOTMA: In accordance with Federal Register /Vol. 88, No. 30 /Tuesday, February 14, 2023 /Rules and Regulations, "MTW agencies remain subject to statutory and regulatory provisions not waived by the MTW Agreement and those statutory and regulatory provisions outside the scope of MTW waiver authority, including any changes thereto. Any provisions of the 1937 Act and its implementing regulations that are amended by HOTMA and already explicitly waived by the MTW Agreement will continue to be waived by the relevant provisions of the MTW Agreement."

This MTW activity serves the following statutory objectives:

☒ Cost effectiveness

This activity corresponds with the HUD goal of increasing cost effectiveness by simplifying the calculation process.

A MTW activity may apply to all assisted households or only to a subset or subsets of assisted households by having a different policy by household status/family types/sites. This MTW activity applies:

☒ only to a subset or subsets of assisted households: PBV Only

If previous questions is subset.

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A MTW activity can apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households. This MTW activity applies to:

☒ New admissions (i.e., applicants) only - PBV Only

If above questions is subset.

A MTW activity can apply to all family types or only selected family types. This MTW activity applies to:

☒ Only to selected family types

Please select the family types subject to this MTW activity:

☒ Other – another specifically defined target population or populations. The description of this population is: PBV only.

If above questions is subset.

An MTW activity can apply to a tenant-based and or project-based voucher.

☒ The MTW activity applies to all properties with project-based vouchers.

This MTW activity has the following cost implications:

☒ Decreased expenditures

The implementation timeline for the initiative is:

Upon approval of MTW Supplement, Agency and Administrative Plan, and training of staff.

Impact Analysis: This MTW activity does require an impact analysis.

Hardship Policy: No households will be adversely affected by this MTW activity. The proposed activity will benefit tenants of LIHTC units to streamline the eligibility determine and reexamination process and will eliminate redundant demands on tenants to submit the same paperwork to both the owner and HACSC.

Comments received at the public hearing for the Agency-Specific waiver and the agency's description of how the comments were considered.

There were no comments received at the public hearing.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

Agency-Specific Waiver
Waiver Description: 24 CFR 982. 516 and 982 Subpart E and 983 - Allow use of Tenant Income Certification (TIC) for PBV eligibility determination at Initial Lease-up and Reexamination.
Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.
This activity waives certain provisions of 24 CFR 982.516 and 982 Subpart E, and 983 as necessary to determine and recertify income eligibility for residents of LIHTC units receiving PBV assistance. Owners of PBV units that receive LIHTC will provide a copy of the TIC form to determine PBV initial eligibility and reexamination for continued occupancy. This activity will impact all household types in the HCV program that reside in PBV units in which the owner receives LIHTC. This activity will enhance coordination with owners of LIHTC units in the PBV program that will result in reduced time to lease vacant PBV units and will decrease the administrative burden associated to eliminate the need for tenants to submit duplicative verification documents.
Which of the MTW statutory objectives does this MTW activity serve?
☒ Cost effectiveness. ☐ Self-sufficiency. ☐ Housing Choice
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?
The waiver applies only to new and currently assisted households in PBV units with LIHTC.
Does the MTW activity apply to all family types or only to selected family types?
This waiver applies to all family types
Please select the family types subject to this MTW activity.
All family types.
Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions).
HACSC anticipates that this proposed waiver is cost neutral and will not impact agency costs.
Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)
HACSC anticipates that this proposed waiver will not affect how much affected families will pay towards housing costs.
Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist);
HACSC anticipates that this proposed waiver will not impact the amount of time families wait on the waiting list.
Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency);

**Housing Authority of the County of Santa Cruz
Impact Analysis**

HACSC anticipates that this proposed waiver will not impact the agency's termination rate of families.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program
HACSC anticipates that this proposed waiver will not impact the agency's current utilization rate in the HCV program.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice
This proposed waiver will support the MTW statutory goal of cost effectiveness self-by providing enhancing the coordination between PBV owners with LIHTC, prospective tenants and residents of these units, and HACSC. This waiver will provide efficiency to obtain the necessary verification of income and assets needed at initial eligibility and continued occupancy.
Impact on the agency's ability to meet the MTW statutory requirements;
HACSC does not anticipate that this waiver would result in any change in the Agency's ability to meet the MTW statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity.
Given that this waiver would benefit the impacted families, the HACSC does not anticipate any hardship requests resulting from this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact).
HACSC does not anticipate that this waiver would result in any disparate impact to any protected class.
Implementation timeline.
HACSC will implement this initiative upon approval of the MtW Supplement, Agency and Administrative Plan, with an anticipated operation period beginning 7/1/2023.
Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate.
Not applicable. Given that this waiver would benefit the impacted families, the HACSC does not anticipate any hardship requests resulting from this waiver.

**2023 HUD-APPROVED
AGENCY SPECIFIC WAIVERS
and
Associated
Impact Analysis**

1. ASW Establish Alternative Subsidy Standards for PBV

AGENCY SPECIFIC WAIVER

E.1.c

Agency Specific Waiver Title: Establish Alternative Subsidy Standards Schedule for Project-Based Voucher Units

Citations/Regulations/Statutes to be Waived: 42 USC § 1437a(b)(3)(A), 24 CFR 982.402(b)(3), and 983.260

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC proposes an alternative subsidy standard schedule for all PBV units. In the tenant-based HCV Program, the subsidy standards determine the voucher size for the family and help to inform the applicable payment standard used in the rent calculation. In the PBV Program they determine the appropriate unit size, but they do not impact the rent calculation as most PBV participants simply pay their TTP regardless of the unit size they occupy or the amount of rent to owner.

HACSC proposes to establish an alternative subsidy standards schedule for PBV units that better aligns with occupancy standards of the affordable housing industry. An example of an alternative schedule, which shall be established annually in the HCV Administrative Plan, is below:

Unit Size	Minimum Family Size	Maximum Family Size
1-bedroom	1 person	3 persons
2-bedrooms	2 persons	5 persons
3-bedrooms	3 persons	7 persons

HACSC fills standard PBV vacancies with the following method: For a given PBV vacancy, HACSC conducts outreach to the HCV Waiting List or PBV site-based waiting list and selects families to apply. Interested families apply to the property directly and the owner processes families in accordance with the requirements of the tenant selection plan. Owner-approved applicants are referred back to HACSC and the owner indicates which vacant PBV unit the applicant has chosen and/or been assigned to. HACSC processes the owner-approved applicant for PBV eligibility, during which HACSC will confirm eligibility in accordance with the HACSC subsidy standards. Owners are encouraged to ensure families meet the subsidy standards while performing their own eligibility determinations, before sending an owner-approved applicant to HACSC.

The existing requirements result in difficulty filling larger units and has caused unnecessary displacement of existing households since the required use of HCV subsidy standards is overly rigid.

Upon approval of an alternative subsidy standard, HACSC shall ensure the policy does not result in overcrowding and will still permit families to transfer to tenant-based assistance after they have met all the applicable criteria, such as the one-year assistance requirement.

Revision Date 6/17/2025

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If the family becomes over-housed or underhoused based on the alternative subsidy standard schedule, HACSC will follow the regulations for occupancy of a “wrong-sized” unit pursuant to 24 CFR 983.260.

Typically, affordable housing utilizes occupancy standards, which are a range. Occupancy standards ensure that units are not overcrowded and that families are not severely over housed, but are also designed to give families more flexibility in the unit types that they are able to rent. This contrasts with the subsidy standards, which is a fixed number and is more restrictive. Since the subsidy standards must be consistent for both the HCV and PBV Programs, this creates difficulties in filling PBV units and reduces housing choice for families, since families are only able to occupy the exact PBV unit size as determined by the subsidy standards. However, HCV families may choose to rent a larger or smaller unit than their voucher size.

This activity will support HACSC’s ability to stably house families, improve housing choice, and improve PBV utilization in the following ways:

New Admissions

The average household size of families on HACSC’s HCV Waiting List is approximately 2.35 persons, meaning that it can be difficult to fill larger-sized PBV units (such as 3- or 4-bedroom units) as the restrictive subsidy standards limit the eligible pool of families that can be selected for such units. By establishing an alternative subsidy standard schedule for PBVs as a range, families will be eligible for a unit if their family size aligns with any value within that range. This may expand the eligible pool of families for any given unit, which may reduce the length of vacancies, and increase the number of housing opportunities that families are eligible to apply for.

Existing Participants

Additionally, the more restrictive existing subsidy standards strains current PBV participants since if they change their family size or composition and their new family size or composition exceeds or drops below the subsidy standard for the unit size that they occupy, current regulations require them to vacate the PBV unit. Therefore, families that wish to change their family size or composition may be unable to do so for fear of jeopardizing their housing stability.

By establishing the subsidy standards as a range, families will continue to occupy a “right-sized” unit if their family size aligns with any value within that range. Therefore, there will be more opportunities for families to add or remove family members without disrupting their housing.

This MTW activity serves the following statutory objectives:

Housing Choice

Cost Implications

Neutral (no cost implications)

Different policy by household status/family types/sites? Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households

The MTW activity applies only to a subset or subsets of assisted households

If previous question is a subset.

Household Status. Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

New admissions and currently assisted households

If waiver doesn’t apply to all assisted households:

Family Types. Does the MTW activity apply to all family types or only to selected family types?

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The MTW activity applies to all family types.
If not all assisted households are selected. For HCV activities: Does the MTW activity apply to all HCV tenant-based units and properties with project-based vouchers? The MTW activity applies to all properties with project-based vouchers
Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described? No
Does this MTW activity require a Hardship Policy: No
Does the MTW activity require an impact analysis? Yes
Does the impact analysis apply to more than this MTW activity? No
Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation. N/A
Comments received at the public hearing for the Agency-Specific waiver and the agency's description of how the comments were considered. No public comment received.

Revision Date 6/17/2025

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IMPACT ANALYSIS

E.1.c

Agency Specific Waiver Title: Establish Alternative Subsidy Standards Schedule for Project Based Voucher Units

Citations/Regulations/Statutes to be Waived: 42 USC § 1437a(b)(3)(A), 24 CFR 982.402(b)(3), and 983.260

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC proposes an alternative subsidy standard schedule for all PBV units. In the tenant-based HCV Program, the subsidy standards determine the voucher size for the family and help to inform the applicable payment standard used in the rent calculation. In the PBV Program they determine the appropriate unit size, but they do not impact the rent calculation as most PBV participants simply pay their TTP regardless of the unit size they occupy or the amount of rent to owner.

HACSC proposes to establish an alternative subsidy standards schedule for PBV units that better aligns with occupancy standards of the affordable housing industry. An example of an alternative schedule, which shall be established annually in the HCV Administrative Plan, is below:

Unit Size	Minimum Family Size	Maximum Family Size
1-bedroom	1 person	3 persons
2-bedrooms	2 persons	5 persons
3-bedrooms	3 persons	7 persons

HACSC fills standard PBV vacancies with the following method: For a given PBV vacancy, HACSC conducts outreach to the HCV Waiting List or PBV site-based waiting list and selects families to apply. Interested families apply to the property directly and the owner processes families in accordance with the requirements of the tenant selection plan. Owner-approved applicants are referred back to HACSC and the owner indicates which vacant PBV unit the applicant has chosen and/or been assigned to. HACSC processes the owner-approved applicant for PBV eligibility, during which HACSC will confirm eligibility in accordance with the HACSC subsidy standards. Owners are encouraged to ensure families meet the subsidy standards while performing their own eligibility determinations, before sending an owner-approved applicant to HACSC.

The existing requirements result in difficulty filling larger units and has caused unnecessary displacement of existing households since the required use of HCV subsidy standards is overly rigid.

Upon approval of an alternative subsidy standard, HACSC shall ensure the policy does not result in overcrowding and will still permit families to transfer to tenant-based assistance after they have met all the applicable criteria, such as the one-year assistance requirement.

If the family becomes over-housed or underhoused based on the alternative subsidy standard schedule, HACSC will follow the regulations for occupancy of a "wrong-sized" unit pursuant to 24 CFR 983.260.

Typically, affordable housing utilizes occupancy standards, which are a range. Occupancy standards ensure that units are not overcrowded and that families are not severely over housed but are also designed to give families more flexibility in the unit types that they are able to rent. This contrasts with the subsidy standards, which is a fixed number and is

more restrictive. Since the subsidy standards must be consistent for both the HCV and PBV Programs, this creates difficulties in filling PBV units and reduces housing choice for families, since families are only able to occupy the exact PBV unit size as determined by the subsidy standards. However, HCV families may choose to rent a larger or smaller unit than their voucher size. This activity will support HACSC's ability to stably house families, improve housing choice, and improve PBV utilization in the following ways: New Admissions The average household size of families on HACSC's HCV Waiting List is approximately 2.35 persons, meaning that it can be difficult to fill larger-sized PBV units (such as 3- or 4-bedroom units) as the restrictive subsidy standards limit the eligible pool of families that can be selected for such units. By establishing an alternative subsidy standard schedule for PBVs as a range, families will be eligible for a unit if their family size aligns with any value within that range. This may expand the eligible pool of families for any given unit, which may reduce the length of vacancies, and increase the number of housing opportunities that families are eligible to apply for. Existing Participants Additionally, the more restrictive existing subsidy standards strains current PBV participants since if they change their family size or composition and their new family size or composition exceeds or drops below the subsidy standard for the unit size that they occupy, current regulations require them to vacate the PBV unit. Therefore, families that wish to change their family size or composition may be unable to do so for fear of jeopardizing their housing stability. By establishing the subsidy standards as a range, families will continue to occupy a "right-sized" unit if their family size aligns with any value within that range. Therefore, there will be more opportunities for families to add or remove family members without disrupting their housing.
Which of the MTW statutory objectives does this MTW activity serve? Housing Choice
Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households? The MTW activity applies to a subset or subsets of assisted households.
Does the MTW activity apply to all family types or only to selected family types? This MTW activity applies to all family types.
Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions). No change to agency's finances. No change to agency's per family contributions.
Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.) No change in housing costs for families.
Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist) This MTW activity may reduce the amount of time that families are on the waiting list as this will expand the number of PBV units that a family may be eligible for.

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency) This MTW activity may reduce the termination rate of families because it will allow families more flexibility to live in PBV units and changing their family size or composition may no longer result in them needing to vacate a PBV unit.
Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program This MTW activity is anticipated to improve the utilization rate of PBV units by expanding the pool of eligible families.
Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice This MTW activity improves housing choice.
Impact on the agency's ability to meet the MTW statutory requirements This MTW activity positively impacts the agency's ability to meet the MTW statutory requirements.
Impact on the rate of hardship requests and the number granted and denied as a result of this activity. The agency anticipates that there will be no hardships associated with this waiver.
Across the other factors above, the impact on protected classes (and any associated disparate impact). None.
Implementation timeline. Upon approval of the MTW Supplement.
Description of a hardship policy, if needed. The agency anticipates that there will be no hardships associated with this waiver.

HUD APPROVAL PENDING

2025 AGENCY SPECIFIC WAIVERS and Associated Impact Analyses

- 1. ASW Independent Entity Requirements for
Project Based Vouchers**
- 2. ASW Alternative Development Cost Limits**

E.1.a ASW

Independent Entity Requirements for Project-Based Vouchers

Citations/Regulations/Statutes to be Waived:

42 USC 1437f(o)(11)(A), 24 CFR 983.57(b)(1), 983.57(b)(3)-(b)(4), 983.155(b), 983.156(d), 983.157(i), 983.212(c), and 983.301(g)

HACSC proposes to waive all remaining Independent Entity requirements in the Project Based Voucher (PBV) Program for PHA-owned unit not included in waivers for Rent Reasonableness (Waiver 2.d.), HQS Inspections (Waiver 5.c.) and Project Selection (Waiver 9.c.).

The Independent Entity functions to be waived under this request include:

- (A) initial and annual redetermining rent to owner, including calculating any rent adjustments by an OCAF, where applicable;
- (B) accepting evidence of completion of the work for development or substantial improvement activity; and
- (C) approving proposals and accepting completion of substantial improvements

HACSC proposes to waive all Independent Entity requirements in the Project Based Voucher (PBV) Program for PHA-owned units, in order to create administrative efficiencies and reduce agency costs. Independent entity functions include determining rent to owner, rent reasonableness, unit inspections, accepting evidence of completion of the work, project selection, and approving and accepting completion of substantial improvements.

The agency already has MTW Authority to waive Independent Entity requirements at PHA-owned properties for Rent Reasonableness (Waiver 2.d.), HQS Inspections (Waiver 5.c.) and Project Selection (Waiver 9.c.).

This waiver request is to waive all remaining Independent Entity functions, empowering HACSC staff to perform all functions previously required to be performed by an Independent Entity. This will streamline and simplify the administrative functions relating to PHA-owned units.

Implementation of this waiver will result in cost effectiveness and decreased expenditures.

The Housing Authority will ensure impartiality and compliance with 982.302(b)(6), 983.155(b), 983.156, and 983.212 by maintaining a separation of responsibilities between departments where possible and integrating standardized transaction-specific checklists and/or forms and certifications to ensure that the same processes and policies are followed for each PBV project.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

IMPACT ANALYSIS

E.1.a

Agency Specific Waiver Title: Independent Entity Requirements for Project Based Vouchers

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

HACSC proposes to waive all Independent Entity requirements in the Project Based Voucher (PBV) Program for PHA-owned units, in order to create administrative efficiencies and reduce agency costs. Independent entity functions include determining rent to owner, rent reasonableness, unit inspections, accepting evidence of completion of the work, project selection, and approving and accepting completion of substantial improvements. The agency already has MTW Authority to waive Independent Entity requirements at PHA-owned properties for Rent Reasonableness (Waiver 2.d.), HQS Inspections (Waiver 5.c.) and Project Selection (Waiver 9.c.).

This waiver request is to waive all remaining Independent Entity functions, empowering HACSC staff to perform all functions previously required to be performed by an Independent Entity. This will streamline and simplify the administrative functions relating to PHA-owned units.

The Independent Entity functions to be waived under this request include:

- (A) determining rent to owner;
- (B) accepting evidence of completion of the work; and
- (C) approving and accepting completion of substantial improvements.

Implementation of this waiver will result in cost effectiveness and decreased expenditures.

The Housing Authority will ensure impartiality and compliance with 982.302(b)(6), 983.155(b), 983.156, and 983.212 by maintaining a separation of responsibilities between departments where possible and integrating standardized transaction-specific checklists and/or forms and certifications to ensure that the same processes and policies are followed for each PBV project.

-

Which of the MTW statutory objectives does this MTW activity serve?

Cost effectiveness

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The MTW activity applies only to a subset or subsets of assisted households.

Household Status. Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

New admissions and currently assisted households

**Housing Authority of the County of Santa Cruz
Impact Analysis**

Does the MTW activity apply to all family types or only to selected family types?

All family types.

Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions).

Positive impact on the agency's finance as there will no longer be a need to pay for independent entity services. No changes to the agency's per family contributions.

Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)

This MTW activity would not impact housing costs for families.

Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist)

This MTW activity would not impact the agency's waitlist.

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency)

This MTW activity would not impact the termination rate of families.

Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program

This MTW activity would not impact the utilization rate in the HCV Program

Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice

This MTW activity would support the goal of cost effectiveness through streamlining administrative operations relating to the PBV Program.

Impact on the agency's ability to meet the MTW statutory requirements

This MTW activity would positively impact the agency's ability to meet the statutory requirements.

Impact on the rate of hardship requests and the number granted and denied as a result of this activity.

This MTW activity does not require a hardship policy.

**Housing Authority of the County of Santa Cruz
Impact Analysis**

Across the other factors above, the impact on protected classes (and any associated disparate impact).
None

Implementation timeline.
Upon approval of the MTW Supplement.

Description of a hardship policy, if needed.
This MTW activity does not require a hardship policy.

Across the other factors above, the impact on protected classes (and any associated disparate impact).
None

Implementation timeline.
Upon approval of the MTW Supplement.

Description of a hardship policy, if needed.
This MTW activity does not require a hardship policy.

Agency-Specific Waiver

E.1.b

Agency Specific Waiver Title: E.1.b. Alternative Development Cost Limits

Regulation to Waive: 905.314

The Housing Authority of the County of Santa Cruz (HACSC) proposes to waive 905.314 and establish an alternative to the existing Total Development Cost (TDC) and Housing Construction Cost (HCC) limits.

MTW housing authorities that wish to develop new affordable housing have the unique opportunity to leverage local, non-traditional abilities and directly support the development costs of a project with MTW funds. However, the established TDCs and HCCs limit the amount of MTW funds that HACSC can include in the project's budget. These limits are too low and do not align with the actual cost to develop a project, so HACSC is unable to leverage enough MTW funds to adequately support new projects.

Construction costs have increased significantly in recent years and continue to rise rapidly in the form of increased material and labor costs and higher interest rates. Current industry construction cost projections anticipate continued increases due to supply chain issues and other market factors. Further, Santa Cruz County is part of a larger metro-region, and competition for general contractors and trades, which includes Santa Clara, San Mateo, and the greater Bay Area, increases construction costs in Santa Cruz.

HUD's TDC's are based on national average costs derived from cost estimation books, which do not reflect real-world conditions. HACSC has been unsuccessful in replicating HUD's calculation using R.S. Means for "average" and Marshall & Swift for "good," specifically for Santa Cruz County. It is unclear how these databases apply and sort their data, as several variables and filters are not publicly disclosed. Additionally, these indexes require a paid subscription, which is costly. Furthermore, the underlying market data is limited in scope and does not adequately represent high-cost regions such as Santa Cruz County. The results are then aggregated and adjusted by location factors. Location factors are applied after the fact to account for differences in market costs, but the derivation of these location factors is not evident. These insufficiencies result in TDCs and HCCs being far below actual costs experienced in Santa Cruz County.

Due to these insufficiencies, HACSC must depend on conventional methods for funding affordable housing projects, primarily low-income housing tax credits (LIHTCs), tax-exempt bonds, and other state subsidies. In California, HACSC must contend for these awards alongside other public and private developers, simply increasing the competition for funds that are already heavily oversubscribed. This means that if HACSC wins an award, another developer has not, and vice versa, which would likely result in the unawarded project not moving forward. The competitive nature of LIHTCs and similar subsidies is compounded by the fact that these programs are limited and underfunded. Because of this, the inefficient level of existing TDCs and HCCs effectively renders HACSC unable to create more affordable housing than what would otherwise be built through these standard funding opportunities. Further, due to the intense competitive environment, HACSC cannot rely on winning these awards, and HACSC seeks to construct affordable housing regardless of whether the funds are ultimately obtained.

Additionally, a UC Berkeley Turner Center study of California projects awarded LIHTCs between 2020 and 2023 found that *"the inclusion of one additional public funding source adds, on average, four months to the timeline of being able to start construction and is associated with an increase of approximately \$20,460 in per-unit total development costs."* As such, decreasing the number of sources needed to finance a project will likely lead to shorter development timelines and a reduction in overall project costs.

Therefore, HACSC seeks to establish TDCs and HCCs that better align with the actual construction costs of a project in Santa Cruz County and when necessary, can fully support projects with MTW funds, thereby reducing competition for already oversubscribed subsidies and facilitating the creation of more affordable housing than what would already otherwise be funded through existing channels.

HACSC proposes to establish an alternative TDC that is equivalent to the annual Threshold Basis Limits as established by the California Tax Credit Allocation Committee (CTCAC), the state low-income housing credit agency, for the South and West Bay Region.

The CTCAC Threshold Basis Limits cap the maximum “eligible basis” that a project may claim low-income housing tax credits against. The eligible basis includes hard construction costs of the housing and other soft costs directly related to that construction.

The CTCAC Basis Limits are established for each CTCAC region and are based on a combination of estimated and actual construction costs of new construction projects that have received tax credits within the previous five-year period. Estimated project costs are replaced with actual costs upon project completion and receipt of final cost certifications from developers. The Basis Limits are evaluated annually by CTCAC and adjusted every year as costs change. This will allow HACSC to utilize revised limits on an annual basis, allow HACSC to rely on an objective third party’s measure, and allow HACSC to utilize costs that are based on actual, changing market values. Further, the usage of objective and replicable examples contrasts from HUD’s TDC methodology.

The regulations outlined in CTAC’s Qualified Action Plan establish eleven Geographical Regions within California for the annual credit apportionment. A geographic region is comprised of a group of counties. CTAC has designated Santa Cruz County to the Central Coast Region which includes four other counties (Monterey, San Luis Obispo, Santa Barbara, and Ventura) all located south of Santa Cruz. The South and West Bay Region includes San Mateo County and Santa Clara County. Santa Cruz County shares a boarder with San Mateo to the north and Santa Clara to the east. HACSC has identified the Basis Limits for the South and West Bay Area region to be more reflective of the costs that developers experience in Santa Cruz County, and therefore, proposes to utilize the South and West Bay Region Basis Limits instead of the Central Coast Region Basis Limits.

HACSC based this analysis on South and West Bay projects that received 4% or 9% tax credits during the 2023 and 2024 tax credit cycles and on projects that received an award of Project-Based Vouchers through HACSC’s 2023 and 2024 Requests for Proposals. These years reflect the most recent costs of construction, which are similarly impacted by recent inflationary pressures, and are more easily comparable. Projects that did not pay for land and/or acquired land for well below market value (ex. \$55), were excluded from the analysis.

The average per-unit cost for the projects in the South and West Bay Region is \$789,454.93, and the per-square foot cost is \$808.58. For Santa Cruz County projects, the average-per unit cost and per-square foot are \$953,437.91 and \$1,185.39 respectively.

For the South and West Bay Regions, each project’s unit count, total project cost, land cost, total square footage, average cost per square foot, and average cost per unit, are listed in Appendix A. For the Santa Cruz County PBV projects, some of which were also awarded tax credits in the 2023/4 cycles, the unit count, total project cost, land cost, total square footage, average cost per square foot, and average cost per unit, are listed in Appendix B.

HACSC proposes a single TDC for all building and unit types (elevator, walkup, rowhouse, detached, etc.), as these differences are not identified by CTCAC, and does not propose establishing a separate HCC. **Each year, HACSC will use the most recently established CTCAC Basis Limits as the applicable TDCs, as they are updated.**

The 2025 Basis Limits for the South and West Bay Region, which will serve as the 2025 TDCs, are below:

SRO & STUDIO	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM
\$523,060	\$613,460	\$740,000	\$947,200	\$1,055,240

Contrastingly, the TDCs and HCCs for an elevator building in Santa Cruz County are the following:

0 BEDROOM		1 BEDROOM		2 BEDROOM		3 BEDROOM		4 BEDROOM	
HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC
\$128,432	\$205,491	\$179,805	\$287,688	\$231,178	\$369,884	\$308,237	\$493,179	\$385,296	\$616,473

As shown, the TDCs and HCCs are not reflective of the actual costs of construction in Santa Cruz County and significantly inhibit the ability of HACSC to support projects with MTW funds, while the CTCAC Basis Limits better represent the experience of developers in Santa Cruz County and will directly enable HACSC to create more affordable housing in the community.

This MTW activity serves the following statutory objectives:

- ☒ Cost effectiveness
- ☒ Housing Choice

Cost Implications

- ☒ Cost neutral

Different policy by household status/family types/sites? Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

- ☒ The MTW activity applies only to all assisted families

If previous question is a subset.

Household Status. Does the MTW activity apply only to new admissions, only to currently assisted households, or to both new admissions and currently assisted households?

- ☒ New admissions and currently assisted households

If waiver doesn't apply to all assisted households:

Family Types. Does the MTW activity apply to all family types or only to selected family types?

- ☒ The MTW activity applies to all family types

Does the MTW agency need a Safe Harbor Waiver to implement this MTW activity as described?

- ☒ No

Does this MTW activity require a Hardship Policy:

- ☒ No

Does the MTW activity require an impact analysis?

- ☒ Yes

Does the impact analysis apply to more than this MTW activity?

- ☒ No

Based on the Fiscal Year goals listed in the activity's previous Fiscal Year's narrative, provide a description about what has been accomplished or changed during the implementation.

N/A

Comments received at the public hearing for the Agency-Specific waiver and the agency's description of how the comments were considered.

No public comments received.

IMPACT ANALYSIS

E.1.b.

Agency-Specific Waiver Title– E.1.b. Alternative Development Cost Limits

Regulations to Waive: 905.314

Describe the MTW activity (including what specifically the agency is proposing to waive), the MTW agency's goal(s) for the MTW activity, and, if applicable, how the MTW activity contributes to a larger initiative.

The Housing Authority of the County of Santa Cruz (HACSC) proposes to waive 905.314 and establish an alternative to the existing Total Development Cost (TDC) and Housing Construction Cost (HCC) limits.

MTW housing authorities that wish to develop new affordable housing have the unique opportunity to leverage local, non-traditional abilities and directly support the development costs of a project with MTW funds. However, the established TDCs and HCCs limit the amount of MTW funds that HACSC can include in the project's budget. These limits are too low and do not align with the actual cost to develop a project, so HACSC is unable to leverage enough MTW funds to adequately support new projects.

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HUD's TDC's are based on national average costs derived from cost estimation books, which do not reflect real-world conditions. HACSC has been unsuccessful in replicating HUD's calculation using R.S. Means for "average" and Marshall & Swift for "good," specifically for Santa Cruz County. It is unclear how these databases apply and sort their data, as several variables and filters are not publicly disclosed. Additionally, these indexes require a paid subscription, which is costly. Furthermore, the underlying market data is limited in scope and does not adequately represent high-cost regions such as Santa Cruz County. The results are then aggregated and adjusted by location factors. Location factors are applied after the fact to account for differences in market costs, but the derivation of these location factors is not evident. These insufficiencies result in TDCs and HCCs being far below actual costs experienced in Santa Cruz County.

Due to these insufficiencies, HACSC must depend on conventional methods for funding affordable housing projects, primarily low-income housing tax credits (LIHTCs), tax-exempt bonds, and other state subsidies. In California, HACSC must contend for these awards alongside other public and private developers, simply increasing the competition for funds that are already heavily oversubscribed. This means that if HACSC wins an award, another developer has not, and vice versa, which would likely result in the unawarded project not moving forward. The competitive nature of LIHTCs and similar subsidies is compounded by the fact that these programs are limited and underfunded. Because of this, the inefficient level of existing TDCs and HCCs effectively renders HACSC unable to create more affordable housing than what would otherwise be built through these standard funding opportunities. Further, due to the intense competitive environment, HACSC cannot rely on winning these awards, and HACSC seeks to construct affordable housing regardless of whether the funds are ultimately obtained.

Additionally, a UC Berkeley Turner Center study of California projects awarded LIHTCs between 2020 and 2023 found that *"the inclusion of one additional public funding source adds, on average, four months to the timeline of being able to start construction, and is associated with an increase of approximately \$20,460 in per-unit total development costs."* As such, decreasing the number of sources needed to finance a project will likely lead to shorter development timelines and a reduction in overall project costs.

Therefore, HACSC seeks to establish TDCs and HCCs that better align with the actual construction costs of a project in Santa Cruz County and when necessary, can fully support projects with MTW funds, thereby reducing competition for already oversubscribed subsidies and facilitating the creation of more affordable housing than what would already otherwise be funded through existing channels.

HACSC proposes to establish an alternative TDC that is equivalent to the annual Threshold Basis Limits as established by the California Tax Credit Allocation Committee (CTCAC), the state low-income housing credit agency, for the South and West Bay Region.

The CTCAC Threshold Basis Limits cap the maximum “eligible basis” that a project may claim low-income housing tax credits against. The eligible basis includes hard construction costs of the housing and other soft costs directly related to that construction.

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HACSC based this analysis on South and West Bay projects that received 4% or 9% tax credits during the 2023 and 2024 tax credit cycles and on projects that received an award of Project-Based Vouchers through HACSC’s 2023 and 2024 Requests for Proposals. These years reflect the most recent costs of construction, which are similarly impacted by recent inflationary pressures, and are more easily comparable. Projects that did not pay for land and/or acquired land for well below market value (ex. \$55), were excluded from the analysis.

The average per-unit cost for the projects in the South and West Bay Region is \$789,454.93, and the per-square foot cost is \$808.58. For Santa Cruz County projects, the average-per unit cost and per-square foot are \$953,437.91 and \$1,185.39 respectively.

For the South and West Bay Regions, each project’s unit count, total project cost, land cost, total square footage, average cost per square foot, and average cost per unit, are listed in Appendix A. For the Santa Cruz County PBV projects, some of which were also awarded tax credits in the 2023/4 cycles, the unit count, total project cost, land cost, total square footage, average cost per square foot, and average cost per unit, are listed in Appendix B.

HACSC proposes a single TDC for all building and unit types (elevator, walkup, rowhouse, detached, etc.), as these differences are not identified by CTCAC, and does not propose establishing a separate HCC. **Each year, HACSC will use the most recently established CTCAC Basis Limits as the applicable TDCs, as they are updated.**

The 2025 Basis Limits for the South and West Bay Region, which will serve as the 2025 TDCs, are below:

SRO & STUDIO	1 BEDROOM	2 BEDROOM	3 BEDROOM	4 BEDROOM
\$523,060	\$613,460	\$740,000	\$947,200	\$1,055,240

Contrastingly, the TDCs and HCCs for an elevator building in Santa Cruz County are the following:

0 BEDROOM		1 BEDROOM		2 BEDROOM		3 BEDROOM		4 BEDROOM	
HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC	HCC	TDC
\$128,432	\$205,491	\$179,805	\$287,688	\$231,178	\$369,884	\$308,237	\$493,179	\$385,296	\$616,473

As shown, the TDCs and HCCs are not reflective of the actual costs of construction in Santa Cruz County and significantly inhibit the ability of HACSC to support projects with MTW funds, while the CTCAC Basis Limits better represent the experience of developers in Santa Cruz County and will directly enable HACSC to create more affordable housing in the community.

Which of the MTW statutory objectives does this MTW activity serve?

- ☒ Cost effectiveness.
- ☒ Housing Choice

Does the MTW activity under this waiver apply to all assisted households or only to a subset or subsets of assisted households?

The waiver applies to all assisted households.

Does the MTW activity apply to all family types or only to selected family types?

This waiver applies to all family types.

Impact on the agency's finances (e.g., how much will the activity cost, and any change in the agency's per family contributions).

HACSC anticipates that the use of MTW funds applied to development projects through an alternative TDC methodology will be cost neutral as these funds will be returned to HACSC during the project lifecycle through a combination of sources, which includes fees and rental income.

Impact on affordability of housing costs for affected families (e.g. any change in how much affected families will pay towards their housing costs.)

HACSC anticipates that this proposed waiver will not affect how much affected families will pay towards housing costs.

Impact on the agency's waitlist(s) (e.g., any change in the amount of time families are on the waitlist);

HACSC anticipates that this proposed waiver will reduce the amount of time families wait on the waiting list through additional affordable housing development, making more housing available sooner.

Impact on the agency's termination rate of families (e.g., any change in the rate at which families non-voluntarily lose assistance from the agency)

HACSC anticipates that this proposed waiver will not impact the agency's termination rate of families.

Impact on the agency's current occupancy level in public housing and utilization rate in the HCV program

HACSC anticipates that this proposed waiver will not impact the agency's current utilization rate in the HCV Program.

Impact on meeting the MTW statutory goals of cost effectiveness, self-sufficiency, and/or housing choice

This proposed waiver will support the MTW statutory goal of housing choice by providing additional affordable housing units through increased development activity and support cost effectiveness due to the ability to build affordable housing quicker.

Impact on the agency's ability to meet the MTW statutory requirements

HACSC does not anticipate that this waiver would result in any change in the Agency's ability to meet the MTW statutory requirements.

Impact on the rate of hardship requests and the number granted and denied as a result of this activity.

Given that this waiver would benefit assisted households, the HACSC does not anticipate any hardship requests resulting from this waiver.

Across the other factors above, the impact on protected classes (and any associated disparate impact).

HACSC does not anticipate that this waiver would result in any disparate impact to any protected class.

Implementation timeline.

HACSC will implement this initiative upon approval from HUD.

Description of a hardship policy, if needed. The MTW agency must adopt a written policy for determining when a requirement or provision of an MTW activity constitutes a financial or other hardship for the family. The agency must include this policy as an attachment to its MTW Supplement to the Annual PHA Plan. The agency may use a single hardship policy, as applicable, for multiple MTW waivers or develop different hardship policies for different MTW waivers as it finds appropriate.

Given that this waiver would benefit the impacted families, HACSC does not anticipate any hardship requests resulting from this waiver.