



**U.S. Department of Housing and Urban Development**

Detroit Field Office  
Office of Public Housing  
Patrick V. McNamara Federal Building  
477 Michigan Avenue, Room 1710  
Detroit, MI 48226-2592  
Tel. (313) 226-7900 FAX (313) 226-6160

July 23, 2012

Ma'Cheryl Jones, Chairperson  
Ypsilanti Housing Commission  
118 South Grove  
Ypsilanti, MI 48198

Ms. Jones:

**SUBJECT: Housing Choice Voucher Program Shortfall**

On Wednesday, July 18, 2012 HUD staff met with two members of the Ypsilanti Housing Commission's ("YHC") Board and the YHC's attorney at the Detroit HUD Field Office, to discuss the fact that the Ypsilanti Housing Commission's ("YHC") Housing Choice Voucher ("HCV") Program is facing a significant and unrecoverable shortfall in funding. This shortfall situation has been discussed with the YHC Executive Director numerous times over the past few months, most recently on July 11, 2012.

Key components of this serious matter were provided at the meeting and are included below:

1. YHC's annual budget authority for calendar 2012 is \$1,780,343; \$1,739,832 of which is in the form of an offset to the Commission's Net Restricted Assets, or "NRA", (which is the Housing Assistance Payments, "HAP" reserve) as of December 31, 2011, and \$40,511 in new funding from HUD.
2. YHC's entire NRA was offset because the amount actually available on December 21, 2011 (\$1.7k) was lower than the amount HUD determined should have been available (\$1.9k). Accordingly, no portion of YHC's reserve was sheltered from the offset, and YHC has no additional reserve available.
3. Based on reported leasing and HAP expenditures through May 2012, YHC is projected to have a \$228,407 shortfall by the end of calendar year 2012. At current HAP expense levels, this means that YHC will be able to pay approximately one-third of its current HAP obligations in November 2012, and none in December 2012.
4. Because the YHC is already over-committed, there are no funds available to cover additional HAP expense for 68 project-based voucher units at Hamilton Crossing scheduled to start coming online in August 2012. YHC will have no option but to default on its obligations under the AHAP (Agreement to enter into a Housing Assistance Payments Contract) signed on 3/12/2012.

5. YHC is currently considering two options to resolve the shortfall – drastically reducing HAP expenses by means of a Payment Standard Waiver and other cost-saving measures, or transferring the program to another Housing Authority with sufficient funds to properly administer the program.

A. YHC currently has waiver requests pending with HUD to allow it, effective September 1, 2012 to:

- Reduce the Payment Standard for its voucher program to 77% of the published Fair Market Rent for participants in Washtenaw County, and 70% in Wayne County. This will result in the average participant family paying 73% of their monthly income for rent instead of the 30% generally provided for under the Housing Choice Voucher program. Eighteen families will be effectively terminated from the program, as their HAP will be reduced to \$0. Twenty-two families will have their share of the rent increased to more than 100% of their monthly income.
- Tie the utility allowance to the voucher size for families that lease units larger than the voucher provides for.
- Increase the minimum rent to \$75 monthly for the 49 lowest income families.

Because YHC's 2013 funding will be based on its per-unit costs in 2012, these reductions in the HAP assistance provided to participant families would remain in effect indefinitely, until the program had shrunk sufficiently through attrition to allow YHC to increase HAP assistance provided to what will be a smaller number of families.

If the YHC does implement these changes, rent change letters to the participant families need to be sent before August 1 to provide the required notice. Otherwise, the changes will have to be pushed back to October 1, 2012, and the cuts will have to be deeper.

As an example, the direct affect on a two bedroom, two person HCV family in Wayne County is an increase of rent from \$188/month to \$371/month; a family of six in a three bedroom home would face an increase from \$50/month to \$161/month. The figures are similar for those participants in Washtenaw County: a family of two in a two bedroom home would face a rent increase from \$625/month to \$978/month and a family of six in a three bedroom home would face an increase in rent from \$277/month to \$537/month. (Hard copies of the supporting documents were distributed at the meeting.)

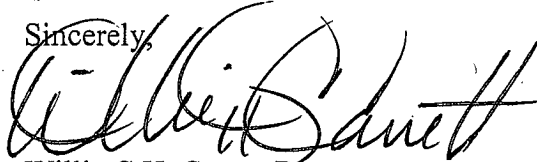
B. Alternatively, YHC could voluntarily move to transfer the entire HCV program (authorized units, ABA and reserves) to another PHA with the financial and administrative capability to properly administer the program. The new PHA would be required to administer HAP assistance for current participants, admit new families from the YHC's waiting list, and administer the HAP agreement for the project-based units at Hamilton Crossing as a successor to YHC. This would be a permanent transfer.

The advantages to this option are that HAP assistance to current participant families could remain at current levels, and YHC's obligation to provide project-based voucher assistance for Hamilton Crossing could be met.

- C. In order to affect the transfer, it will be necessary to have a signed Board resolution from YHC and the receiving PHA. These resolutions must be specific as to what is proposed to be transferred (all UMA, ABA and reserves), to whom, and when. Administrative details including waiting lists, processing future applications, and the leasing of PBV units at Hamilton Crossing need not be included, but should be covered in a separate document. The resolutions, along with summaries from the Executive Directors of the divesting and receiving Housing Authorities, should be sent to the HUD Field Office with a request to expedite the transfer.

It is imperative that the Commission advise HUD as soon as possible of the direction it has decided to take: either to maintain the HCV as a YHC program which will entail raising the rents (notices due to residents by August 1, 2012) and be unable to fund 68 project based vouchers for Hamilton Crossing or voluntarily transfer the HCV program to a Housing Agency with the funding available to honor YHC's commitments and the administrative capacity to properly and sustainably operate the HCV Program.

Sincerely,



Willie C.H. Garret, Director  
Office of Public Housing

Bernice Ethington, Board Member  
960 Monroe Street  
Ypsilanti, MI 48198  
[king5130@yahoo.com](mailto:king5130@yahoo.com)

Renee Smith, Board Member  
1112 North Congress Street  
Ypsilanti, MI 48197  
[nazegig@provide.net](mailto:nazegig@provide.net)

Deborah Strong, Board Member  
921 Pleasant Drive  
Ypsilanti, MI 48197  
[ddsdds33@hotmail.com](mailto:ddsdds33@hotmail.com)

Walter Norris, Executive Director  
Ypsilanti Housing Commission  
601 Armstrong Drive  
Ypsilanti, MI 48197  
[wnorris@ypsilantihc.org](mailto:wnorris@ypsilantihc.org)

✓ Paul Schreiber, Mayor  
City of Ypsilanti  
1 South Huron Street  
Ypsilanti, MI 48197  
[Mayor@cityofypsilanti.com](mailto:Mayor@cityofypsilanti.com)

Lana J. Vacha  
Field Office Director  
Detroit HUD Field Office  
477 Michigan Avenue  
Detroit, MI 48226  
[Lana.J.Vacha@hud.gov](mailto:Lana.J.Vacha@hud.gov)

Shawn M. Sweet, Director  
Cleveland Office of Public Housing and  
PHARS Team Leader  
1350 Euclid Avenue, Suite 500  
Cleveland, OH 44115  
[Shawn.Sweet@hud.gov](mailto:Shawn.Sweet@hud.gov)