

Written Testimony  
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Committee on Financial Services  
**Subcommittee on Housing and Insurance**  
“Evaluating How HUD’s Moving-to-Work Program Benefits Public and Assisted Housing  
Residents”  
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Chairman Neugebauer, Ranking Member Capuano, and honorable Members, it is an honor to appear here today to discuss how we can move forward in expanding the great work of Moving-to-Work (MTW) demonstration sites. In San Bernardino CA, we know first hand how MTW can eliminate waste, serve more families, improve customer service for our residents, and more effectively invest taxpayer dollars to serve lower income families, and seniors in great need.

I am Daniel Nackerman, President and CEO of the Housing Authority of the County of San Bernardino (HACSB) in Southern California. I have been assisting local residents for 23-years at five different California housing authorities including leading as Executive Director or Deputy Director at the Marin County Housing Authority, Contra Costa County Housing Authority, City of Richmond Housing Authority and as a senior manager at the Oakland Housing Authority.

#### The Inland Empire and MTW Background

Our agency jurisdiction, located east of Los Angeles, contains 24 cities and covers the largest county in the contiguous U.S., containing a population greater than 15 of the country’s states.<sup>1</sup> San Bernardino County is part of a vibrant region including Riverside County and parts of Orange County that is known as the Inland Empire. This region likely contains every aspect of your own represented community with rural areas, cities of both wealth and poverty, urban treasures and ills, and of course on-going needs for housing of every type.

Our agency is dead center in the third worst foreclosure spot in the U.S. with 43.7% of homes still “underwater” as of the beginning of the year.<sup>2</sup> Our headquarters is located in an officially bankrupt city and we also have some of the highest rates of poverty within the Golden State. Paradoxically, our region booms with job growth, population growth, and quality of life

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<sup>1</sup> Census Population Estimates Program, (2011). *Estimates by County*.

<sup>2</sup> Economics & Politics, Inc. ([www.johnhusing.com](http://www.johnhusing.com))

advancement when economic conditions are right such as they were from 2000-2008 - and as these conditions appear to be in place again.

This backdrop of our region creates an even greater need for the hub in the wheel - the launch pad for all - stable affordable housing. Our waiting lists have reached over 45,000 families at times.

Our housing authority, one of the larger agencies amongst approximately 3,200 nationwide, was already deeply involved in real estate development, demonstrating a private-like corporate culture, and in a focus on resident lives before we became a Moving- to- Work site in 2008.

As you have heard or will hear today, this demonstration "program" - which really is not a program but a broad waiver of national regulations combined with HUD oversight - has allowed housing authorities to operate much more efficiently and effectively.

We have used our designation to streamline processes and eliminate redundant, outdated program work tasks. With housing programs designed during the World War II era and redesigned in the 1960's, there are many policies and procedures that need updating to ensure efficiency is achieved. For example, housing authorities are required to check the fixed income on seniors every single year through a process more complicated than doing your income tax.

What is the effect of these old regulations on the approximately 3,160 non-MTW agencies?

- Too many distinct programs with exclusive funding albeit all with HUD funding. When hard work and efficiency in one program saves funding in that program it cannot be utilized for another where cuts might be occurring.
- Wasteful, illogical work required due to antiquated regulations.
- Complex and unfriendly service forced on residents due again to dated regulations or national regulations that do not fit at the local level.
- Higher staff levels required to do the increasingly complex work at a time when funding sources are reduced each year.

As a non-traditional housing authority, our agency's success is a result of our business approach to strategic planning and delivery of services. Assistant Secretary Sandra Henriquez stated that the success of the Boston Housing Authority during her tenure was a result of "operating as a private business with a social mission." This resonates at our agency. As a business entity that serves as good stewards of taxpayer's dollars, we cannot properly serve our families unless we operate an effective and productive business. This approach has become even more crucial during these times of austere budgets and long-term economic challenges.

***Our effective business operations helps us achieve our primary goal, which is to provide our families with the resources, skills, and motivation to transition out of government assisted programs into economic independence.*** As a reflection of our mission and service philosophy,

we have increased our resident services and coupled them with new initiatives such as five year term limits, “work” requirements, tiered lease assistance and minimum rent increases, among others. These new initiatives also ensure accountability by combining our assistance in helping residents find jobs with their commitment to transition out of government assistance. As catalysts, in collaboration with our partners, we provide and leverage services that will help our families build a foundation for economic independence.

Prior to our MTW designation, HACSB embarked on a 30-year strategic planning process and in early 2008 solidified our agency’s long-term goals that guide us in our annual strategic planning. Our proactive planning and strategy efforts have helped us face budget reductions of \$21.4 million within the past five calendar years, yet we had been able to increase the services we provide to our families. Our long-term goals are aligned with statutory MTW goals and they enhance our efforts to implement an array of innovative business practices and program services. The flexibility granted by our MTW designation coupled with our 30 year strategic plan will help us realize these goals and objectives.

#### HACSB 30 Year Strategic Goals:

- No eligible family waits longer than 10 days for housing
- Clients have achieved their own personal level of stability and economic independence
- For those whom a transition is appropriate, the maximum stay in assisted living is 5-years
- HACSB leaders and supporters are innovative policy makers and influencers of legislation
- HACSB has secured the resources needed for accomplishing its Mission
- HACSB is a leading developer and provider of affordable housing in the County of San Bernardino
- HACSB is adequately staffed with well trained and fully developed employees
- HACSB communication is open, honest and consistent
- HACSB employees have a high level of morale
- HACSB clients, programs and properties are embraced by all communities
- HACSB clients live in safe and desirable homes and communities where they can develop and prosper

We design our programs as a stepping-stone providing additional assistance to our families on the path to economic independence. In conjunction with an extensive list of community partners, government agencies, employment service providers, and institutions of higher education we work to: provide family/individual case management and counseling, assist with career training and job placement; and ensure program integrity. These efforts are building blocks to achieve our mission and vision of upholding our core values of respect, safety, integrity and service.

The three MTW statutory objectives are the core filters for what we strive for in MTW, which are as follows:

- **Operational efficiency through innovation** – Maximizing HACSB’s economic viability and sustainability and being good stewards of taxpayers’ dollars.
- **Develop economic independent clients** – Facilitating opportunities for families and individuals to become self-sufficient and financially independent.
- **Ensure freedom of housing choice** – Providing quality affordable housing opportunities in mixed income communities with access to excellent quality of life services.

HACSB currently has 22 approved MTW activities. Twelve of these address the objective of operational efficiency, seven assist families with economic independence efforts and three help expand housing opportunities. These MTW activities help advance our global strategic goals outlined above, which unlike many other plans at other businesses serve as a daily guide to what we do.

### REASONS FOR MOVING TO WORK

Moving –to-Work works. It can make rents much more simple and fair. As an example, we are in the process of developing a streamlined lease assistance program, which we anticipate to implement in 2014. This program sets households on a tiered rent system where a household’s rent will start at 21% of gross income - and then raised by 3% every two years and no deductions or allowances are included. For the elderly and disabled in that program the rent will simply be 24% of gross income. In another major program, we subsidize 50% of the fair market rents and the residents pay the rest, giving them the power to select a home that meets their needs. This approach replaces HUD’s 30% income rent rules, which provides financial disincentives for employment and higher income for residents.

Moving-to-Work focuses the non-senior, non-disabled adult on gaining job readiness, or gaining employment, or gaining better employment, all with our help. We have channeled many resources towards this. We do understand that pre-employment barriers to this such as educational shortcomings, transportation, or even more serious elements such as substance abuse are also a part of the now single minded mission of better economic situation within the household. Therefore, our help comes on several levels. If you think about it, the only way to move through housing programs into the private market is through advancing economics resulting in a higher household income.

Moving-to-Work works locally such as our abolishing the HUD Fair Market Rent system and utilizing third party market studies in establishing a local system of nine different rents, thereby paying lower rent in some of our 24 cities and higher in others. This has accomplished the following to date:

- Residents are ‘deconcentrating’ from low-income regions and moving towards healthier communities with better schools, etc.
- Overall, we have related savings in landlord payments thereby helping house 500+ more families this year than last – with that trend expected to continue.

## INNOVATIVE SPECIFIC MTW ACTIVITIES

The Five Year Lease Assistance Program is a five-year term limit activity for all new individuals/families (except seniors and disabled individuals) pulled from the voucher program waiting list. HACSB's staff works with each adult to develop a personalized education and/or professional plan, which serves as a guide for self-sufficiency goals. After a year of implementation, 567 households are being assisted under this program and 767 adults have developed their plans. A flat subsidy is provided, which is equal to the lesser of the contract rent or 50% of the payment standard for the given submarket. As we backfill through attrition and limit the years families can receive housing assistance, we hope to promptly serve the applicants on our waiting lists.

We work in partnership with Loma Linda University (LLU) as they are conducting a longitudinal study to analyze the impact of this activity on families, what types of services were leveraged, specific outcomes, etc. Since the activity has only been in place since January 2012, LLU is currently analyzing year 1 data.

We are one of the few agencies in the country instituting these trial 'time limits' for new families pulled from the Housing Choice Voucher Program wait list. This five-year lease assistance strategy, applicable only to non-senior and non-disabled adults, is a bold initiative changing the premise that once a person is in the program they can stay indefinitely. After 16 months into the start of this initiative, this has so far proven to:

- Give each household a counselor or life coach. Not surprising to us but likely to many these moms and dads want a better life; want help in gaining education and jobs; want to move into private housing or homeownership someday. Our university partner, Loma Linda University, found that even disabled residents on SSI are seeking jobs<sup>3</sup>.
- Make space for those mentioned on our waiting list. If we move our average use of the subsidy from 7.4 years to 4.4 we conceptually house approximately 1,500 more people over that period, at little or no additional cost. To build new housing to accomplish the same would be an upfront cost of approximately \$110,000,000.
- Help advance the quality of lives with the home as the stable start and all else kinetic. This helps as a powerful part of neighborhood revitalization, educational reform, healthier living and movement vs. stagnation.

We are also one of the only agencies in the U.S. advancing the concept of required effort - misleadingly labeled a "work requirement". This pilot project at one site encourages adults (not seniors and not those with disabilities) to try training, school, volunteer time, and related advancement not unlike a small scale Welfare to Work program. Again, we are helping face obstacles such as violence in the household, mental health, lack of transportation, and other challenges in order to advance our omnipresent cause - moving customers *through* our programs. With this pilot we also utilize our university partner Loma Linda University on a weekly basis to track, advise and perform direct service on site.

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<sup>3</sup> Distelberg, B. (2010). Needs assessment study. *Housing Authority County of San Bernardino*

A quick list of the major change components underway at HACSB due to MTW is as follows:

- Elimination of dated program requirements and related reporting in order to save resources and deliver services simply.
- Program time limits for some adults. Appeal process available.
- Income examinations every 2-3 years instead of annually.
- Simple, fair, customer-friendly rent systems. Systems that don't punish residents by raising rent when employment is gained.
- Incentives for economic advancement instead of rent raises.
- Blending of program funds in order to sustain consistent budget cuts and to target highest goals.
- Eliminate calculation of assets towards rent.
- Establish a higher minimum rent (pending).
- Test a pilot program for required efforts towards employment.
- Change tenant/landlord systems to reflect the private sector and prepare residents for such.
- Simplify utility allowance systems.
- Higher level inspection systems although with less frequency.

### EQUITABLY ALLOCATING OUR LIMITED HOUSING RESOURCES

Most importantly, Moving-to-Work works to recognize the desperate needs of the millions of people in the U.S. who critically and desperately need a place to live. As mentioned, our waiting list once exceeded 45, 000. Our neighboring agencies have lists longer than 100,000. No one is representing these families. They are affected by policies but have no voice in guiding them.

#### **HACSB WAITING LIST TOTAL JUNE 2013**

Total Extremely Low Income Applicants = 25,758

Total Very Low Income Applicants = 5,487

Total Low Income Applicants = 1,404

**Total Applicants\*\* = 32,649**

\*\*Includes people that do not meet the defined criteria due to income or family size

Note that these wait list residents are not demonstrative of the total of those who need housing in the U.S. According to the Bipartisan Policy Center only 25% of those desperately needing housing get it.<sup>4</sup> MTW policies and practices such as time limits, shifting of funds towards more housing, and employment incentives can help solve the wait list dilemma.

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<sup>4</sup> Bipartisan Policy Center (2013). ([www.bipartisanpolicy.org](http://www.bipartisanpolicy.org))

## HACSB EFFECTIVENESS UTILIZING MTW

It is important to supply metrics to show the impacts of MTW. HACSB metrics to date include the following highlights:

- An *increase* in the total number of families served. Due to cost efficiencies resulting from MTW directly, approximately 508 more families were housed in 2012 than 2011.
- An *increase* in help for non-housing needs such as school, mental health counseling, transportation, computer training and other supportive services. HACSB spent over \$850,000 in 2012 on such services and as importantly shifted regional services towards HACSB residents at little or no cost to HACSB or to the residents.
- A steady *decrease* in the number of hours needed to perform our work thereby saving significant resources. HACSB spent approximately 6,000 fewer hours annually since 2009 (averaged since 2009) performing basic program work.<sup>5</sup> This savings was due directly to MTW.
- An *increase* in the number of effective initiatives due to efficiency funding being shifted to new, creative efforts such as homeless housing and veterans housing.
- An increase in flexible funding, some gained from efficiencies, now targeted to new resident support or new local initiatives.

## MEASURING MTW ACTIVITIES AND METRICS

One of the only setbacks to expansion of the MTW designation is a constant drum beat from all directions that HUD and for that matter Congress may not really know what is happening at MTW sites. We understand but reject this notion. While the HUD system for monitoring may be different than for most other programs we offer the following:

1. The very nature of each local MTW program is different on purpose – these HUD programs are redesigned locally to be more effective locally and **HUD can't really measure all – they can only measure each**. As such the traditional program metrics and assessments don't work, especially for 39 agencies of 3,200. Annually, we provide HUD with an Annual MTW Plan and Annual MTW Report that describes all new initiatives and provides metrics on our specific activities. HUD is aware of each and every local initiative and the results of such - it is just difficult to report that out in summary. We work very closely with exceptional HUD staff and they firmly guide our activities and occasionally deny portions of our plans.
2. HACSB is pleased to be taking a major role, in conjunction with other MTW agencies and HUD, in designing metrics to assess tangible achievements of MTW agencies. Started as a swift solution to unknowns, 34 of 39 MTW sites are directly involved in establishing measurement systems for HUD final approval. This is critical to address concerns that federal tax dollars are spent wisely on Housing Authorities, and in particular MTW agencies. Development of effective metrics allows relaxation of bureaucratic rules - so

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<sup>5</sup> MTW Annual Reports HACSB (2010-2012).

that PHAs are judged not on degree of compliance with those rules, but with actual real world results.

3. Throughout the years, there has been an ongoing negative sentiment about participating MTW agencies; however, we have found most are based on outdated information, or lack of better information and studies, which we are currently providing. Some of the expressed concerns include: MTW agencies serve fewer families; self-sufficiency activities are forcing low-income families out of affordable housing; and lack of reporting. We cannot speak for other MTW agencies, but we have had a great deal of success with most of our activities and the misconceptions to date do not apply at our agency. In terms of reporting, we currently provide HUD with both an Annual Report and Annual Plan that follow the guidelines and requirements set by HUD (known as Attachment B). We are not opposed to any additional reporting if necessary. We are a demonstration site, and we willing to do what is necessary to ensure lessons learned are leveraged and documented accordingly.
4. One idea to solve the reporting and monitoring concern is to have a third party provide such under HUD's direction and paid specifically through MTW agencies. The initial metrics could be gleaned from the 'Chicago' study. Agencies such as Standard & Poors are already entrenched in similar work at some agencies on the financial side.

#### BUDGET PROPOSALS MAY UNDERMINE MTW AGENCIES

Early FY 2014 budget proposals to apply Section 8 reserve recaptures to MTW agencies are not fair and would undermine MTW effectiveness. Reserve recapture may make sense for non-MTW agencies that can only use Section 8 for voucher assistance and admin costs, since high reserves indicate the funds are not needed. But reserves can be used for other activities for MTW agencies, and are commonly built up to implement long-term strategies and plans as well as direct services to residents. Draft FY 2014 budget proposals to allow funding reductions on MTW agencies if new expansion bills are enacted are counterintuitive as well. Cuts are not appropriate, as MTW agencies would achieve no cost savings because they are not subject to the PHA rules they provide relief from.

#### CONTRACT EXPIRATION COULD UNDERMINE MTW AGENCIES

There is a lack of clarity for what MTW agencies can do when their current contracts run out in 2018. This is a threat to the planning, continuity, and effectiveness of existing MTW agencies. Congress and/or HUD should provide clarity on two major points:

1. HUD should not be allowed to consolidate the programs and authorities of the existing MTWs and the new MTW agencies that might be created by authorizing legislation - which HUD may be tempted to do to reduce their costs of administering MTW. This would likely result in a significant rollback of the authorities of existing MTWs and frankly ruin much progress.

2. Specific types of activities currently being employed by MTWs should be grandfathered in. HACSB is implementing time limits - it would fatally undermine initiatives like this if HUD could cut them off when the existing MTW contract expires

### MTW EXPANSION IS NEEDED

On the expansion of MTW let us offer the following:

- HUD has been heroic on a national programmatic level in initiating this pilot project and in guiding and administering such. The lessons learned will no doubt shape HUD housing history but more importantly change lives for the better throughout the U.S.
- You may hear from many Housing Authorities how overdue the streamlining of programs are - particularly the Housing Choice Voucher Program- and how futile past efforts to do so have proven to be.
- There are some near-finished proposed bills that could advance this soon – but cautions that the original MTW structure remains in place are paramount. The last thing needed is a new round of complicated regulations differing from MTW but named MTW.
- If a new bill is presented it must reflect the existing work and flexibility of existing sites almost verbatim or it will only be a fig leaf on the powerful work that is underway - and may then be another new program with the opposite effect of streamlining.
- It is time to make this Moving –to- Work that works long term or permanent. 17 years as a demonstration? With no additional funding needed? In fact significant savings often in place?
- We are not only protecting our residents we are injecting hope, thankfulness, and progress...lets expand that to most agencies.
- The common hymn of why not expand has to do with 'monitoring' and 'metrics' as you will hear from a witness today. We welcome and demand scrutiny. In fact we are swiftly helping HUD to complete new measurement tools based on an informal term 'Chicago study' that will no doubt be in place before expansion is fully approved.
- Only well run agencies should be allowed to jump in. What is a well-run agency? Not necessarily a labeled HUD high performer (over half of U.S. Housing Authorities now have that label). We think a combination of fiscal audit reviews, metrics from the Bipartisan Policy Center<sup>6</sup> and initial benchmark metrics from the Chicago could help HUD determine entry - which would be almost every Housing Authority in the U.S.

### FUTURE LEGISLATION

Since we received our MTW designation in 2008, we have transformed our agency by setting ourselves to these high standards. Building upon our practices, we have executed 22 innovative initiatives with the three MTW statutory objectives in mind: save taxpayer dollars through

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<sup>6</sup> BPC, Housing America's Future (2013). *Executive Summary*

efficient work; help our families achieve economic independence; and ensure a family's freedom of housing choice.

For any future legislation that proposes the expansion of MTW, existing sites would like to have current contracts that expire in 2018 made permanent if any future bill does not reflect the current MTW program we operate today- or at least have protections to allow them to continue existing activities. . Comments on previous legislative proposals:

- Previous proposals were not an expansion of MTW, but rather a new program. Based on the new program requirements we would not be able to continue many of our ongoing activities, therefore existing MTW agencies should be made permanent or have exiting activities protected under their current contractual agreements.
- Bill language suggested that agencies would not be able to apply rent reform activities to families which would prohibit the continuation of some of our existing initiatives such as: five year lease assistance, pilot "work" requirement, increase minimum rent, and streamlined leased assistance.
- We would not support any language that would give HUD the flexibility to alter our MTW agreements at any time without cause.
- We would also see a possible loss of current flexibility and efficiency if bill language was included that would require that HUD also consult with an evaluation advisory group before an activity is approved and/or continued annually by an MTW agency.

In conclusion, *Moving to Work works*. We urge your Committee to help make it permanent and help other Public Housing Authorities move forward with creative, timely, life-changing advancements even in this time of domestic program budget cuts. Thank you for this opportunity to testify regarding our experience and the tangible results achieved.