



HOUSING AUTHORITY OF THE CITY OF LOS ANGELES

AN EQUAL EMPLOYMENT OPPORTUNITY - AFFIRMATIVE ACTION EMPLOYER

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PRESIDENT AND CEO
DOUGLAS GUTHRIE

February 22, 2013

Honorable City Council
c/o City Clerk
City Hall
200 N. Spring Street, Room 360
Los Angeles, CA 90012

Dear Councilmembers:

In early January you were provided a report by the CAO that detailed to some degree the financial impact of the federal sequestration on City services. According to that report, HACL A would be the hardest hit local agency due to our reliance on federal support. Since the time of the initial report the deadline for sequestration has been pushed out until March 1, but there is very little progress evident. At this time we must prepare for sequestration's impact on HACL A and the residents we serve. The impacts of sequestration in the short term are extraordinarily disruptive. Should sequestration remain in effect for the longer term the impact on affordable housing in Los Angeles is extremely damaging.

Not revealed in the CAO report was the fact that HACL A faces even further cutbacks due to the problems in the Continuing Resolution that funds the federal government and its agencies including HUD. Last year's funding for both Section 8 and Public Housing was aided by some one-time revenue sources with anticipation by HUD that Congress would adopt additional appropriations to cover those shortfalls. Unfortunately, because of the Continuing Resolution, HUD received funding for this year at previous budget levels without the availability of one time offsets previously available. These "anomalies" in this fiscal year budget significantly underfund public housing and Section 8 programs. HUD was initially optimistic that Congress would remedy the shortfall with the next budget resolution. At this time there is no proposal to make such modifications in the next resolution that must take place by the end of March to avoid a government shutdown.

The specific impacts of sequestration and how it would be implemented remain unclear. It is only in the past few days that HUD and OMB are beginning to provide further detail on how they think the cutback in funding would take place amongst various HUD programs that affect HACL A. Our first written correspondence from HUD was received today. We have had to rely on numerous sources to determine possible scenarios. While we will hope for some resolution of the sequestration and some hope for a more stable budget fix as part

of the negotiation over the continuing resolution we must plan for the painful consequences of these cuts.

We have already taken actions to reduce our 2013 budget that began January 1. Actions include a hiring freeze, proposed furloughs to begin in March, an early retirement incentive plan, reduced travel and other expenditure reductions. The savings from these efforts will be used to limit the impact to staffing cutbacks. We are also using some of our reserves during this time of transition. Nonetheless, despite all these efforts we may be facing as many as 80 layoffs in a workforce that has already been reduced dramatically in the past two years. This will drastically affect our ability to provide services. We are proud to have achieved what HUD classifies as "high performer" status, the highest of their grading, for the last three years in both Section 8 and Public Housing. It becomes increasingly difficult to maintain this level of performance. Due to the poor economy the need for affordable housing and services has been increasing while the resources are being cut in dramatic fashion.

SECTION 8

HACLA administers a variety of programs that utilize Section 8 housing assistance as a basis for support for nearly 55,000 households in Los Angeles totaling payments of \$528 million annually. The largest of these programs is the Section 8 tenant based voucher program that serves 42,000 households. Those residents that are qualified and receive Section 8 housing assistance pay 30 percent of their income towards rent. The Section 8 program pays for the balance of the rent to the landlord up to an amount that is determined based on the fair market rents for rental housing in Los Angeles. Under sequestration we expect to reduce payment assistance to 90 percent of the fair market rents as determined by HUD. We anticipate that as many as 15,000 families that currently receive Section 8 assistance will be affected by these cuts resulting in a decrease of payment of an average of approximately \$200 per month. Many of these families will not be able to absorb such a large increase in rent and will need to look for alternatives should the landlord choose not to reduce the current rent. There are several options participants may choose between: the tenant can cover the difference, the landlord may decide to absorb the loss, or participants may opt to move to an apartment with a lower rent. Even in the best of circumstances, we expect thousands to be forced to relocate from their current residences.

In many previous federal cutbacks some accommodation was made to make landlords whole while cutting the administrative costs of servicing the Section 8 program. No such accommodation has been suggested at this time. In fact, HUD Secretary Shaun Donovan indicated in his Congressional testimony last week that people across the country will be losing their rental housing as a result of the sequestration.

If these budget cuts are made by the federal government in the coming days, families would be notified and some families would have Section 8 payments reduced beginning in May of this year. Notices will need to go out to all participants in the program and will be given as soon as we see that the cuts are made and there are no immediate prospects to

resolve the budget crisis. It is our intention to take all actions within our means to limit the need to remove any current households that are currently receiving Section 8 assistance.

PUBLIC HOUSING

The budget impacts to residents of public housing will be far less dramatic but nonetheless painful. No one will have to move but the level of resident services and management services will likely be impacted due to the expected loss in staffing. Management of the sites will require some consolidation which will result in less access for residents as office hours are reduced.

The uncertainty of funding and the lack of any direction from the federal government creates significant hardships on those that can least afford it. The employees of HACLA will continue to provide the highest level of services possible in these unprecedented challenging times. I have tried to provide you with some detail of the upcoming impacts and how the loss of funding for these programs will affect residents and rental owners in your districts. Let's hope that these dramatic cuts do not take place. The attached list provides our estimates of the amount of residents affected in each of the Council Districts. Should you or your staff like further information or wish to meet please do not hesitate to call my office at (213) 252-1810.

Sincerely,



Douglas Guthrie
President & CEO

Cc: Honorable Mayor Antonio Villaraigosa, City of Los Angeles
Miguel Santana, CAO, City of Los Angeles
Gerry Miller, CLA, City of Los Angeles

Assisted Families By Council District

Council Districts	Section 8 Families	S8 Families Affected by Cutback	Public Housing Families
CD 1	1658	599	415
CD 2	3396	1600	
CD 3	1374	655	
CD 4	1604	950	
CD 5	406	248	
CD 6	2326	998	
CD 7	1163	418	448
CD 8	8793	2430	
CD 9	3581	823	824
CD 10	6299	1969	
CD 11	430	291	601
CD 12	713	278	
CD 13	3707	1763	
CD 14	1347	381	1308
CD 15	3120	1062	2918