MAJOR PUBLICLY ASSISTED HOUSING PROGRAMS

Connecticut

General Assembly

QUI TRANSTULIT SUSTINET

LEGISLATIVE

PROGRAM REVIEW

AND

INVESTIGATIONS

COMMITTEE

December 1997

CONNECTICUT GENERAL ASSEMBLY
LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE

The Legislative Program Review and Investigations Committee is a joint, bipartisan, statutory committee of the Connecticut General Assembly. It was established in 1972 to evaluate the efficiency, effectiveness, and statutory compliance of selected state agencies and programs, recommending remedies where needed. In 1975, the General Assembly expanded the committee's function to include investigations, and during the 1977 session added responsibility for "sunset" (automatic program termination) performance reviews. The committee was given authority to raise and report bills in 1985.

The program review committee is composed of 12 members. The president pro tempore of the senate, the senate minority leader, the speaker of the house, and the house minority leader each appoint three members.

1997-1998 Committee Members

Senate

Fred H. Lovegrove, Jr.
Co-chairman
Eric D. Coleman
Eileen M. Daily
George C. Jepsen
William H. Nickerson
Win Smith, Jr.

House

Michael J. Jarjura
Co-Chairman
Kevin M. DelGobbo
Brian E. Mattiello
Ellen Scalettar
Peter F. Villano
Julia B. Wasserman

Committee Staff

Michael L. Nauer, Director
George W. McKee, Chief Analyst
Catherine M. Conlin, Chief Analyst
Carrie E. Vibert, Chief Attorney
Brian R. Beisel, Principal Analyst
Maryellen Duffy, Principal Analyst
Jill E. Jensen, Principal Analyst
Anne E. McAloon, Principal Analyst
Renee La Mark Muir, Principal Analyst
Michelle Castillo, Associate Analyst
Scott M. Simoneau, Analyst II
Bonnine T. Klare, Executive Secretary

Staff for this project
Catherine M. Conlin
Jill E. Jensen
Michelle Castillo

STATE CAPITOL ROOM 506 HARTFORD, CT 06106 (860) 240-0300

LEGISLATIVE PROGRAM REVIEW
& INVESTIGATIONS COMMITTEE

Major Publicly Assisted Housing Programs

DECEMBER 1997

Table of Contents

Major Publicly Assisted Housing Programs

Table of Contents

Executive Summary

MAJOR PUBLICLY ASSISTED HOUSING PROGRAMS

The Legislative Program Review and Investigations Committee authorized a study of major publicly assisted housing programs in February of 1997. Three major agencies -- the federal Department of Housing and Urban Development (HUD), the Connecticut Housing Finance Authority (CHFA), and the state Department of Economic and Community Development (DECD) -- finance public housing programs using federal, state or bond funds. Funding from the three sources infuse hundreds of millions of dollars to housing programs each year to help low- and moderate-income households in Connecticut buy a home or make rental units more affordable.

Currently, about 119,000 rental units in Connecticut receive some type of government subsidy, and, since 1969, more than 71,000 households received lower-than-market interest rates from CHFA to buy their own homes. More than 25 major housing programs operate in Connecticut, administered through a variety of state agencies, local housing authorities, or non-profit organizations. All housing programs examined are designed to meet the needs of low- or moderate-income households, but many also target different populations like the elderly, mentally ill, or urban home buyers.

While none of the housing programs are considered entitlements, where every person or household that qualifies must receive assistance, there are no time limitations on housing assistance. Information on client demographics vary by housing program, and most programs do not keep data on the length of time households receive assistance. However, the data that are available indicate time on assistance is often long-term. For example, HUD data indicate that more than 40 percent of federally funded public housing residents in Connecticut have been in their units between three and 10 years, while 20 percent had been in their units more than 10 years.

The committee found similar results with the federal Section 8 and state Rental Assistance Program (RAP) tenants. Data collected from more than 600 files indicated that half the Section 8 recipients had been in the program at least six years and about three-quarters of RAP tenants had been receiving housing assistance for more than five years. The federal government introduced a Family Self-Sufficiency Program as a way of addressing long-term housing assistance. However, in Connecticut, participation in the program, which is voluntary, has been low. The committee considered the low participation and success rate, as well as the program's implementation costs when it chose not to recommend a self-sufficiency effort for state housing programs.

The committee found the Department of Economic and Community was responsible for developing many planning products and reports. However, the committee concluded there was no longer a need to collect some mandated information, and the data required to produce some statutory reports were either unavailable or would be very costly and time-consuming to compile. The committee recommended a reduction in reporting and a refocusing of efforts on the key housing planning issue -- what type and how much is needed and how much is provided.

The committee found it difficult to determine whether the supply of subsidized rental housing meets the needs of low-income residents in Connecticut. Data showed Connecticut has a better supply of federal rental housing than most states. In addition, it has substantially more subsidized units than the number of extremely poor renters. However, many housing subsidies are not limited to the very poor and some are aimed at moderate income levels, leaving many lower-income renters' need for housing assistance unmet. Measuring unmet need is also complicated by the lack of up-to-date income data, as well as incomplete inventories on private and public supply of affordable units.

The committee found, because of increased median family incomes in Connecticut and a lowering of the median sales prices of homes, owning a home has become a great deal more affordable in the last couple of years. As a result, Connecticut's home ownership rate has returned to its pre-recession high of 69 percent. Lower housing costs have much improved the ability of low- and moderate-income persons to purchase their own homes, assistance with down payments and low-interest rate mortgages are still needed. The committee found, however, urban home ownership rates lag far behind other parts of the state, and efforts must be targeted to increase the rates in Connecticut cities. The committee also believed greater funding priority should be given to rehabilitating state-assisted housing stock, one-third of which is more than 40 years old.

The committee found a substantial portion of Section 8 and Rental Assistance Program tenant files reviewed as part of the study did not contain documentation of the required annual inspection. The inspections often find problems with the units; about one-third of the fail the first time. The committee found a lack of separate tracking system for inspection contributes to deficiencies in timely inspections, notifying landlords to take corrective action, and ensuring recommended measures are completed.

The committee found little value in the current field monitoring efforts the Department of Social Services (DSS) employs to assess contractors administering the state's Section 8 and RAP programs. It was recommended DSS purchase an automated system providing greater programmatic information and expand and strengthen the department's ability to manage its programs.

The committee concluded the Department of Economic and Community Development should improve its asset management efforts. It needs to develop and implement an asset management tool similar to ones used by HUD and CHFA, and ensure greater compliance with management plan reporting by state-assisted housing sponsors. In all, the committee adopted the following 29 recommendations at its December 18, 1997 meeting.

Recommendations

1. ***All current housing-related planning and reporting requirements of the Department of Economic and Community Development (listed in Appendix G) should be repealed and replaced with a mandate to prepare, with the assistance of the Connecticut Housing Finance Authority, a long-range state housing plan that:***

   1) sets specific, measurable goals for meeting identified housing needs;

   2) outlines strategies for meeting those goals;

   3) identifies state, federal, and private sector resources for affordable housing programs; and

   4) analyzes the demographics of households served by state housing programs.

   Further, the plan should be based on an inventory, compiled and annually updated by DECD, of affordable housing units available in each municipality in the state, with affordable defined as government-assisted housing and unsubsidized, private market units affordable to households with low to moderate incomes.

   Every five years, beginning in January 1999, the state housing plan should be submitted to the General Assembly for approval after receiving public review and comment through written remarks and public hearings. It should be updated annually with an action plan, also submitted to the legislature, that assesses the state's progress toward meeting housing needs contained in the plan and recommends revised strategies, if deemed necessary.

2. ***The statutes establishing regional housing councils (C.G.S.§8-384) and the state housing advisory committee (C.G.S.§8-385) should be repealed.***

3. ***The state law requiring local housing authorities to report to DECD each year (C.G.S. §8-68d) should be repealed.***

4. *The Department of Social Services should maintain the current level of RAP certificates.*

5. *The Department of Social Services must carefully monitor utilization rates of its Section 8 program contractor and provide assistance, and if necessary, additional resources to ensure the 95 percent lease-up rate is consistently achieved.*

6. *The Department of Social Services should discontinue using federal preferences for determining admission to the state Section 8 program.*

7. *All local housing agencies should discontinue using federal preferences for admission to any state-funded projects as well as the federal rental subsidy programs they oversee.*

8. *Housing authorities should tap into existing resources and seek more local effort from mental health and social service agencies in their communities to improve management problems at elderly housing projects.*

9. *DECD should make rehabilitation of its state-assisted units a funding priority.*

10. *DSS should direct its subcontractors to step up recertification efforts in the state Rental Assistance Program.*

11. *DSS should supply housing agencies, along with the cash assistance determination, the date when the client's wage records were last matched against the cash assistance files.*

12. *Housing agencies should begin tracking and evaluating the results of housing inspections. The evaluations should include: location of unit; landlord; date of inspection; inspection results; corrective measures needed; reinspections needed and date required by; results of reinspection; and sanctions imposed on landlords, if any.*

13. *All agencies responsible for administering tenant-based assistance programs should establish and implement effective rent reasonableness procedures. Specifically, the Department of Social Services should establish a process, guidelines, and criteria for*

conducting rent reasonableness studies of proposed rents for both the state Section 8 program and the state RAP program. Compliance with rent reasonableness requirements should be checked during annual independent audits of the administering agencies. DSS also should develop a database of rental information that the administering agencies can use as a resource for their comparative analyses.

14. *All housing agents should clearly list family obligations including the specific consequences of noncompliance. Similar to the Section 8 program, tenants participating in state-funded housing programs should be provided a list of family obligations and be required to sign their acknowledgment and intention to comply. Specifically, the Department of Economic and Community Development should develop a list of family obligations that should be incorporated as part of its housing manual for the management of state-financed housing. In addition, the Department of Social Services should establish, by regulation, the family obligations for the RAP program by regulation.*

15. *The Department of Social Services should develop a regulatory provision modeled after the federal regulation which requires housing agents to deny or terminate housing assistance to those engaging in drug related criminal activity or violent criminal activity in the state Rental Assistance Program. All state housing agents should aggressively avail themselves of the statutory provisions already in place.*

16. *To assist with the initial screening process, each housing agency in Connecticut with a responsibility for determining eligibility and tenant suitability should use a screening service to provide eviction, credit, and criminal history. The service should be used to approve any new tenant before a lease is signed. Any applicant shall be able to review the screening service report, and if the tenant disagrees with the report results he or she shall have an opportunity to provide documentation to correct it.*

17. *Housing agencies administering Section 8 and/or RAP programs should clearly inform participating and interested landlords of their responsibility through a brief bulletin that lists obligations to: screen tenants for suitability; maintain their units; and pay taxes and assessments.*

18. Before accepting a lease with a particular landlord, housing administrators should: 1) check with local housing code officials to ensure the landlord's unit does not have a history of code violations; and 2) check with the tax collector's office in the municipality to ensure the landlord is not in arrears with property taxes or assessments. If the results warrant, housing agencies should use the information as basis to disapprove a lease with a particular landlord.

19. A modification should be made to existing housing fraud statutes to include any state-financed housing project and that the penalty imposed for false statement is applied to any eligibility requirement for the program.

20. C.G.S.§ 17b-97 should be modified to include any housing program administered under DSS auspices, and specifically include §17b-812 for the RAP program and §17b-2 for the state-administered Section 8.

21. No future funding should be allocated to a housing sponsor that is not current with the filing of management plans to DECD.

22. DECD should discontinue conducting the audits for local housing authorities, unless the department is directly compensated for work performed.

23. C.G.S. §7-392(d) of the statutes should be modified to require that all housing authorities not otherwise subject to annual auditing requirements be audited once every three years.

24. Asset management responsibility for state-financed rental housing should remain in DECD, but the department should develop an asset management system by January 1, 1999. The asset management system should examine indicators similar to those used in the management system developed by HUD. Those factors should include, but not be limited to: vacancy rates and vacancy turnaround time; percentage of rents uncollected; work order response time; annual inspection results; cash reserves; and status for audit and management plan submission.

Similar to HUD's PHMAP, the Department of Economic Development should issue a report card on state housing sponsors, and categorize their status based on the scores. If the management assessment program results showed a housing sponsor as *"troubled", the sponsor would be required to enter an agreement with DECD to take corrective actions. If corrective action is not implemented on areas determined by DECD to be critical, and in a time frame established by DECD, the commissioner of DECD may demand conveyance of title or possession of state-assisted housing. DECD may then determine the most efficient and cost-effective manner for managing the housing, including hiring a private management company.*

25. *No state administrative fees should be charged to sponsors of state housing projects, and requests to reinstate any fee should be denied.*

26. *Once the administrative fee requirement is phased out, the amount generated by the administrative fees in 1998 should be replaced from the General Fund.*

27. *DECD should hire one additional staff member for the department's affirmative action office by January 1, 1999. The department should then perform rigorous monitoring of past and current filings to analyze the state's affirmative fair housing activities. Results of the analysis should be reported to the Legislature's Select Committee on Housing by January 1, 2002 for further legislative consideration.*

28. *The Department of Social Services should purchase an automated system for operating the state Section 8 program and the Rental Assistance Program with its HUD administrative fees. At a minimum, the system should be able to process payments, produce financial reports and all documents required by HUD, calculate assistance payments, track tenant, owner, and unit information as well as admission patterns, recertification status, and unit inspection outcomes, and give all parties (i.e., DSS and its contractors) on-line access to program records.*

29. *DSS staff resources should be redirected from carrying out duplicative field inspections and unproductive desk reviews to systematically reviewing contractor performance, program trends, and policies.*

Introduction

Major Publicly Assisted Housing Programs

In February 1997, the Legislative Program Review and Investigations Committee approved a study of major publicly assisted housing programs in Connecticut. The scope included programs funded with state, federal, or bond money that provide direct or indirect financial assistance for renting or owning a home in the state. The housing programs examined either help needy households obtain adequate, affordable, long-term housing in the private market or furnish financial assistance to construct and maintain a permanent stock of affordable housing.

Scope of Review

The study focused on the effectiveness of major housing assistance programs, including how well they are administered and whether they are meeting needs. Specific areas of review were: funding sources and amounts; needs assessment by different client categories (e.g., families, elderly, disabled); eligibility criteria; waiting lists; length of time on assistance; and comparisons of subsidized and unsubsidized rents.

The programs included in the scope of the program review committee's study of state housing assistance encompass a broad array of purposes and client populations, as well as parties who carry out financing, developing, managing, and monitoring responsibilities. (See Appendix A for a glossary of agencies and housing terms.) As a result, the committee found goals of the various housing programs sometimes conflict and interests are often competing.

For example, a continuing question for policy makers is whether the limited resources available for housing assistance should be primarily directed to sheltering the neediest households or used to support and promote family self-sufficiency. Some experts have suggested government subsidies be used to help poor families move up the "housing ladder" toward home ownership. However, another purpose of public housing is to ensure stability and long-term affordability for those households with fixed incomes and special needs like the elderly and the disabled.

The committee found housing policies intended to promote tenant choice and racial and ethnic diversity may conflict with efforts to achieve neighborhood stability and revitalization. Proposals to produce new affordable units often must compete with plans to preserve and rehabilitate the existing portfolio of subsidized housing in Connecticut especially with cutbacks in state and federal funding for housing programs. Over time, funding priorities also tend to shift between providing households with subsidies and making homes more affordable through job creation and community improvements, depending on the emphasis policy makers are placing on economic development goals.

A secondary goal of many housing assistance programs -- improving the quality of the state's housing stock -- can have conflicting results as well. Enforcing government standards of housing quality is intended to result in better living conditions for assisted households. However, the costs of compliance may prove too costly for some landlords, causing them to drop out of the program or fail to make required repairs to their units.

The multiple and divergent goals of major publicly assisted housing programs makes successful implementation difficult and complicates efforts to evaluate effectiveness. Overall, the committee believes it becomes necessary for policy makers and program administrators to seek a balance among competing interests and purposes, particularly when public funding cannot be supplied to address all housing needs.

The committee findings and recommendations presented in the report reflect attempts to find balance in state housing policies and foster the best use of available housing assistance resources. There will continue to be unmet housing needs in the state but the committee proposals should bring improvements in a number of areas. Specifically, the recommendations address three main issues: 1) clarifying roles of the many housing agencies in the state to promote more efficient administration and less duplication; 2) establishing priorities for funding as well as planning efforts to make the best use of limited financial and staff resources; and 3) strengthening the oversight and monitoring of housing assistance programs in the state to ensure intended populations are being served at appropriate levels and all parties are meeting mandates and obligations.

Methods

In conducting the study, the committee staff reviewed applicable statutes, regulations, and literature dealing with both state and federal housing programs. Program review interviewed individuals from various state agencies as well as the federal government, local housing authorities, community groups, realtor and landlord associations, representatives from the banking industry, and other interest and advocacy groups. Local housing authorities were surveyed to gather information on their inventory, occupancy rates, and waiting lists. In addition, the committee staff collected data from more than 600 Section 8 and Rental Assistance Program tenant files. (A description of the survey and file review methodology are contained in Appendix B.) The program review committee also held a public hearing in September 1997 to gather information on housing programs from state agencies, housing authorities and other project sponsors, as well as the general public.

Report Organization

The report contains eight chapters. Chapter I presents an overview of publicly assisted housing including the organization and structure of the financing and management of state housing programs. Chapter II profiles the various program recipients and tenant subsidies while Chapter III provides background information on housing trends in Connecticut including costs and availability issues. The state's planning process and products for housing are outlined in Chapter IV. Unmet needs and the use of existing housing rental subsidies are examined in Chapter V. In Chapter VI, priorities for housing funds, including rehabilitation and preservation of existing assisted units and programs that promote homeownership, are discussed. Chapter VII addresses how to strengthen the accountability of all parties involved in housing assistance programs -- housing agencies, tenants and landlords. In the final chapter, Chapter VIII, deficiencies in the way DECD oversees the state's housing portfolio and DSS monitors the state's Section 8 and RAP programs are cited and corrective actions are recommended.

Agency Response

It is the policy of the Legislative Program Review and Investigations Committee to provide agencies subject to review with an opportunity to comment on recommendations in writing prior to the publication of the committee's final report. Responses to the committee's final report were solicited from the Connecticut Housing Finance Authority, the Department of Economic and Community Development and the Department of Social Services. Formal responses were received from the latter two agencies and are contained in Appendix I.

Key Points

Chapter I: Overview of Publicly Assisted Housing

- Federal government's housing role began during Great Depression as part of jobs program, and became a separate program in 1937. Initially, federal focus was on construction of new developments for low-income occupants.

- State's role in housing began in 1936 -- General Assembly declared a shortage of safe and sanitary dwellings at affordable rents and began financial assistance in 1947 through guarantee of notes and bonds; a year later the first moderate rental housing projects were completed.

- In 1988, the legislature passed affordable housing appeals procedure placing burden on towns to show denial of project was necessary to protect health and safety.

- Many agencies are involved in housing -- the three major funding agencies are federal department of Housing and Urban Development, Department of Economic and Community Development, and the Connecticut Housing Finance Authority.

- At the local level, agencies responsible for housing include local housing authorities, nonprofit and for-profit developers, and municipal developers.

- In 1996, an estimated $3.5 billion from the three main funding sources -- HUD funds, state bond funds and General Fund money, and CHFA bond funds -- was invested in Connecticut housing assistance programs included in the scope of the committee study.

- Both the state-created financing agencies, Connecticut Housing Finance Authority (CHFA) and Department of Economic and Community Development (DECD), should continue to exist as separate entities.

- There is a continued need for housing responsibilities to exist within DECD -- to protect the state's housing assets already built, and to act as the state's lead planning agency in housing matters.

- The new combined role of economic development and housing can be a vital tool in providing housing for low- and moderate-income persons. The best agency to achieve that goal is the agency charged with maintaining and expanding the state's economy -- DECD.

- DECD should continue to have responsibility in state housing, its role in financing housing should be much more limited.

- DECD should formulate policies confronting the affordability question, not serve as one of the housing finance agencies for new construction.

- Housing programs are either project-based (e.g., public housing) or tenant-based, such as Section 8 certificates.

- Programs aimed at different populations -- low- or moderate-income families as well the elderly, disabled, or homeless persons.

- Housing programs are not considered an entitlement, whereby anyone who qualifies automatically receives housing assistance, but there are no time limitations on housing programs.

- A major distinction between federal and state project-based programs is federal programs offer an operating subsidy while all but one type of state programs do not.

- The federal Family Self-Sufficiency program was begun in 1990 as a way of addressing long-term assistance in housing programs, and promoting economic independence among recipients.

- The program is voluntary and to date participation in Connecticut has been low -- about one percent of families in federal public housing.

Chapter I

Overview of Publicly Assisted Housing

History of Assisted Housing

Federal role. The federal government has subsidized housing for low income households since the depression of the 1930s. Originally, housing assistance was part of a broader jobs program, however, it was established as a separate program in 1937. Since then, federal involvement in low-income housing has taken a variety of forms.

Early housing policy created local public housing agencies (PHAs), allowing any state, county or municipal governmental agency to manage public housing stock. They were granted substantial autonomy and flexibility in selecting tenants, setting rent levels and establishing minimum income requirements. However, because the PHAs were required to cover operating costs from rent, many times the poorest households were excluded from public housing.

In the 1940s, the financing of public housing was modified to establish rent formulas tied to income and family size. This change allowed some over-income families to subsidize some under-income families as long as the total rental income covered total operating costs. In the years that followed, the federal government enacted several policies aimed at those with the greatest housing need. Chief among these were: explicitly prohibiting PHAs from excluding public assistance recipients from subsidized housing; imposing maximum income limits periodic income reviews, and evictions of those exceeding the limits; and providing supportive services for frail elderly and handicapped individuals.

Initially, the federal government favored constructing new developments targeted for low-income occupants. However, a policy shift began when it became apparent that subsidizing the rents of existing dwellings was a more economical approach to affordable housing than building new units. During the first half of the 1980s, federally subsidized construction was almost completely eliminated. Since then, there has been more emphasis on federal financing of private for-profit or non-profit organizations to build or rehabilitate low income housing. The federal government has focused its efforts in administering programs designed for low-income renters and homeowners rather than building new developments.

State role. Connecticut has had a role in government-sponsored housing almost as long as the federal government. In the 1936 special session of the legislature, the General Assembly declared: "unsanitary and unsafe dwelling accommodations existed; low-income families were being forced to live in those dwellings; a shortage of safe and sanitary dwellings were available at rents low-income families could afford; and families were forced to occupy overcrowded and congested dwellings." It also concluded such conditions increase the spread of disease and crime and pose a menace to health, safety, morals and welfare to state residents, and impair economic values.

The legislature established a role for government in housing, further declaring in 1936 that the slums that existed could not be cleared or the housing shortage relieved through private enterprise. Therefore, the legislature stated that constructing housing projects would not be competitive with private enterprise, and that clearance, replanning, and reconstructing of such dwellings are "public uses and purposes for which public money may be spent and private property acquired, and that it is in the public interest that work on such projects can be commenced as soon as possible." (November 1936 Special Session, S.178)

To implement the new state housing policy, the legislature allowed each municipality to create a housing authority if it believed the need for one existed, and established powers for the authority in statute. Those powers included: operation of housing projects; contracting for their development; issuing bonds to finance projects; investigating living and housing conditions within its area; setting rents; and selecting tenants. The 1936 legislation also exempted local housing authorities from paying taxes on any property, but allowed municipalities and local authorities to agree on a payment in lieu of taxes.

In 1943, the legislature created the Connecticut State Housing Authority, which was given similar responsibilities as the local housing authorities but assigned a statewide jurisdiction. It could operate in any area of the state, provided the town had declared the existence of unsanitary or unsafe inhabited dwellings, or there was shortage of safe and sanitary housing at affordable rents, and there was a need for the state housing authority to exercise its powers in the town.

In addition to the powers given the local housing authorities, the Connecticut State Housing Authority also was given statutory authority to collect information on local housing projects, study statewide housing needs and methods to encourage investment in low-rent housing, and to evaluate the need and feasibility to use state credit through loans or subsidies to assist in financing housing projects for low-income persons.

By 1947, the General Assembly passed legislation authorizing state financial assistance in the form of guarantees of notes and bonds issued by local housing authorities. The notes or bonds could be issued one year after completion of the project as determined by the state housing authority, and were payable within 50 years after they were issued. The bonds or notes were guaranteed by the full faith and credit of the state. One year later, 1948, the first two state-sponsored moderate-rental family projects were completed -- a 52-unit project in Meriden and 28 units in Wethersfield.

To overcome local objections to building low-income housing and spur development of affordable homes, the legislature enacted the affordable housing appeals process in 1988 (P.A. 88-230). The appeals process requires towns and municipalities to give full consideration to local affordable housing needs when reviewing developer proposals to build such housing. The law requires any town or municipality that denies an application to build affordable housing to show its decision is necessary to protect public health and safety. Towns and municipalities are exempt from the appeal requirement if 10 percent of their existing dwelling units are affordable. The law defines "affordable" housing as: 1)government assisted housing; 2) CHFA-financed housing; and 3) housing restricted by deed to people earning 80 percent or less of the median area income. DECD is responsible for maintaining a list of exempt municipalities each year.

Administration of state housing. There have been many organizational changes in the administration of state-supported housing since the state first carved out a role in the 1930s. In 1967, the legislature created the Department of Community Affairs (DCA) and gave the department responsibility for housing matters. The Executive Reorganization Act of 1977, which broadly restructured state government, abolished the DCA and transferred its responsibilities to the new Department of Economic Development. Two years later, the state Department of Housing was created as a cabinet-level agency.

Since its inception in 1979, the former Department of Housing was the state's lead housing agency. It's primary mission was to develop and implement state housing policy and administer the state's low and moderate income housing programs. In 1987, a Housing Advisory Committee was established in statute to advise the legislature, the governor, and the housing department on housing matters, monitor housing activities of regional planning agencies, and make legislative recommendations concerning housing. The committee originally was comprised of 28 members appointed by both the governor and legislative leaders, but the membership was statutorily reduced to 13 via P.A. 96-68. The 1987 legislation (P.A. 87-550) also established regional housing councils to carry out a variety of advisory roles,

In 1995, Connecticut passed Public Act 95-250 consolidating the Department of Housing and the Department of Economic Development. This combined agency, renamed the Department of Economic and Community Development (DECD), is now the lead agency for all housing-related matters as well as maintaining and expanding the state's economy. DECD is currently in the process of implementing a department reorganization plan, which has downsized its housing staff, combined housing and economic development functions, and created 18 regional offices that will be serviced by staff for both roles.

The 1995 act also abolished the Connecticut Housing Authority but created a successor, the State Housing Authority (SHA) as a subsidiary of the state's housing finance authority. All powers and functions of the CHA were reassigned to the new SHA and all bonds and other obligations were also transferred.

Connecticut Housing Finance Authority. In 1969, citing a continuing and serious shortage of housing for low and moderate income residents, the legislature passed the Connecticut Housing Finance Authority Act. The Act created the Connecticut Housing Finance Authority (CHFA) to: lower the cost of mortgage financing; create financing for construction and rehabilitation of housing; and to provide low-interest financing available to low- and moderate-income families.

The quasi-public CHFA offers financing through the private sale of federal tax-exempt mortgage revenue bonds. Funds raised through these bond sales finance the purchase of existing housing, construction of new units, or rehabilitation of substandard housing. Similar housing finance agencies with parallel responsibilities exist in almost every state.

Current Organizational Structure for Housing

As described above, three major avenues exist in Connecticut for financing and overseeing subsidized housing -- the federal department of Housing and Urban Development (HUD), the state Department of Economic and Community Development, and the state's quasi-public Connecticut Housing Finance Authority. Figure I-1, on page 9, illustrates the relationship of these three major agencies -- as well the State Legislature -- in financing housing and their funding links with the many sponsors of government-assisted housing in Connecticut.

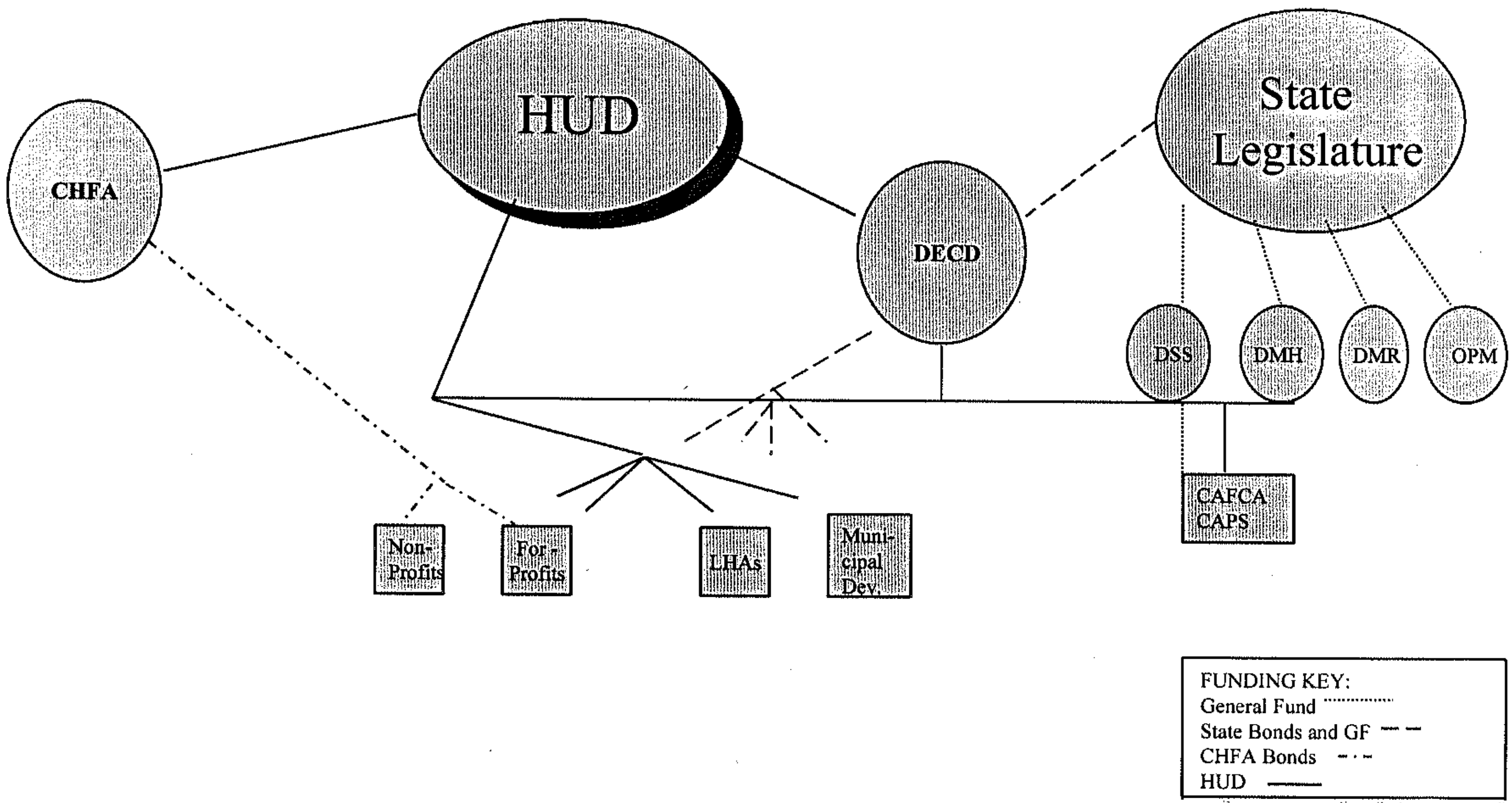
Housing and Urban Development (HUD). The federal government provides housing subsidies to both homeowners and renters. Those subsidies may be directly provided through federal programs or they may be indirect (for example, through the tax code, mortgage credit, and insurance markets). The target of the indirect assistance has been predominately for home ownership, which has been implemented by federally sponsored institutions like Fannie Mae and Freddie Mac. These secondary mortgage market entities raise housing capital by purchasing mortgages from private lenders so additional financing of mortgages can occur.

The direct subsidies, which are the focus of the study, are primarily used for rental assistance. Currently, all major federally subsidized housing programs are administered by the U.S. Department of Housing and Urban Development.

HUD currently has a small regional staff office in Hartford serving all of Connecticut, but the entire federal agency is undergoing major reorganization. Plans for staffing of the Hartford office are unclear. HUD allocates about $1 billion in Connecticut annually, the majority of which funds mortgage guarantees rather than direct rental subsidies. However, there are currently more than 73,000 HUD-sponsored rental units Connecticut.

Department of Economic and Community Development (DECD). As the state's lead housing agency, DECD is responsible for planning and coordinating the activities and programs of state agencies which have a major impact on the cost, production or availability of housing. The department also works closely with the federal government in administering federally funded programs.

Figure I-1. Overview of Funding Structure for Major Connecticut Housing Programs



DECD also administers a number of its own housing programs that provide grants and/or deferred loans to eligible developers. Programs currently exist for development of rental housing for low-income families, housing for the elderly, and congregate housing for the frail elderly. There are more than 18,000 state-sponsored rental units in Connecticut. Since 1979, the state has expended more than $1 billion in bonds and General Fund allocations to support housing efforts.

Connecticut Housing Finance Authority (CHFA). The state's housing finance authority is located in Rocky Hill and has a staff of approximately 115. Since 1969, CHFA has invested over $6 billion to finance affordable owner-occupied and rental housing. Authority bonds are sold to investors who accept a lower interest in return for federal tax exemption on interest earned. The savings are passed to the borrower through a lower interest rate than on a conventional mortgage.

CHFA has financed a total of 66,500 home mortgages to low and moderate income people. Financing has also been provided to developers to produce 17,000 rental units and CHFA administers the federal Low Income Tax Credit program, which has supported the creation or rehabilitation of another 4,500 rental units.

Local housing authorities. The federal and state agencies described above are largely involved in the planning and allocation of funds for housing development, but they rarely directly manage or operate properties. The agencies most involved in day-to-day operations of publicly assisted housing are local housing authorities (LHAs). First created in the 1930s to operate both federal and state public housing projects, there are now about 105 local housing authorities in the state. They vary significantly in size -- from one part-time person in some smaller towns to larger authorities with more than 100 employees. Each local housing authority is overseen by a commission, of five or seven persons depending on town size, appointed by the town's chief executive officer. Local housing authorities act as developers and managers of public housing. They produce operating plans and budgets, set rents, qualify and select tenants, and inspect, repair and maintain the housing units. Local housing authorities oversee 44 percent of all subsidized housing units in Connecticut.

Non-profits and for-profits. Increasingly, non-profit agencies and for-profit companies are entering the development and/or management of subsidized housing. In addition to public monies, non-governmental entities are able to access additional sources of funding. And, in fact, some federal programs require the funding be set-aside for non-profits, and all of CHFA's resources are aimed at non-governmental entities.

There are currently more than 160 non-profits whose primary purpose is the production or rehabilitation of housing, and numerous for-profit developers. Private companies are also managing some federal and CHFA projects. Legislation passed during the 1997 session establishes pilot programs in three towns allowing for private management of state properties owned by local housing authorities, as well as allowing the purchase of state public housing by private developers.

Department of Social Services (DSS). The Department of Social Services is responsible for overseeing federal Section 8 rental subsidies allocated to Connecticut for statewide administration. (The majority of Section 8 certificates and vouchers HUD provides to Connecticut are administered by local housing authorities and other housing agencies within a limited service area, usually a single municipality.) The department's Section 8 program is allocated around $18 million annually to issue about 2,800 certificates and vouchers. DSS contracts with the Connecticut Association for Community Action (CAFCA), an umbrella organization for community action agencies in the state, to administer Section 8 . CAFCA subcontracts with six of its member agencies to operate the program at a regional level.[1]

The department is also responsible for administering the family portion of the state-funded Rental Assistance Program (RAP). Three of the six Section 8 subcontractors, under separate contracts with DSS, operate the family RAP on a regional basis.

During the 1997 legislative session, administrative authority for the elderly and congregate portions portion of the RAP program was transferred from DSS to the Department of Economic and Community Development. Authority over the family portion of RAP was retained by DSS but its funding source was transferred to the federal Social Services Block Grant. The family RAP was one of 20 programs selected by the Office of Policy and Management for financing through the federal block grant. Legislation enacted in 1997 also created a new, time-limited rental assistance program, which is state-funded and overseen by DSS, for certain families that are no longer receiving cash assistance because of welfare reform initiatives.

Other agencies. The Departments of Mental Retardation (DMR), Mental Health and Addiction Services (DMHAS), and the Office of Policy and Management (OPM) are also involved in housing to a minor degree. DMR operates a rental subsidy program for its clients; DMHAS administers a similar rental subsidy component for its population with state funds and the larger Shelter Plus Care program that is funded through HUD to serve the mentally ill homeless. OPM distributes rebates to elderly and disabled Connecticut renters who qualify through local tax assessor offices.

Findings. *The program review committee believes that both the state-created financing agencies -- CHFA and DECD -- should continue to exist.* The committee concluded that the legislature saw a need to create the quasi public agency, CHFA, so that it could issue its own bonds and provide financial assistance for housing in the state. Every state has a similar entity and the program review committee believes there is a continuing need for the separate financing agency.

[1] The six agencies are: Access, Thames Valley Council for Community Action (TVCCA), New Opportunity for Waterbury (NOW), Community Renewal Team of Greater Hartford (CRT), Community Action Agency of New Haven (CAA-NH), and Norwalk Economic Opportunity Now (NEON).

DECD's original predecessor agency, the Connecticut State Housing Authority, was established in 1943, predating the creation of CHFA. The legislature intended the Connecticut State Housing Authority to create housing for low- and moderate-income people. Since the 1930s, many additional but more narrowly defined housing construction programs (e.g. elderly, congregate elderly, limited equity co-ops, and mutual housing) have been added to the state's role.

The program review committee found a continued need for housing responsibilities to exist within DECD -- to protect the state's housing assets already built, and to act as the state's lead planning agency in housing matters. The state has more than 18,000 units in its portfolio valued at $1.2 billion. Connecticut needs a cabinet level agency to oversee those units, ensure they are well-managed, protect the housing as a public asset, and guarantee the developments fulfill their original intent -- to provide housing for low- and moderate-income persons and families.

During the study, consideration was given to merging DECD's housing programs with CHFA to create a single state housing authority rather than two. However, program review believes there are many reasons to keep the agencies separate. First, when the merger of DOH within DECD took place in 1995, the legislation also transferred a number of DOH housing programs to CHFA. The legislature determined the housing programs that remained within DECD were more appropriately administered there.

Secondly, CHFA has a responsibility to its bondholders to ensure its housing programs are financially sound. While DECD must see that the state properties are well-managed and financially viable, its greater obligation is that housing is available to low- and moderate-income persons.

Further, the program review committee finds the new combined role of economic development and housing can be a vital tool in providing housing for low- and moderate-income persons. The program review committee believes there has been only limited success with government assistance in developing housing affordable to a lower income population. Staff concludes that efforts must be made in helping people to increase their incomes so that they can afford housing. *The committee concluded that the best agency to achieve that goal is the agency charged with maintaining and expanding the state's economy -- DECD.*

Further, DECD should focus on developing the state's consolidated plan for housing, analyzing the state's housing needs, locating low- and moderate-income housing needs, identifying ways to meet those needs, and working with the financing agencies to move those projects ahead.

Thus, while the committee believes that DECD should continue to have responsibility in state housing, its role in financing housing should be much more limited for a number of reasons. First, there are two other major financing agencies -- CHFA and HUD-- both of which infuse more capital into the housing market than the state's DECD housing unit. The program review committee believes that DECD's role should not be competing with those agencies to finance housing projects.

Second, as discussed more fully in the following chapters, *availability* of housing in the overall housing market has largely been addressed. Connecticut has a 10 percent vacancy rate in the overall rental market, three percentage points higher than any of the states in the Northeast. Thus, there are rental units available. The problem is many of the units are not *affordable* to those who need them. Financing just the construction of new rental units *addresses* only availability. Development costs are high, and without ongoing subsidies, rents that must be charged to operate the units make them unaffordable to lower income groups. *DECD should formulate policies confronting the affordability question, not serve as one of the housing finance agencies for new construction.*

Funding for Housing

Housing assistance programs in Connecticut are financed through three main public sources: federal funds channeled through the U.S. Department of Housing and Urban Development; state bond funds and, to a lesser extent, General Fund monies; and Connecticut Housing Finance Authority bond funds.[2] Significant state and federal dollars have been invested in programs to produce, preserve, and subsidize affordable housing units in Connecticut. Based on 1996 information (the most recent annual data complete for all three sources) about $3.5 billion, excluding, in general, agency administrative or operating costs, was invested in affordable housing-related programs in Connecticut. This chapter describes housing funding and its allocations, however, findings and recommendations for funding priorities are outlined in Chapter VI.

It is difficult to combine resources or compare funding among the three agencies as their fiscal years and accounting methods differ. For example, figures for CHFA include the asset value of its multifamily developments that came on line in calendar year 1996 ($2.5 billion). DECD's total is made up of state General Fund and capital fund expenditures for state fiscal year 96. The federal monies included in the $3.5 billion total are all HUD housing and community development funds allocated to Connecticut during federal fiscal year 96. Trends in funding levels and types of housing assistance expenditures are described in more detail by source below.

Department of Housing and Urban Development. As Figure I-2 indicates, HUD has provided about $1 billion or more per year to Connecticut for housing and community development activities since federal FY 93. In FFY 96, the state received $1.26 billion in federal housing and urban development agency funding. Connecticut's HUD funding level includes monies the state

[2] Connecticut also receives federal funding for single family mortgages and a small number of multifamily rental projects in rural areas through Farmers Home Administration (FmHA) programs. In addition, state residents may be served by Fannie Mae and Freddie Mac, two federal government sponsored enterprises (GSEs) chartered to create a secondary market for the purchase of single and multifamily home mortgage to extend the availability of mortgage credit to low and moderate income families. Since these programs operate outside the purview of any state agencies, they are excluded from the scope of the committee study.

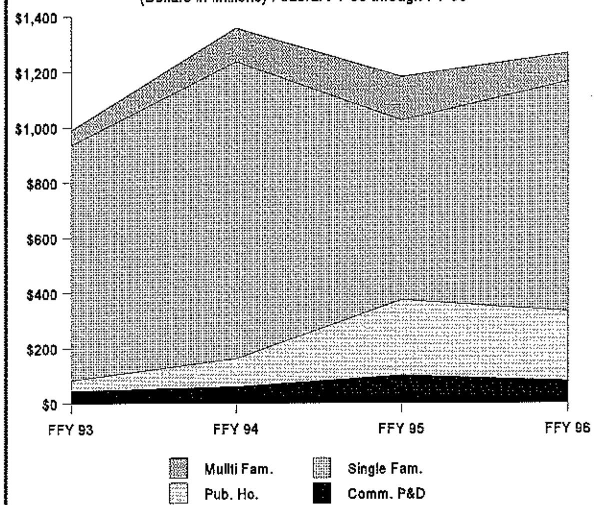
economic and community development department receives as well as funds provided directly to local housing authorities, cities and towns, and private non profit and for-profit developers.

Over the four years shown in the figure, the majority of federal housing funds -- from 55 to 86 percent per year -- has been allocated to HUD's single family mortgage insurance programs, which are not included in the scope of the committee's review. More than $830 million was allocated to federal single family housing efforts in federal fiscal year 96. Lesser but still significant amounts have been provided for HUD mortgages for multifamily developments and to federally funded conventional public housing projects in the state. Multifamily funding levels ranged from about $53 million to just over $157 million during the four-year period. The allocation for public housing accounted for only about 4 percent of total HUD funding ($38.4 million) in FFY 93 but had risen to almost 20 percent ($252.4 million) in FFY 96.

The smallest component of HUD funding in Connecticut has been for community planning and development activities, only a portion of which are devoted to housing efforts. The state has received between $44.5 million and $100.2 million per year, primarily in community development block grant money, from Federal Fiscal Years 93 through 96.

Figure I-2. HUD Monies Provided to Connecticut

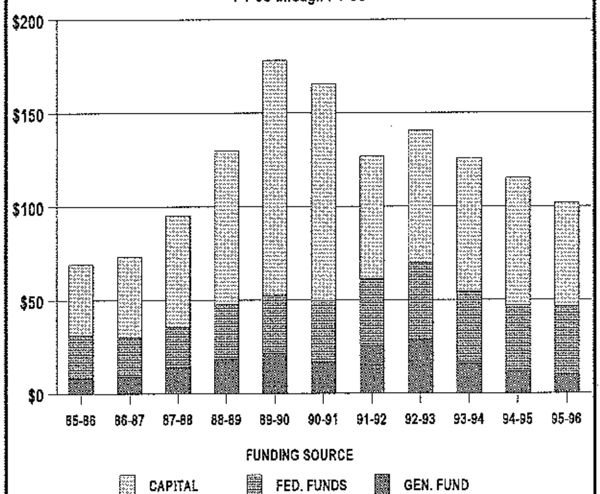
(Dollars in Millions) Federal FY 93 through FY 96



Source of Data: HUD Connecticut State Coordinator Office

Figure I-3. DECD Housing Expenditures (Dollars in Millions)

FY 86 through FY 96



Source of Data: DECD

Department of Economic and Community Development. Housing program expenditures by DECD and its predecessor agency the Department of Housing for each year from FY 86 through FY 96 are shown in Figure I-3. The figures include state General Funds and bond funds as well as federal funds channeled through the agency.

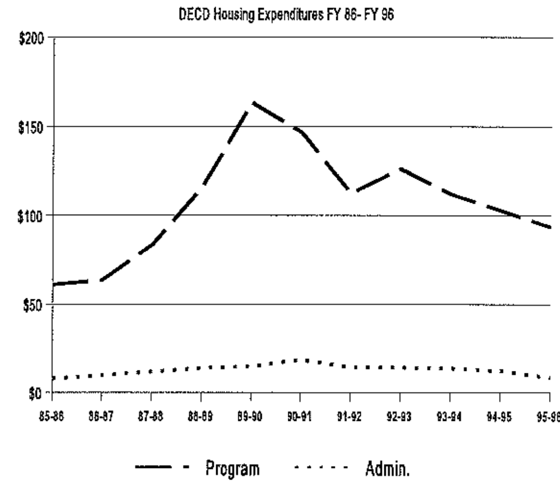
Department expenditures peaked in FY 90 at $178.1 million, just over one and one-half times the amount spent by the state in FY 86 ($69.0 million). Funding levels declined over subsequent years as previously authorized construction projects were completed and few new projects were initiated. For FY 96, the last year housing was separated from economic development in the agency budget, spending on state housing activities dropped to $102 million. Since the department's consolidated budget went into effect in FY 97, housing expenditure information comparable to prior years is not readily available.

The bulk of the agency's funding for its housing activities comes from non appropriated and capital funds, as Figure I-3 indicates. Capital funds were the source for at least 50 percent and up to 70 percent of all expenditures during the 11-year period examined. Federal funds administered by DECD have also been significant, ranging between $21 million and $41 million per year.

The smallest funding source for the agency has been General Fund appropriations, accounting for about 11 percent of expenditures except in Fiscal Years 92 and 93 when funding for the state rental assistance program dramatically increased. The drop in General Fund expenditures after FY 93 reflects the transfer of administrative responsibility for the RAP program to the Department of Social Services.

Over the period FY 86 through FY 96, about 90 percent of department funds were spent on programmatic versus administrative purposes. Figure I-4 shows in FY 96, for example, housing-related administrative expenses totaled $8.4 million while $93.6 million was spent on DECD housing programs. The proportion of funding spent on administration did vary by funding source, with the federal fund category generally having the lowest administrative overhead and General Fund category the highest. Between FY 86 and FY 96, administration as a percent of total DECD housing expenditures ranged from 4 to 7 percent for federal funds, 8 to 13 percent for capital funds, and 10 to 28 percent for General Funds.

Figure I-4. Administration and Program Spending (Dollars in Millions)



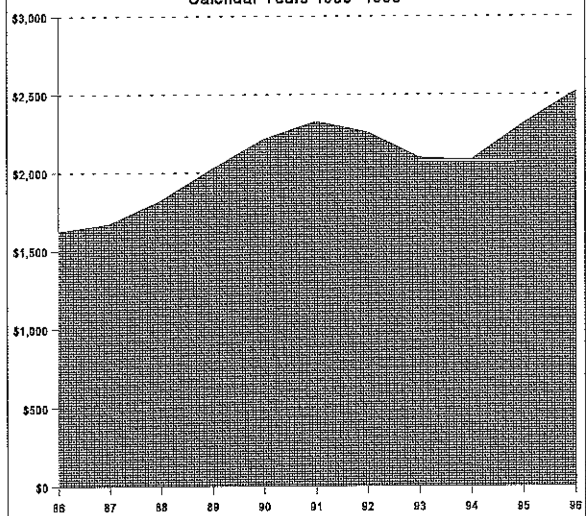
Source of Data: DECD

In addition to the operating funds it receives through its three major funding sources, the Department of Economic and Community Development also collects a management fee from local housing authorities and other developers of state-financed housing projects. The fee is intended to cover the department's expenses in monitoring project compliance with state requirements. Since

FY 92, total service fees received by the department increased each year from $1.3 million to $2.8 million in FY 96. At present the fee is set at a per-unit charge of no more than $12 for FY 98 and $7 for FY 99.

Connecticut Housing Finance Authority. There are a variety of ways to measure funding levels for CHFA housing activities including, among others, total cost, net value, and amount allocated. Program review committee staff asked the authority to provide budget information that would best indicate the level of resources it devotes to major programs and operating expenses over time.

Figure I-5. CHFA : Value of Assets Managed ($ in millions)
Calendar Years 1986 -1996



Source of Data: CHFA

Most resources committed by the authority for housing in any given year are for the purchase of new low interest loans for moderate and lower income first-time homebuyers. Loans and tax credits are also provided for the development of multifamily housing affordable for lower income households. Operating expenses are covered by authority revenues. The data presented in Figure I-5 show the total value of all assets managed each year, both mortgages for newly developed projects and existing properties and investments, by the authority between 1986 and 1996.

Housing Programs in Connecticut

The major umbrella agencies -- HUD, DECD, and CHFA -- foster a multitude of housing programs in Connecticut. Each of the programs is aimed at serving low or moderate income persons or families, although the income eligibility levels vary with the programs. Some programs are also targeted to special populations such as the elderly, the disabled, or homeless persons. Other programs are designed to be operated by specific providers (e.g., non-profit agencies), or targeted for specific areas like urban areas or distressed municipalities. None of the housing programs is considered an entitlement program whereby any person who qualifies automatically receives it. On the other hand, there are no time limitations on any of the programs, so that once a person or family begins receiving housing assistance, they continue in the program unless their income increases to the point they no longer qualify, or they are terminated from a program for violating a rule or requirement.

Appendix C contains a description of 25 major housing programs in place in Connecticut. The appendix summarizes key components of each program including: whether it has federal or state authorization; the year created; number of units created or families served by the program;

eligibility requirements and target population; purpose and major program features; the administering agency; program providers; and program funding levels (totals from FYs 79 to 96, unless otherwise noted). For some state programs, the funding category also indicates the percentage allocated in grants (rather than loans).

While program components and target populations may differ, subsidies are geared toward home ownership or renting. Those programs that support rental assistance do it in one of two ways -- *project based or tenant-based.* Table I-I describes the two types and gives program examples.

TABLE I-1. TYPES OF RENTAL ASSISTANCE PROGRAMS	
PROJECT-BASED: ***subsidy is tied to unit designated for households meeting income and other (e.g., elderly, disabled, etc.) eligibility criteria; rents based on project operating expenses***	
Federal and state low-income housing projects ("traditional" public housing)	Operated by local housing authorities
Multifamily developments financed by HUD/FHA or CHFA below-market rates	Operated by private for-profit or nonprofit housing sponsors
TENANT-BASED: ***subsidy is provided to low- and moderate-income household to rent a unit meeting certain quality standards in the private market; assistance equals the difference between the rent charged, which must be below an established ceiling (i.e., fair market rent) and either 30% (Section 8) or 40% (state RAP) of the tenant's income***	
Federal Section 8 Certificates and Vouchers	Allocated by HUD on competitive basis to various housing agencies (e.g., local housing authorities, the state Department of Social Services) that administer program for their jurisdiction
State Rental Assistance Program (RAP)	Operated under contract with DSS by three nonprofit community action agencies

Most of the *project-based* programs are geared to construction or rehabilitation of housing, and thus the subsidy stays with the unit. *Tenant-based* subsidies, on the other hand, allow families to locate a unit in the private rental market and subsidize the rent. A major distinction between federal and state *project-based* programs is that the federal government also provides operating subsidies to help run its housing units when they come on line, while the state does not. State housing programs (with the exception of elderly congregate) are expected to operate the units solely on rents collected.

Family self-sufficiency. Although housing is not an entitlement, program participation is usually long-term. Once a family receives housing assistance, program participation may continue until a family becomes ineligible because they earn too much income or are terminated from the program due to rule violation. Data collected by HUD on how long public housing recipients have resided in their current unit are discussed in the profile of recipients in Chapter II. The data show that in Connecticut, 22 percent had been in a particular unit for more than 10 years.

The Family Self-Sufficiency (FSS) program was created by the National Affordable Housing Act of 1990. The program is intended to be a joint effort between HUD and public housing agencies to help residents in federal public housing and Section 8 achieve economic independence and self sufficiency. To participate in the program, housing authorities must develop a HUD-approved action plan.

The plan must contain a description of the number, size, characteristics, including racial and ethnic data, and the supportive service needs of the families expected to participate in the FSS program. Services may include job training, day care, transportation, medical, mental health, and remedial education. Housing authorities are encouraged to tap into community resources to provide supportive services. HUD does not provide additional funds for social services, and to date, there have been limited funds available for FSS coordinators.

Families who volunteer to participate are given a needs assessment that establishes goals for the head of household and develops individual service/training plans for other household members. These goals and objectives are detailed in a contract of participation. HUD regulations state the contract term should be for five years. However, the contract may be modified or terminated if the housing authority and family mutually agree.

During the contract period, the family continues to pay rent in accordance with its income. The housing authority computes the difference in the rent paid by FSS families due to an increase in earned income. The housing authority deposits the difference in an escrow account to be held for the family. Upon successful completion of the contract agreement, the family is entitled to the amount which has been put in escrow.

If the family does not comply with the contract agreement, the housing authority must review the circumstances of the noncompliance to determine the appropriate remedy. The housing authority is not required to terminate housing assistance as a consequence noncompliance. If a family has not met its FSS obligations, the family is not eligible for the escrow.

As of June 1997, HUD reports that 155 Connecticut families had enrolled in the FSS program representing only about one percent of all Connecticut families in the federal public housing program. Twenty-nine percent of the participants had completed the FSS program while 35 percent left the program without completion.

Key Points

Chapter II: Profile of Assistance Recipients and Subsidies

- Information on demographics and subsidy levels varies by housing program. Federal programs have the most extensive and current data at this time.

- The overwhelming majority of federal public housing and Section 8 program tenants in Connecticut are very low income; public assistance was a source of income for less than half of these households and about one-third of Section 8 tenants and one-fifth of federal public housing tenants had earned income.

- Tenant tenure information is only available for federal public housing residents at this time and only measures how long a household has been in its current unit. Nearly 40 percent of Connecticut HUD public housing tenants had been in their current units more than three but less than 10 years; just over 20 percent had been in those units over 10 years.

- Subsidies to Section 8 tenants are deep; housing assistance payments for DSS Section 8 certificate and voucher holders accounted for 80 percent of rents paid, not including any utility allowance tenants may receive.

- Tenants served by the state RAP program, who tend to be among the state's poorest households, also receive deep rent subsidies, averaging 70 percent of total rent, not including utility allowances.

- Almost three-quarters of the residents of state housing projects were very low-income households. Information on actual rents paid and subsidies provided at DECD projects is still being compiled; available data on rents charged for elderly and moderate rental units shows most are well below fair market rents, on average.

- The majority of households served by CHFA multifamily rental projects (74 percent) are very low income; data on the rent subsidies at authority projects is not readily available. As expected, few participants in the CHFA home mortgage and downpayment assistance programs are very poor but the majority had incomes at or below 100 percent of the area median.

Chapter II

Profile of Assistance Recipients And Subsidies

A variety of individuals are served by the state's housing assistance programs -- families, elderly persons, disabled individuals, and others with special needs. All programs, however, are directed at low- and moderate-income households, with many targeting very low-income families or the "poorest of the poor." To develop a profile of residents of subsidized housing in Connecticut, demographic information on the clients of each major housing program were examined. Information on rents paid and the amount subsidized under various programs was also gathered and analyzed to better understand the level of rental assistance provided each type of recipient.

Housing Assistance Recipients

Fairly extensive and current tenant information is accessible through an automated system for HUD public housing and Section 8 programs. An overview comparing Connecticut tenants served by these federal programs with national data is presented below. Resident information for multifamily rental projects financed by HUD is also collected electronically but is not compiled on a national or statewide basis. The program review committee requested tenant data for HUD multifamily projects in Connecticut but the information received was incomplete and too unreliable to be used to develop a profile of residents.

Client data available for state housing assistance programs are also limited. DECD has not compiled tenant demographics, which include race/ethnicity, basic income statistics, and household size, for its projects since 1994. The department's 1994 information is summarized below. To supplement it, program review staff collected certain tenant information (e.g., type of household, average income, sources of income, duration of assistance, rents paid/assistance received, waiting list numbers and demographics, etc.) through a survey of local housing authorities.

The Connecticut Housing Finance Authority annually reports ethnic and income information of the households served by both its home ownership and rental programs. Household demographics from the authority's latest report covering October 1, 1995, through September 30, 1996, are included in the following discussion.

Federal Housing Programs

Every month, housing agencies that administer tenant-based Section 8 or federal low-income public housing report a variety of resident characteristics through HUD's automated information system. Items reported cover income and income sources; age and ethnicity; household size and type; and average total tenant payment (TTP), which is the amount of rent the household pays. Copies of the HUD resident characteristics reports were obtained for May 1997 (public housing) and June (Section 8 certificates and vouchers) for Connecticut as well as for the U.S. overall. The national statistics cover 1.32 million public housing units, 1.08 million certificates and 351,400 vouchers. The Connecticut information represents 18,728 public housing units, 17,222 Section 8 certificates, and 5,273 vouchers. A description of tenant income, household type, and rents paid for public housing and Section 8 certificate and voucher program clients in Connecticut and in the U.S. follows.

Income. The majority of federal tenants both in Connecticut and nationally are very low income, defined as below 50 percent of the area median income. As Table II-1 shows, Connecticut tenants have higher average annual incomes compared to the U.S. overall but a larger portion of public housing and Section 8 tenants in the state are in the very low income category.

Table II-1. Income Profile of Federal Housing Program Tenants: U.S. and Connecticut, May-June 1997.

	Public Housing		Section 8 Certificates		Section 8 Vouchers	
Income Statistics	U.S.	CT	U.S.	CT	U.S.	CT
Average Annual Income	$8,533	$10,128	$8,872	$10,810	$9,255	$11,169
% Very Low Income	82%	94%	80%	85%	83%	87%
% Any Wages	27%	19%	33%	31%	36%	34%
% Public Asst.	29%	40%	36%	43%	39%	49%
% Pension/SS/SSI	51%	54%	45%	46%	39%	38%

Source of Data: U.S. HUD Office of Assisted Housing

Table II-1 table shows many federally subsidized tenants work. About one-third of all households except in one category (Connecticut public housing residents at 19 percent) reported wages as a source of income. In general, fewer tenants report having any earned income and more receive public assistance in Connecticut than for the whole country. Less than half of the households in each of the three programs, however, report public assistance as an income source. Many households, from 38 to 54 percent depending on the program, receive pensions, social security, and/or SSI benefits.

Household types. In terms of race, the majority of Section 8 certificate and voucher holders (59 and 63 percent, respectively) and about half of all federal public housing tenants both in Connecticut and the U.S. are white. Table II-2 also shows most are non Hispanic (from 69 to 85 percent, depending on the program) although Hispanic households make up a larger proportion of federal tenants in Connecticut than for the U.S. overall.

In general, elderly households (age 62 and over) make up less than 20 percent of Section 8 certificate and voucher holders. They are a larger portion of the federal public housing population overall (33 percent) and in Connecticut (40 percent). Non elderly disabled households, which comprise between about 10 and 20 percent of tenants in the Section 8 and federal public housing programs, are a slightly smaller group in Connecticut than for the U.S. overall. Families with children or other dependents make up the largest category of Section 8 tenants in Connecticut and the U.S. (from 57 to 70 percent), and comprise at least 40 percent of federal public housing tenants. The smallest category of tenants is "other households without dependents," which accounts for less than 10 percent of the population in each program for Connecticut and the U.S.

Table II-2. Types of Households in Federal Rental Housing Programs: U.S. and Connecticut, May-June 1997

	Public Housing		Section 8 Certificates		Section 8 Vouchers	
Household Statistics	U.S.	CT	U.S.	CT	U.S.	CT
% White	49%	53%	59%	63%	59%	63%
% Non Hispanic	83%	73%	85%	69%	85%	72%
% Age 62 +	33%	40%	19%	18%	13%	10%
% Disabled Under 62	14%	11%	18%	15%	17%	14%
% With Dependents	43%	40%	57%	60%	63%	70%
% Without Dependents	10%	9%	6%	7%	6%	6%
Avg. Household Size	2.4	2.2	2.7	2.7	2.9	2.9

Source of Data: U.S. HUD Office of Assisted Housing

Average household sizes are larger for the certificate and voucher holders (2.7 and 2.9, respectively) than for public housing residents, probably reflecting the higher proportion of families with children participating in the Section 8 programs. While Connecticut's Section 8 average household size is the same as for the U.S. overall, federal public housing households are smaller on average in Connecticut (2.2) than for the country as a whole (2.4).

Rents paid. Table II-3 presents information on recent monthly tenant rent payments by program and by household category. In general, the average amount of rent paid monthly by the tenant is lowest for public housing residents and highest for Section 8 Voucher holders, ranging from $187 to $248 for the U.S. and from $228 to $297 for Connecticut.

For the certificate and voucher programs, non elderly disabled and other households without dependents usually paid the lowest rent amounts. The highest tenant payment was $320, or what elderly voucher holders in Connecticut paid on average in June 1997. More frequently, households with dependents had the highest average TTP of all the tenant categories.

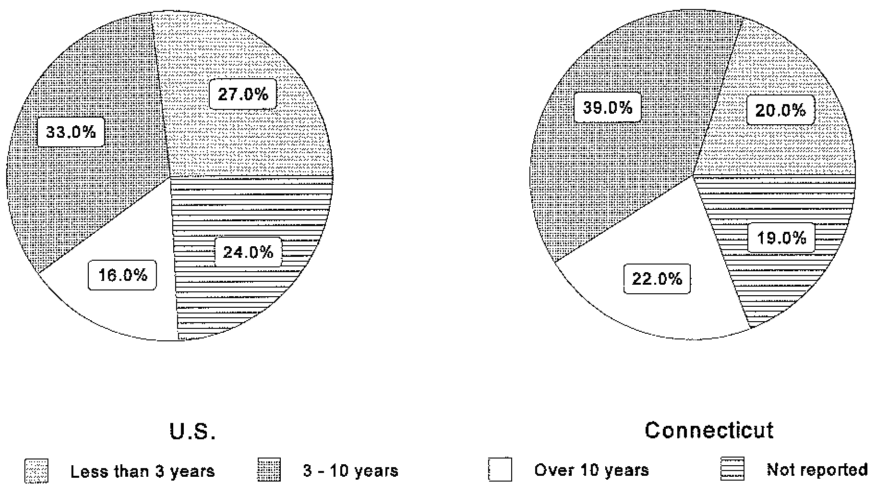
Table II-3. Rent Paid by Tenants in Federal Rental Housing Programs: U.S. and Connecticut, May-June 1997.

	Public Housing		Section 8 Certificates		Section 8 Vouchers	
Total Tenant Payment (TTP)	**U.S.**	**CT**	**U.S.**	**CT**	**U.S.**	**CT**
Average Monthly TTP	$187	$228	$193	$245	$248	$297
Avg. Mo. TTP By Category:						
Age 62 +	$193	$225	$189	$223	$244	$320
Disabled & > 62	$184	$204	$194	$218	$244	$261
Other With Dependents	$178	$237	$195	$260	$250	$302
Other Without Dependents	$214	$227	$181	$228	$224	$245
All with Dependents	$186	$243	$200	$264	$255	$305

Source of Data: U.S. HUD Office of Assisted Housing

Tenure in assisted housing. The amount of time a tenant lives in an assisted unit is collected by HUD but only for federal public housing residents at this time. In addition, the HUD tenant tenure information only reflects how long a household has been in its current unit not how long it has resided in federal public housing in total. Data comparing the distribution of length of stay in public housing is presented in Figure II-1.

Figure II-1. Distribution of Length of Stay
Federal Public Housing Residents: May 97



Source of Data: U.S. HUD

Figure II-1 indicates about one-third of federal public housing residents have lived in their current unit more than three but fewer than 10 years. A larger portion of Connecticut tenants are in this category (39 percent) and more have been in their units over 10 years (22 percent) than for the nation as a whole (16 percent). This may reflect the higher proportion of elderly tenants, who tend to have longer lengths of stay, in federal public housing in Connecticut. In addition, the data must be carefully interpreted given the large amount of unreported tenure information (24 percent overall and 19 percent in Connecticut).

DECD Housing Programs

Information compiled through a survey of all developers and owners of state assisted housing on the incomes and race of households served during October 1, 1993, through September 30, 1994, is the most recent available from the Department of Economic and Community Development. Table II-4 summarizes the 1994 demographic data for all state housing programs and individually for three major programs, which together represent more than three-quarters of all units reported.

Table II-4. Household Demographics of State-Funded Housing: 1994						
	No. Units Reporting (% of Program Total)	Income		Minority	Household Size	
		Very Low Income	Low Income		1-2 persons	3-4 persons
All State Programs*	18,141 (94%)	72%	16%	42%	54%	30%
Elderly Housing	5,878 (97%)	81%	11%	10%	97%	0%
Moderate. Rental	5,583 (89%)	63%	23%	71%	33%	42%
Rental Asst. (RAP)**	2,555 (100%)	100%	0%	75%	15%	51%

* State programs include: Affordable, Congregate, Downpayment Assistance, Elderly, Homeless, CHDC, LEC, Mutual, PRIME, RAP, and Urban Homesteading, with a total of 19, 242 units.

** Responsibility for administering RAP was transferred to DSS effective July 1, 1993 but DECD continued to collect demographic information for the program through 1994.

Source: DOH Tenant Demographics Report 1994

Most residents of state assisted housing programs in 1994 -- 72 percent -- were very low income (below 50 percent of the area median). At least 85 percent of the households served overall and by each of the three programs shown met the definition of low income (below 80 percent of median area income). The RAP program, with all of its households in the very low-income category, appears to serve only the poorest clients,. Not surprisingly, the moderate rental program had the smallest proportion (63 percent) of very low income households

Overall, 42 percent of the households served by state housing programs were minorities. The portion of minority households varied substantially by program, from just 10 percent of elderly housing residents to 75 percent of RAP clients. Over half (54 percent) of the total households served by state programs were small, comprised of two or fewer persons. Household size varies by program, with nearly all elderly tenants in one-to-two person households while the majority of moderate rental and RAP families have at least three persons in the household.

Race and ethnicity data were compiled for households on waiting lists for state housing programs for the first time in department's 1994 report. Of the 11,098 households reported to be on waiting lists for state housing during the year ending September 30, 1994, half were minorities (21 percent Black, 14 percent Hispanic, 1 percent Asian, and 13 percent other); 50 percent were White non Hispanic. No income or other economic information is gathered for waiting list households.

CHFA Housing Programs

Demographics for households served during 1995-96 by the Connecticut Finance Housing Authority's Home Buyer Mortgage Program, multifamily developments financed by the authority, and the state's Downpayment Assistance program are summarized in Table II-5. Information is provided for: the more than 14,000 households residing in the authority's 173 multifamily developments as of the end date of the reporting period; for the 2,418 new households that established residence in the developments during the year; and for the 3,565 households on development waiting lists.

Table II-5. Demographics of Households Served by CHFA: October 1, 1995 - September 30, 1996

	Multifamily Rental Developments				
	Entering Residence	In Residence 9/30/96	On Waiting List	Home Buyer Mortgages	Downpayment Assistance
No. Households	2,418	14,616	3,565	4,590	1,420
Pct. Minority	30%	28%	45%	28%	41%
Income Distribution:					
Pct. Under 50% AMI	57%	74%	-	3%	5%
Pct. Under 80 % AMI	75%	87%	-	34%	41%
Pct. 100% or less AMI	83%	92%	-	66%	74%
Pct. Over 100% AMI	17%	8%	-	34%	26%
Source: CHFA Summary of Program Activity 1995-1996 Report, Feb. 7, 1997					

Minority households comprised almost 30 percent of those served by the authority's home mortgage program and just over 40 percent of Downpayment Assistance Program participants. As might be expected, only a very small portion of the households served by these two programs, 3 and 5 percent, respectively, were very low income (below 50 percent of the area median income). The majority had incomes at or below 100 percent of area median income while the incomes of about one-quarter of Downpayment Assistance Program clients and one-third of CHFA home mortgage borrowers exceeded the 100 percent level.

Households already living in the authority's multifamily developments and new households entering them during the year were about one-third minority. A higher portion of those on the waiting lists, 45 percent, were minority households. It appears households already occupying multifamily developments were poorer than newly established households. Seventy-four percent of those in residence were very low income (below 50 percent of the area median) versus 57 percent of those entering residence during the year. Compared with home buyer and down payment assistance clients, about twice as many multifamily residents are in the low-income category (under 80 percent of the area median income) -- 75 to 87 percent versus 34 and 41 percent, respectively. Income information is not collected for households on the multifamily development waiting lists.

Rental Subsidies

The amount and type of assistance a household receives depends on the housing program. However, there are three main types of rental subsidies. Some assistance, like state RAP and federal Section 8 certificates and vouchers, are direct subsidies where rent payments are made to landlords on a monthly basis. The two other types of rent subsidies are provided indirectly under programs that make units more affordable to low-income households either by: 1) reducing production costs through low interest construction loans or grants (e.g., state Moderate Rental and Elderly Housing or CHFA or HUD multifamily developments); or 2) lowering developers' operating costs with government funding (e.g., HUD project-based Section 8 programs). At times, direct and indirect rental subsidies are combined to make units affordable to households with limited means.

The program review committee examined the rents tenants served by the major publicly assisted housing programs pay and compared them to each other as well as to unsubsidized or market rents. Since data on market rents in Connecticut are not regularly collected or compiled, the fair market rent (FMR) schedules used by HUD as ceiling rents for its housing assistance programs were used as a proxy for unsubsidized rents. Each year, HUD establishes fair market rent levels for different sized units for several hundred regions throughout the country. The federal FMRs are gross rents, meaning they incorporate utility costs, and are set at the fortieth percentile of all rent charged for units that turned over in a region over the prior two years. Appendix D contains information on HUD fair market rents for various size apartments in seven metropolitan areas in Connecticut over the past five years.

Information on rent payments is not routinely collected for most housing assistance programs. Contract rents (the amount charged by the landlord) and the portion paid by tenants (TTP) in the Section 8 certificate and voucher program administered by the Department of Social Services are compiled and reported on a monthly basis. However, for the Section 8 program overall, only tenant payment data are readily available. Program review committee staff gathered information on rents at DECD-financed projects as well as at multifamily rental developments sponsored by CHFA. Information on rents at HUD-financed rental projects in Connecticut was received by the committee after repeated requests late in the study process but proved to be incomplete.

Analysis of available rent payment data for the Section 8, state Rental Assistance Program, and the rental housing projects sponsored by DECD is presented below. It indicates considerable differences in the subsidies provided depending on funding source (e.g., federal or state) and type of household (e.g., elderly or family) as well as the type of assistance program.

Section 8 certificates and vouchers. Recent information on rents paid and the portion subsidized for the Section 8 program administered by the Department of Social Services through a contract with CAFCA is summarized in Table II-6. The DSS program represents around 10 percent of all federal certificates and vouchers used in Connecticut.

Table II-6. Rent Payment Information for State Administered Section 8 Program: May 1997

Admin. Agency	Total Units	Avg. Rent	Avg. HAP	Avg. TTP	HAP as %	No. 2-BR units	Avg. 2-BR Rent	Est. Rent + Utility Allowance*	1996 2-BR FMR	Est. Rent + UA as % FMR
Certificates										
CRT	710	$640	$533	$107	83%	333	$614	$715	$675	106%
CAANH	424	$694	$595	$99	86%	191	$671	$772	$822	94%
ACCESS	161	$510	$399	$111	78%	62	$511	$612	$706	87%
TVCCA	150	$606	$449	$157	74%	59	$580	$681	$706	96%
NOW	122	$610	$483	$128	79%	52	$569	$670	$691	97%
NEON	197	$723	$615	$109	85%	91	$669	$770	$713	108%
Total	1,764									
Vouchers										
CRT	275	$639	$507	$187	73%	112	$658	$766	$675	114%
CAANH	153	$729	$579	$151	79%	70	$685	$793	$822	96%
ACCESS	39	$625	$408	$217	65%	10	$582	$690	$706	98%
TVCCA	62	$625	$425	$200	68%	21	$594	$702	$706	99%
NOW	42	$617	$387	$230	63%	15	$560	$668	$691	97%
NEON	75	$759	$544	$214	72%	28	$666	$774	$713	108%
Total	646									

* In Connecticut in June 1997, utility allowances were received by 92 percent of all certificate holders and 95 percent of all voucher holders. The average utility allowance was $101 for tenants with certificates and $108 for those with vouchers.

Source of Data: CAFCA Monthly Rent Control Register for May 1997; HUD Resident Characteristics Report for June 1997; HUD Fair Market Rents for Connecticut.

Section 8 subsidies, called housing assistance payments (HAPs), are deep, accounting for 80 percent of the nearly $1.6 million in total rent paid for the 2,410 units occupied by state program tenants in May 1997. According to Table II-6, subsidy levels varied among the six community action agency subcontractors that operate the program for CAFCA, ranging between about 65 and 85 percent of the rent charged by the landlord. The table also shows the subsidized portion of total rent is generally less for voucher holders since under that program tenants can choose to live in units with rents in excess of fair market levels and contribute more of their income (beyond 30 percent) to cover the extra cost.

Total subsidies to tenants actually can be higher since the HAP payments shown in the table do not include any utility allowances tenants may receive. Under Section 8, a renter can receive payment for utilities and certain other services not provided by landlord, up to specific limits, based on average costs for various types of units in a particular geographic area. The utility allowance schedule for one- and two-bedroom units currently in effect statewide for Section 8 clients in the state administered program are contained in Appendix E.

CAFCA's reporting system is unable to provide information on individual utility allowance payments at this time. Instead, statewide averages based on HUD Section 8 utility allowance data for Connecticut from June 1997 were used to estimate total average housing costs for the state program tenants living in two-bedroom units. As Table V-6 shows, total average monthly housing costs (rent and utilities) ranged from $612 to $772 for households with certificates and from $668 to $793 for voucher holders. On average, the tenant portion of this cost was between 13 and 23 percent for the certificate program and between 19 and 34 percent for the voucher program.

From the analysis of CAFCA Section 8 data, it appears total rents paid are generally close to federal fair market limits. In most cases, average rent and utility payments for both certificate and voucher households are just under the amount permitted by HUD. Total two-bedroom housing costs for CRT clients, who live in the greater Hartford area, and for NEON tenants, who live in the Norwalk-Bridgeport area, however, are slightly higher on average than FMR rents for their respective regions.

The profile of state certificate and voucher households probably is representative of the Section 8 program overall in Connecticut. Rental information provided by Imagineers, a private consultant who, among other housing activities, operates Section 8 for the city of Hartford, shows patterns similar to the CRT program. The average contract rent for the 2,773 Section 8 units administered by Imagineers for Hartford in May 1997 was $632 while the average HAP was $500, about a 79 percent subsidy.

Special population programs. Two of the state's major housing assistance programs are targeted for specific populations, the Department of Mental Health Shelter Plus Care program and the Department of Mental Retardation rental subsidy program. Program review staff examined data on rent payments for the mental health department's program but rent information was not readily available for the DMR housing activities.

Rental subsidies provided through the Department of Mental Health Shelter Plus Care program seem similar to those described above for the state Section 8 program. Overall, for the 451 units occupied as of May 1997, the tenant subsidy was about 85 percent of contract rent. Housing assistance payments as a portion of contract rent varied across metropolitan areas in the state, ranging from 77 percent for Middletown to 92 percent for New Haven.

Total rents paid for Shelter Plus Care units on average seem lower than actual and fair market for the Section 8 program. Average monthly contract rents for all types of units in May 1977 ranged from $424 in the Hartford area to $719 in the Norwalk area. However, a substantial number of Shelter Plus tenants (34 percent) are housed in efficiencies and single rooms, which are less costly than the one- and two-bedroom units more commonly required for Section 8 households.

State rental assistance. Connecticut's own tenant-based rental assistance program, RAP, parallels the Section 8 program. It also provides deep subsidies although at a slightly lower level than the federal certificate and voucher program. Program review staff developed information on total rents paid and assistance provided from databases supplied by the three community action agencies (CRT, NOW, and CAANH) that run the RAP program for the state. Analysis revealed as of June 1997, assistance payments for the 2,151 units leased statewide averaged $466.

Comprehensive data on actual rents paid and utility allowance payments, which follow the DSS schedule used for the state Section 8 program, are not compiled by DSS or its RAP subcontractors. Information supplied by CRT from its April 1997 statistics indicated RAP subsidies average about 70 percent of total rent paid not including any utility allowance payments. RAP fair market rents, except for one-bedroom units, are slightly less (approximately 7 percent lower, based on CRT data) than Section 8 FMRs. This is to be expected since, unlike federal limits, state rental assistance program FMRs have been frozen at 1990 levels.

State project-based assistance. Information on actual rents paid is not readily available for the state housing projects overseen by the Department of Economic and Community Development. The agency does inventory what rents are charged by type of unit for all projects in the state portfolio. The average, median, minimum, and maximum rent charged for one- and two-bedroom units for the state's main types of projects -- Moderate Rental, Moderate Rental Private Developer, Affordable, Elderly, and Elderly Congregate -- are presented below in Table II-7.

State statute requires rents charged for DECD-funded units be the lowest possible to meet a project's operating expenses. Unlike most federal housing programs where the tenant's share of the rent is generally set at 30 percent of household income, state-funded projects can charge tenants a base rent or a percentage of their income, whichever is greater. Base rent is defined as the minimum rent required to meet operating expenses. Depending on a project's financial condition, base rents could be lower or higher than the affordability standard of 30 percent of income.

The percentage of income required from renters not subject to a base rent varies among state projects, again depending on project's financial condition. At present, the tenant contribution for state elderly projects is as low as 19 percent in one municipality but more frequently is set at between 25 to 30 percent of income. For state moderate rental programs, tenant contributions are mostly in the 30 percent range but can be as low as 24 percent. All state moderate rental projects involving private developers set the tenant's payment at 30 percent of income.

The information in Table II-7 demonstrates the wide range in rents charged for DECD housing program units, especially in terms of minimum and maximum rents. Some of the variation is probably due to differences in the utilities and other services included in rent payments. A number of projects, for example, provide all utilities while others supply only water.

Table II-7. Rents Charged at State Housing Projects as of March 1997

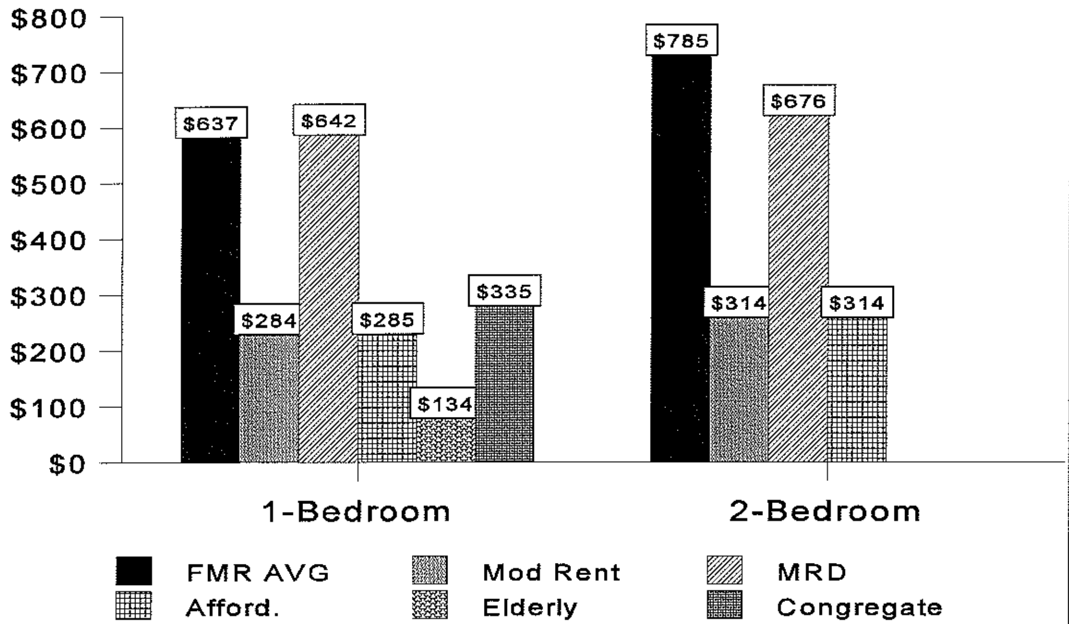
	MONTHLY RENTS				Number Projects
	Average	Median	Minimum	Maximum	
1-BEDROOM UNIT					
Mod. Rent	$284	$280	$135	$480	26
Mod. Rent/Priv. Dev.	$642	$657	$388	$917	24
Affordable	$285	$282	$227	$350	10
Elderly	$134	$91	$48	$689	200
Congregate	$335	$312	$210	$608	21
2-BEDROOM UNIT*					
Mod. Rent	$314	$270	$150	$691	64
Mod. Rent/Priv. Dev.	$676	$686	$410	$1,004	26
Affordable	$314	$318	$165	$380	19

* Elderly and congregate projects contain only efficiency and 1-bedroom units.
Source of Data: DECD Management Plan Report

Rent differences may also be the result of when projects were bonded. The earliest projects, those constructed in the 1950s and early 1960s, have lower capital costs than more recently developed projects which often results in lower rent structures. The statutory requirement that rents charged be the lowest needed to meet operating expenses may be another factor contributing to variation among projects.

For the most part, average rents charged at state projects appear to be well below the average fair market rents in Connecticut. As Figure II-2 shows, only Moderate Rental Private Developer (MRD) rents are close to the state average of fair market limits set by HUD. Most MRD projects are combined with Section 8 tenant-based subsidies to make units affordable to lower income tenants.

Figure II-2. State Projects: Average Monthly Rent Charged Compared to Average Fair Market Rent



Source of Data: DECD Project Management Reports; HUD 1996 FMRs

Chapter III: Housing Affordability Trends in Connecticut

- Based on HUD income estimates for Connecticut, median family income increased 75 percent from 1986 to 1997.
- At the same time, median sales price of homes in Connecticut declined.
- Affordability index based on median income and sales price increased significantly.
- Home ownership rates in Connecticut have historically been higher than national average.
- Connecticut's homeownership rate -- 69 percent in 1985, declined to 64.5 percent in 1993, and is now returning to pre-recession rate of 69 percent.
- Rental vacancy rate in Connecticut currently about 10.7 percent -- higher than national average and higher than surrounding states.
- Based on these rates, it appears there is high availability of rental units.
- The poorest 10% of families in New Haven and Hartford had incomes of about $19,000, meaning they could afford rents of at most $475 per month.
- Fair market rents set by HUD have come down slightly since 1993, but none as low as $475 a month.

Chapter III

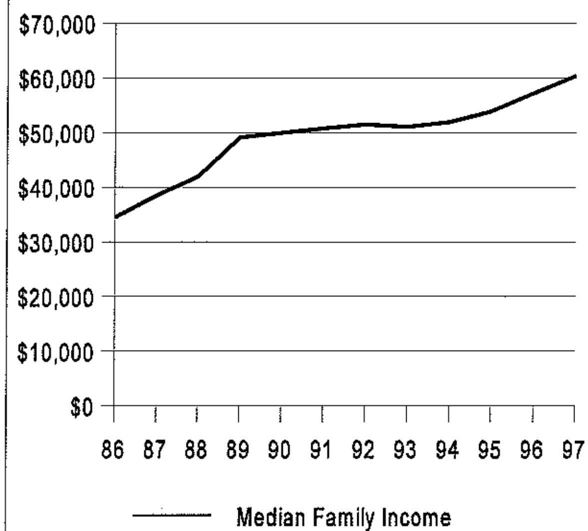
Housing Affordability Trends in Connecticut

The need for publicly assisted housing is largely dependent on what is happening in the private housing market. Since 1990, the year of the last census data, Connecticut has gone through significant changes in its economy, which have impacted the state's housing situation. The economy has suffered a lingering recession, from which it is only recently recovering. As a result, the housing market declined dramatically, and it is only slowly improving.

Two primary indicators of both the economy and housing in Connecticut are the median family income and the sales prices of homes. Despite the recession, the median income of families continued to increase as illustrated in Figure III-1. The federal Housing and Urban Development data, which are unadjusted for inflation for 1986 (before the recession hit) to 1997 the median family income has grown 75 percent for the state as a whole. (More detailed income trends as determined by HUD, and the agency's methodology for estimating income are contained in Appendix F.)

Figure III-1. Median Family Income in CT

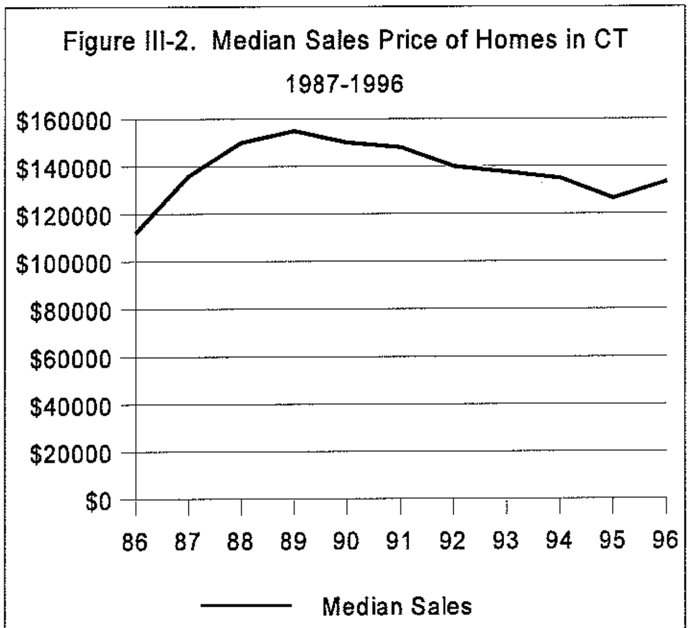
Trends 1986-1997



Source of Data: HUD
These figures reflect revised 1989 and 1990 income figures based on actual 1990 census data, and explain the significant rise from 1988 to 1989

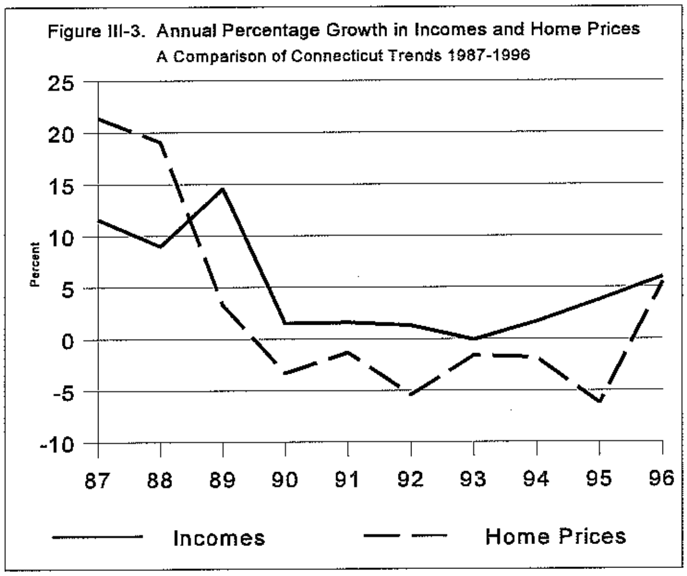
While income has continued to increase, as shown in Figure III-1, housing prices are only beginning to increase slightly after falling substantially during the state's recession in the early 1990s. As Figure III-2 shows, the state's median housing prices have declined 13.8 percent, thus buying a home has become more affordable since the beginning of the decade.

The growth in incomes and home prices -- measured as percent rise or fall from the previous year -- are plotted together in Figure III-3. As the figure depicts, the growth in home prices fell dramatically from more than 20 percent annually in 1987 to an actual decline in prices from 1990 through 1995. Only during 1996 did prices begin to rise again. Concurrently, income increases in the late 1980s were substantial[3] but have since stabilized in the 0 to 5 percent range.



Source of Data: Commercial Record

Median family income and median sales price of homes form the basis of the "housing affordability index" used by such organizations as the National Association of Realtors to measure how affordable housing is to typical families in regions around the country. The index takes the median sales for homes in a region, and calculates whether a median income family in that area could qualify for a mortgage for that home.



The qualifying income is the amount it would take to afford a mortgage on an 80 percent loan (20 percent downpayment) and a qualifying ratio of 25 percent of gross income to pay for principal and interest. (Taxes, insurance and utilities are not included). A value of 100 would mean that the median income family has exactly enough money to qualify for a mortgage on the median income house. A value of more than 100 signifies the family has more income than needed to purchase the median priced home, while a value of less than 100 indicates that median family income is less than what is needed to qualify to purchase such a home. The

[3]The 1989 percentage increase in income is very high and is somewhat a reflection of the one-year revision of previous HUD estimate based on the 1990 census data, which provided actual income figures for 1989.

higher the affordability index, the more a typical family is able to afford a home, indicating that housing is more affordable than a lower index.

Table III-1 provides this affordability index, as calculated by the National Association of Realtors for 1990, 1993, 1996 for the four major regions, Connecticut, and the nation. The table indicates owning a home has become more affordable since 1990 in all areas of the country. Nationwide, ability to afford a house has increased about 20 points -- from an index of 109.5 to 130.8. In the Northeast the improvement has been greater, almost 40 points -- from 82.6 to 121.3.

Table III-1. Housing Affordability Index by Area of the Country.						
Year	U.S.	Northeast	Midwest	South	West	CT
1990	109.5	82.6	143.3	108.4	78.7	77
1993	133.3	114.7	174.0	138.2	107.1	139
1996	130.8	121.3	167.0	138.3	105.8	156
Source of Data: National Association of Realtors, LPR&IC analysis for CT index						

Connecticut's affordability has been even more dramatic than the rest of the Northeast, improving about 79 points, as the table shows. To put the state's latest affordability index in other terms -- a family earning an income of $36,720 could qualify for the mortgage to purchase a home at the state's median sales price of $133,500 (assuming the family had the 20 percent downpayment of $26,700 and a mortgage rate of 7.75 percent). This means that the median sales priced home in Connecticut is affordable to a much larger segment of the population than it was six years ago.

Table III-2. Trends in Home Ownership Rates -- U.S. and Selected States						
Year	U.S.	CT	MA.	NY	NJ	RI
1985	63.9	69.0	60.5	50.3	62.3	61.4
1987	64.0	67.0	60.6	52.0	64.0	60.4
1989	63.9	66.4	58.9	52.3	65.7	61.2
1991	64.1	65.5	60.2	52.6	64.8	58.2
1993	64.0	64.5	60.7	52.8	64.5	57.6
1995	64.7	68.2	60.2	52.7	64.9	57.9
1996	65.4	69.0	61.7	52.7	64.6	56.6
Source of Data: U.S. Bureau of the Census						

The affordability of homes is only now returning Connecticut to the level of home ownership the state enjoyed in the mid-1980s, prior to steep housing increases and the recession that followed. As Table III-2 on the previous page indicates, Connecticut's home ownership rate had fallen to 64.5 percent in 1993, close to the national average. By 1996, Connecticut's rate of 69 percent outpaced the national average of 65.4 percent, and other selected states. In Connecticut, that percentage increase translates to approximately 57,000 more housing units being owned in 1996 than in 1993. Thus, by these measures Connecticut's home ownership market appears to be improving.

Renting in Connecticut. For those who rent, the picture is less clear. Certainly, in most areas of the state there is an abundance of rental units. Interviews with local housing authorities and the Connecticut Association of Realtors revealed what most thought were high vacancy rates in the private rental market for their areas. The Bureau of the Census conducts an annual housing vacancy survey for both homeowner and rental units, and their data confirm that. The rental vacancy rates for Connecticut and comparison states for even years between 1986 and 1996 are contained in Table III-3 below.

Table III-3. Rental Vacancy Rates for Connecticut Compared with Other States and U.S.

	1986	1988	1990	1992	1994	1996
U.S.	7.3	7.7	7.2	7.4	7.4	7.8
CT	5.0	5.8	7.5	8.3	11.4	10.7
MA	3.8	4.4	5.2	8.8	7.1	5.8
NJ	4.0	5.1	5.9	8.8	7.1	7.7
NY	2.9	4.1	4.9	5.8	5.9	6.9
RI	4.9	5.0	9.6	8.7	8.0	7.2

Source of Data: U.S. Census Bureau Housing Survey, Annual Statistics 1996

As the table shows, Connecticut has had a higher vacancy rate than the national average since 1990; since 1994, it has been substantially higher than both the U.S. and neighboring states. Connecticut's declining population is probably partially responsible. Many rental units were built in the late 1980s, with expectations the state's then thriving economy and growing population would continue. For example, between 1985 and 1989 alone, the total number of housing units (owned and rented) in the state went from 1,247,821 to 1,332,987, an increase of more than 85,000 units.[4] However, in 1990, Connecticut's population was 3.287 million. In 1994 it was 3.275 million

[4] Department of Economic and Community Development, *Connecticut Market Data*, housing units.

However, despite the apparent availability of rental units, affordability continues as an issue. The generally accepted standard of affordability, and the one that HUD uses, is that rents plus utilities should not account for more than 30 percent of gross monthly income. In 1990, according to the Bureau of the Census, the median monthly gross rent (rent and average utilities) was $598 in Connecticut. The 1990 census also determined that at the time 40.5 percent of renters were paying more than 30 percent of their incomes on gross rents. Program review staff attempted to analyze whether the affordability of rents has improved in Connecticut since 1990, but the conclusions are not all that clear for a number of reasons.

First no one collects data on market rents charged in Connecticut. Staff used as a proxy for this analysis the HUD FMRs for a two- and three-bedroom apartment in Hartford and New Haven metropolitan statistical areas. Table III-4 below shows the FMR averages as well as the income levels needed to afford these rents.

Table III-4. Income Needed to Afford Fair Market Rents* in Connecticut

	2-BR	Monthly Income Needed	Yearly Income Needed	3 -BR	Monthly Income Needed	Yearly Income Needed
Hartford MSA	$675	$2,250	$27,000	$847	$2,823	$33,876
New Haven MSA	$822	$2,740	$32,880	$1,052	$3,506	$42,072
Average 2-areas	$749	$2,493	$29,916	$950	$3,166	$37,999

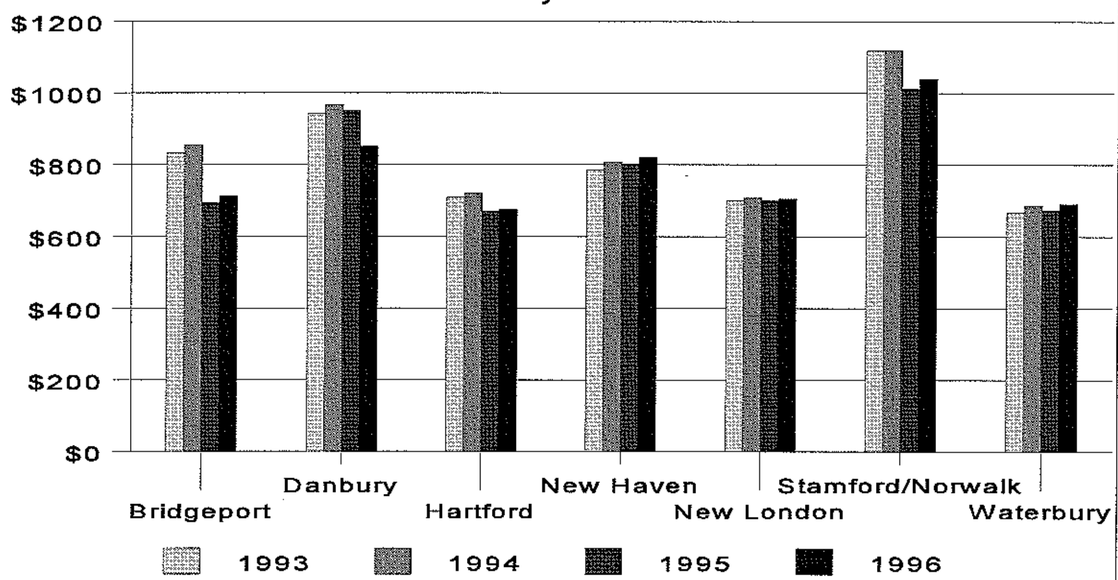
*Includes utility costs

Source of Data: HUD Fair Market Rents (Sept. 1996) and HUD Income Estimates for 1997

Using HUD detailed income estimates (contained in Appendix F) about 80 percent of Connecticut families could afford this rent amount, and 20 percent could not. However, according to the 1990 census, 23 percent of all renter households were extremely low-income families (defined as 30 percent of area median family income or below). Because recent data on renters' income compared to all families are not available, it is not possible to determine currently what portion of low-income families are renters. However, based on a number of studies -- for example, a 1994 study by the Congressional Budget Office concluded median renters' income is about $10,000 less than homeowners' nationally -- it is safe to assume there is a greater concentration of renters among the lower-income groups. Therefore, a greater percentage of renters probably are unable to pay fair market rents without excessive cost burden.

According to 1997 HUD income estimates, the lowest 10 percent of families in Connecticut for the New Haven and Hartford areas had incomes of about $19,000 or less (non-family households would be lower), meaning those families could afford to pay a rent and utilities of at most $475 a month. Fair market rents set by HUD have come down in most areas of the state since 1993, as shown in Figure III-4. Part of the reason is that HUD lowered the threshold for setting the rates from the 45th to the 40th percentile of private market rents. But lower FMRs also indicate that market rents have likely also come down. However, as the graph illustrates not one major area had fair market rents for a two-bedroom unit as low as $475. Thus, while there is an ample supply of rental units, judging by the state's vacancy rates, what the lowest income families could afford is far below the fair market rents as determined by HUD. The affordability issue and need for rental subsidies is discussed in Chapter V.

Figure III-4. Two-Bedroom Fair Market Rents In Connecticut By Area: 1993-1996



Source of Data: Federal Register

Key Points

Chapter IV: Planning Products and Process

- DECD, as lead housing agency, is responsible for preparing state and federally mandated plans for meeting housing needs.

- There is no longer a need to collect the information mandated, or the data necessary to produce some of the statutory reports are either unavailable or would be very costly and time-consuming to compile.

- DECD's planning mandates need to be revised so its resources can be devoted to key issues of housing: what type and how much is needed and how much is provided.

- Both the regional housing councils and the state advisory committee are essentially defunct, but there are other ways of providing input to the planning process.

- There is poor compliance with the requirement that local housing authorities file annual reports with DECD.

Chapter IV

Planning Process and Products

Ideally, housing assistance policies and programs should be based on plans that identify current and future needs for decent, affordable housing. Determining need, however, is very difficult since the conditions effecting both the demand for and supply of affordable housing are constantly changing. A variety of factors impact the need for housing assistance -- the state of the economy, fluctuations in population as well as household income, and the strength or weakness of the private housing market. Another complication is the fact many of the data needed to evaluate these factors are either lacking or updated so infrequently their usefulness is limited.

The traditional measures of housing need are how many households have high housing cost burdens (i.e., paying over 30 percent of income), or live in substandard or overcrowded conditions. Most data for these measures are collected either through the national census, which is updated only every 10 years, or the census bureau's periodic American Housing Survey (AHS), which covers only a sample of metropolitan areas rather than whole states.

Other measures of demand for affordable housing include: how many people are homeless and being served by emergency shelters; how many households are currently receiving assistance and how many are on waiting lists; and trends in evictions. Reliable numbers for these measures are even more difficult to obtain, as data are not routinely or systematically collected. For example, there is no standard way to maintain waiting lists for most Connecticut housing programs. Lists can overlap among programs and operators, and if not regularly purged, contain households no longer eligible for or even interested in assistance.

Measures of the supply of quality, affordable housing are subject to similar problems of out-of-date and incomplete data. A comprehensive analysis of the nation's housing stock that compared the supply of units to income level (e.g., the availability of low-cost rents for low-income households) was last conducted in 1994. The analysis, based on 1990 census data, was developed by the census bureau and HUD to assist states with the preparation of their federally required Comprehensive Housing Affordability Strategy (CHAS). A state

CHAS was designed to be a comprehensive planning document identifying overall housing needs and outlining strategies to address them. The CHAS planning requirement has been replaced by HUD's Consolidated Plan (ConPlan) process. The CHAS analysis of the supply of affordable housing database, however, has neither been updated nor replaced with another methodology.

Plans for meeting Connecticut's housing needs are required by both state and federal law. The Department of Economic and Community Development, as the state's lead housing agency, is responsible for preparing both, described in more detail below. In addition to assessing needs and outlining strategies, both plans are used to guide allocation of funding to housing programs. Neither the state or federal plan, however, mandate how much and what type of housing should be developed in specific communities or areas. Instead, notices of funding availability or requests for proposals are issued by program or general purpose and municipalities, housing organizations, and developers can apply for financing of their specific project. Applications are ranked based on how well they fit with priorities and objectives contained in the state's planning documents and highly rated projects are approved for funding.

Federal Plan

The federal Consolidated Plan process, initiated in 1994, merges planning, application, and reporting requirements related to 12 HUD community development and housing programs. In addition to outlining priorities and a three- to five-year strategy, a ConPlan serves as a state's application for HUD formula grant programs. The ConPlan process further requires submission of an annual action plan, intended to provide the basis for assessing state performance and results.

In response to HUD's consolidated planning requirement, Connecticut established an interagency task force of 12 state commissioners and agency executive directors to lead its process in April 1994. The state's first consolidated plan was submitted to HUD in January 1995.

A key part of the process was citizen participation, beginning with an informational briefing held in May 1994 to which representatives of housing advocates, housing authorities, private providers, tenant associations, housing developers, and other interested parties were invited. Written comments were solicited and two public hearings and three focus groups were held to obtain citizen input on the task force vision statement, the needs assessment, and the current delivery system during August and September 1994.

The draft ConPlan, which identified the state's priority needs, the amount of expected HUD funding, a one-year strategy and a three- to five-year strategy for housing and community development, was developed and made available for public comment in November 1994. Three public hearings on the draft plan were held around the state in December. The draft was modified by the task force and finalized for submission to HUD, and approved in 1995.

DECD recently completed a draft action plan for 1997 and 1998, which essentially is an update of certain sections of the full 1995 document, and released it for public comment. Unlike the agency's original ConPlan, which covered both state and federal activities, the action plan only discusses HUD programs.

State Plans and Reports

DECD, with the Connecticut Housing Finance Authority, is required to prepare a five-year advisory plan that contains an assessment of housing needs. Housing needs must be analyzed by income group (i.e., less than 25 percent, 25 to 50 percent, over 50 to 80 percent, and over 80 to100 percent of area median income) and adjusted for family size. The plan must contain specific proposals for meeting housing needs and information on affirmative fair housing efforts. The first five-year plan was issued for the period 1993 through 1997. Although the current plan is expiring, the department has not established a schedule or process for an update at this time.

In addition to the state plan, the department is required by statute to produce a variety of housing-related reports. These include annual reports on: housing market conditions, last issued for 1994; housing construction activity (production and permit statistics), last published in 1995; and demographics of the households served by its programs, last produced for 1994. An annual supplementary report to the five-year plan detailing the extent to which identified housing needs were met is also required but has never been submitted to the legislature by DECD. However, in accordance with the state affordable housing appeals law, the agency has published annual reports on the supply of publicly assisted housing by municipality. The 1996 affordable housing appeals process report was released by DECD in April 1997.

The program review committee found the department has failed to produce certain housing documents in accordance with state law. Table IV-1 summarizes the status of the agency's major planning and reporting mandates. Over the past few years, DECD planning personnel have concentrated on the agency's priorities--compiling the inventory of government-assisted affordable housing by municipality and producing the state's federal Consolidated Plan (ConPlan), which serves as its application for HUD funding. According to the agency, this is because staff resources for its research and planning efforts are limited.

At present, three of the 11 professional staff within the agency's Program Planning and Evaluation Division and one clerical position primarily work on housing-related functions. Another clerical position, the division director and two professionals split their time between housing and economic development research, planning, and reporting duties. Five additional professionals are assigned mainly to economic development areas.

Since 1979, the commissioner of the state agency responsible for housing matters has been statutorily required to monitor public and private sector progress toward meeting Connecticut's housing needs. Over time, legislative interest in a variety of housing issues led to statutes calling

Table IV-1. DECD Major Housing-Related Planning and Reporting Mandates

Document	Reference	Submitted To	Date Due	Status
Annual Housing Production Data/State of the Housing Market	C.G.S. Section 8-37s	Governor, General Assembly, OPM	March 1 (since 1980)	Last issued 1996
Five-year Advisory Plan	C.G.S. Section 8-37t	Governor and OPM	Jan. 1 every 5 years (beginning in 1993)	Issued for 1993-97; (update due 1998 but no staff assigned to task)
Annual supplemental report to 5-year plan	C. G. S. Section 8-37t	Governor and OPM	not specified (since 1993)	Never submitted
Annual report on demographics of households served state housing agencies programs	C.G.S. Section 8-37bb	General Assembly	by Dec. 31 (since 1991)	Last issued 1994
Annual list of municipalities exempt from affordable housing appeals law	C.G.S. Section 8-30g(f)	not specified	not specified (since 1989)	Last issued April 1997
Consolidated Plan (ConPlan) for HUD community development and housing programs	Fed. law and regulations	U.S. HUD (P&D Committee approval required)	Every 3-5 years; date not specified (beginning in 1994)	Issued Jan.1995
Consolidated Plan Annual Action Plan	Fed. law and regulations	U.S. HUD (P&D Committee approval required)	not specified (beginning in 1995)	Approved/Last Issued 1997

Source of Data: LPR&IC staff analysis

for the department to produce a numerous plans, reports, and monitoring documents. In addition to the seven major annual planning efforts shown in Table IV-1, the agency is mandated to prepare six annual reports on specific topics. Since 1989, DECD has also been statutorily required to produce seven one-time reports on a variety of housing-related topics.

The program review committee found in some cases there is no longer a need to collect the information required by law, or the data necessary to produce a report are either unavailable or would be very costly and time-consuming to compile. Additionally, some state mandates duplicate what the agency produces to meet federal requirements. One of the most critical and resource-intensive research functions carried out by the planning and evaluation staff -- compilation of the affordable housing unit database and a catalog of affordable housing in the state -- is not even required by law.

The *committee believes the agency's statutory planning mandates need to be revised so its resources can be focused on the key issues of housing assistance: what type and how much housing is needed and how that compares with what is being provided in the state.* **Therefore, it is recommended that all current housing-related planning and reporting requirements of the Department of Economic and Community Development, which are listed in Appendix G, be repealed and replaced with a mandate to prepare, with the assistance of the Connecticut Housing Finance Authority, a long-range state housing plan that:**

1) sets specific, measurable goals for meeting identified housing needs;

2) outlines strategies for meeting those goals;

3) identifies state, federal, and private sector resources for affordable housing programs; and

4) analyzes the demographics of households served by state housing programs.

Further, the plan should be based on an inventory, compiled and annually updated by DECD, of affordable housing units available in each municipality in the state, with affordable defined as government-assisted housing and unsubsidized, private market units affordable to households with low to moderate incomes.

Every five years, beginning in January 1999, the state housing plan should be submitted to the General Assembly for approval after receiving public review and comment through written remarks and public hearings. It should be updated annually with an action plan, also submitted to the legislature, that assesses the state's progress toward meeting housing needs contained in the plan and recommends revised strategies, if deemed necessary.

Under the committee recommendation, DECD activities undertaken annually to produce the list of municipalities exempt from affordable housing appeals law will become the core of its planning efforts. The definition of affordable, for agency planning purposes, is expanded to include private sector affordable housing to present a more accurate picture of the existing housing market and current and future needs for housing assistance. Overall, this information will provide a better indication than current sources of how much of housing in each Connecticut municipality is available to low- and moderate-income households.

The program review committee does not recommend the expanded definition be used for determining municipal exceptions to the appeal process at this time. One reason is the private sector rental data available to the department, at least initially, are likely to be estimates or projections of census data rather than firm statistics. Estimates are adequate for planning purposes but are not, in the committee staff's opinion, a suitable basis for enforcement of the affordable housing appeals law process.

Another reason is the results of a recent study by Housatonic Valley Council of Elected Officials (HVCEO) indicating the majority of Connecticut cities and towns would be exempt from the law if the definition of affordable were expanded and no change were made in the threshold. According to HVCEO analysis, at least 10 percent of total housing stock (the current legal threshold for exemption) would be considered affordable in 111 communities when both assisted and unassisted units are included.

This concern could be addressed in several ways but is only one of a number of issues related to defining affordability under the law. For example, it appears the majority of units developed through the law to date are affordable to those at the top level of the program's income limit (80 percent of area median income). Since fewer units serve very poor families (at or below 50 percent of area median income), some critics have questioned whether the program is achieving its intended purpose. The scope and timeframe of the committee's review did not permit a thorough examination of all issues related to the affordable housing appeals law. In addition, a legislative interim working group is considering changes to the program and expects to present its recommendations to the General Assembly for discussion in the upcoming legislative session.

The committee recommendation would require the department to undertake a new research effort -- gathering private sector rental data. As noted earlier, rental market data are not routinely collected for all communities or even all states except through the U.S. census. Rent studies require considerable time and effort, but with the elimination of other planning responsibilities and reports, agency staff should have time available for this new task. In addition, the database of Section 8 rental information recommended later in Chapter VII could be a source for DECD planning efforts. Home sales information is more readily available through real estate publications and, therefore, shouldn't be burdensome for the agency to collect.

Under the committee recommendation, the need to produce separate planning documents for state and federal purposes is eliminated. DECD could produce a combined state/federal housing plan, as did when with its first ConPlan submitted to HUD in 1995. The committee believes this is a good use of planning resources as well as a way to foster coordination of state and federal programs. It is important to note the federal consolidated plan is not being suggested as a replacement for statewide strategic planning, only that mutual research efforts such as housing needs assessments can be carried out to meet both purposes.

At present, most of the funding available for housing programs in Connecticut comes from federal sources. It makes sense, therefore, to formally link state and federal planning efforts. Through a combined plan, DECD can better determine how to use state resources most effectively to supplement federal initiatives or fill funding gaps.

The plan and annual update envisioned by the committee recommendation would incorporate the present requirement for an analysis of the demographics (e.g., age, income, race/ethnicity, etc.) of households served by state housing programs each year. The statute concerning the demographics report (C.G.S. Section 8-37bb), which applies to the Connecticut Housing Finance Authority as well as the department, would be amended to permit DECD to meet this mandate through its annual planning document. CHFA currently complies with this requirement in a similar way by including its client demographics analysis in its annual report.

The demographics information is critical to determining the impact of the state's equal housing opportunity and affirmative fair housing efforts, as discussed in Chapter VIII. Producing the tenant demographics report has not been a priority for the department in the past. With fewer and more focused planning mandates, the program review staff believes this area can be given more attention by DECD. Also, certain demographic information could be obtained through the affirmative fair housing marketing plans housing sponsors must submit to the agency.

Advice and Public Input

The process for developing the new state housing plan and its annual action plan updates would include formal opportunities for public review and comment like those currently required for the federal ConPlan and for the present state five-year advisory plan. The program review committee believes obtaining input from housing advocates, interest groups, and the general public during the planning process replaces the need for two existing but inactive statutory advisory groups -- the department's housing advisory committee and regional housing councils. **Therefore, the committee staff recommends the statutes establishing regional housing councils (C.G.S. Section 8-384) and the state housing advisory committee (C.G.S. Section 8-385) be repealed.**

The program review committee found both bodies are essentially defunct. Plans were made to contact the regional councils, responsible by law for assessing housing needs in their respective planning areas, for input early in the study. However, the committee staff was informed by DECD the councils are no longer active and regional housing activities have been assumed by other entities. The statewide advisory committee has not met for a number of years and many of its 13 positions are vacant.

The program review committee believes the advisory functions of the state housing committee and the regional councils can be and have been fulfilled by other entities. Ad hoc advisory groups have been put together as needed by the commissioner to provide advice on various housing issues. Most recently, informal groups representing local housing sponsor have been meeting with the commissioner and DECD staff to discuss, among other topics, better communication and improved performance assessment procedures. The committee recommendation also makes public input on key policy issues mandatory by requiring public hearings and comment each year during the agency's planning process.

Local Housing Authority Reports

The committee found problems with one additional state housing-related report. Since 1988, under C.G.S. Section 8-68d, each housing authority must submit to the department an annual report containing an inventory of all housing it owns or operates, including total number, type, size, and condition of all units and the number of occupancies and vacancies in each of its projects or developments. The report must also describe new projects and their status, the number and types of rental housing no longer available to low or moderate income because they have been leased, sold, or transferred, and any other information the commissioner requires.

The program review committee found there has been poor compliance with this requirement. Only 28 of the 105 local housing authorities had submitted an annual report to DECD over the past two years. Furthermore, the agency had not monitored compliance with this requirement or ever imposed any sanctions for failing to submit a report. The committee believes authorities should not be required to continue to produce a document when the department is not using the information supplied or even checking to see if it has been submitted. **The committee recommends the state law requiring local housing authorities to report to DECD each year be repealed.**

At present, local housing authorities are the only housing sponsors required to report annually to the department. Under their enabling legislation, local housing authorities are already required to prepare annual reports and submit them to their municipal governing body (C.G.S. Section 8-63). Many authorities just forward a copy of this report to DECD to comply with C.G.S. Section 8-68d. Eliminating the dual reporting requirements would reduce paperwork for local housing authorities. In addition, much of the information required for the report to DECD could be gathered from the annual management plans local housing authorities and other housing sponsors funded by the department must submit each year.

Key Points

Chapter V: Housing Assistance Needs

- The process for determining housing assistance needs is complex and further complicated by a lack of complete, up-to-date supply and demand data.

- The housing costs of many lower income households in Connecticut exceed the affordability standard -- 30 percent of annual income. Among the poorest households, almost three-quarters of homeowners and 70 percent of renters spent more than 30 percent of their incomes on housing according to 1990 census data.

- Connecticut's inventory of publicly supported affordable housing was comprised of nearly 149,000 units in 1996; about 20 percent were owned homes and 80 percent were rental units.

- Most assisted rental housing, according to 1994 data, was located in urban areas and assisted family units were concentrated in the major cities. Eighteen towns have no state or federal subsidized rental units.

- Connecticut appears to have a better supply of federal rental housing than most states.

- There are substantially more subsidized rental units than there are extremely poor renters in Connecticut. However, most housing subsidies are not limited to the very poor, and some programs are aimed at higher income levels.

- Those at the lowest income levels cannot afford subsidized-construction units without a continuing rental subsidy.

- Under federal law, nonelderly disabled people are entitled to live in federal elderly public housing. Several states, including Connecticut and Massachusetts, have parallel provisions for state public housing. Some management concerns have arisen regarding mixed population policy.

- HUD adopted regulations in 1994 allowing housing agencies to submit plans to designate separate housing for elderly and young disabled. East Hartford is the only housing authority in Connecticut with an approved federal designation plan.

- Reasons contributing to increased population mix are: increasing vacancy rates at elderly housing projects; increasing numbers of disabled population living in community due to deinstitutionalization.

Chapter V

Meeting Housing Assistance Needs

Connecticut has responded to the housing needs of its citizens through a wide variety and number of assistance programs. In addition to the federal programs operating in the state to promote home ownership and affordable rental units, the state has established many of its own housing assistance programs to meet the needs of low and moderate income households. Many programs are additionally targeted to serve populations with special needs -- the elderly, the disabled, clients of the mental health and mental retardation departments, persons with AIDS, and the homeless.

How well Connecticut's housing programs are addressing the need for decent, safe, affordable housing is difficult to measure. One reason is the lack of comparative information from other jurisdictions. *The committee was unable to identify any source of comprehensive data on the supply of and demand for affordable housing in other states.*

Information presented later in this chapter shows Connecticut has a better supply of federally funded rental housing than most states. Other data, summarized below in Table V-1, indicates Connecticut may have a greater supply of supply of affordable housing than other states. The information presented in the table, which is the most recent comparative housing data available, is based on a review of 1994 federal CHAS databook statistics by a nonprofit research organization.

According to Table V-1, a smaller portion of very low income renters have a high housing cost burden, defined as paying 30 percent or more of household income on rent, in Connecticut than for the nation as a whole . The need for housing assistance by low income households in Connecticut is about the same as that in surrounding New England states (Massachusetts and Rhode Island). However, in other northeastern states (New York and New Jersey) and the nation as a whole, larger portions of renter households have high housing cost burdens than Connecticut.

The program review committee additionally found Connecticut, along with Massachusetts, are the only two states with their own tenant-based rental subsidy program. Whether Connecticut is doing more or less than other states in terms of meeting housing needs, however, cannot be determined from existing comparative information.

Table V-1. Comparison of Housing Cost Burden of Very Low-Income Renters* (1990 Census Data)				
	Number Very Low-Income Renters	Number & Percent Paying 30% or More of Income for Rent		30% Median Annual Income
U.S.	7,259,300	5,305,300	73%	$10,567
Connecticut	94,500	65,300	69%	$14,759
Massachusetts	227,000	145,700	64%	$13,309
Rhode Island	38,700	26,800	69%	$11,752
New York	795,300	604,400	76%	$11,922
New Jersey	207,500	149,900	72%	$14,277

* Defined as annual income below 30% of area median

Source of Data: Center on Budget and Policy Priories, *In Short Supply: The Growing Affordable Housing Gap* (p. 36), July 1995; HUD median income data for 1990.

A bigger obstacle to evaluating the impact of Connecticut housing programs, however, is the lack of reliable data on how many and what types of households need assistance and an accurate inventory of available affordable housing units. *The program review committee found comprehensive, up-to-date information required to measure unmet need for housing assistance in the state is not available.*

Measuring Unmet Need

Standard measures of housing need are: households with high housing cost burden (paying over 30 percent of income); those living in substandardhousing units; and those living in overcrowded conditions. The best data on these measures are only gathered every 10 years through the U.S. census. Whether the 1990 census data, which were gathered in 1989, accurately represent current housing needs can be questioned. The census bureau also cautions that homelessness and other conditions indicating housing need are probably underrepresented in its research.

The 1990 census data, summarized below in Table V-2, imply that the housing needs of the majority of Connecticut households (70 percent) have been met. Only three out of ten households in the state reported having a housing problem, defined for census purposes as living in substandard or overcrowded conditions or paying more than 30 percent of income on housing costs. At the same time, the table shows many of the poorest families in the state have serious housing problems.

Table V-2. Households with Housing Problems in Connecticut (1990 Census Data)			
Income Category	**Renters**	**Owners**	**Total**
ALL CT HOUSEHOLDS	405,588	824,655	1,230,243
% with any problem -- any income level	41%	25%	30%
EXTREMELY LOW-INCOME (0-30% AMI) HOUSEHOLDS	94,515	46,273	140,788
% with any problem	71%	76%	73%
% high cost burden	69%	76%	71%
VERY LOW-INCOME (31-50% AMI) HOUSEHOLDS	61,381	58,548	119,929
% with any problem	72%	44%	58%
% high cost burden	68%	43%	56%
LOW-INCOME (51-80% AMI) HOUSEHOLDS	61,083	74,858	135,941
% with any problem	51%	34%	41%
% high cost burden	45%	33%	38%

NOTE:
AMI = area median income
High cost burden = paying over 30 percent of income for housing costs

Source of Data: HUD Comprehensive Housing Affordability Strategy (CHAS) State Databook, 1994.

In 1990, about 60 percent of the poorest Connecticut households -- those with incomes at or below 50 percent of the area median -- were living in substandard, overcrowded, or unaffordable housing. Nearly three-quarters of the approximately 156,000 renters with incomes in this category had a housing problem; in most cases, their problem was related to afford ability. It can be assumed that many of the almost 44,000 very and extremely low-income renter households without housing problems in 1990 were living in some type of subsidized unit. However, this cannot be determined from the census or other available data reviewed by the committee.

Not surprisingly, the very poorest households (below 30 percent of area median income), whether renters or owners, seem to have the greatest need for housing assistance. About three-quarters of extremely low-income homeowners and almost 70 percent of renters were spending more than 30 percent of their income on housing costs.

Need for housing assistance seems to vary by type of household as well as income category. Table V-3 shows the percentage of Connecticut households paying more than 30 percent of income on housing costs by type -- elderly, small family (two to four persons) and large family (five or more persons) -- as well as income category and owner/renter status. Housing costs, for the purposes of the CHAS analysis shown in the table, were defined for renters as their monthly rent payment plus utility and fuel costs not included in rent; for homeowners, housing costs include monthly mortgage expenses, property taxes and insurance as well as utility and fuel costs.

Table V-3. Percentage of Low-Income Connecticut Households with High Housing Cost Problem by Type (1990 Census Data)

	Renter Households			Owner Households	
Income Category	**Elderly**	**Small Family**	**Large Family**	**Elderly**	**All Other**
Extremely Low Income	59%	77%	73%	33%	64%
Very Low Income	56%	70%	60%	12%	50%
Low Income	42%	42%	28%	23%	25%

*High housing cost = paying 30 percent or more of income for housing

Source of Data: HUD Comprehensive Housing Affordability Strategy (CHAS) State Databook, 1994.

Among the poorest renters (extremely and very low income), families are more likely than elderly households to pay 30 percent or more of income on housing costs. This may indicate more low-income elderly renters than families are receiving housing assistance, although more research is needed to draw any conclusions. In terms of low-income homeowners, significantly fewer elderly households than all other types have high housing cost burdens. This is probably related to the fact elderly homeowners are more likely to have lower or even no monthly mortgage payments than younger, family homeowners.

Waiting lists. One of the better indicators of unmet need should be waiting lists for existing assistance programs. However, there are many limitations to waiting list data. The main problems are lists are not consistently developed or maintained and duplication among lists is prevalent. Furthermore, waiting list data are not collected by HUD from its public housing project operators or its private, multifamily housing developers, and is not even required to be maintained for the

Section 8 program. Similarly, neither the Department of Economic and Community Development nor the Connecticut Housing Finance Authority regularly track waiting list information for the projects they finance and oversee. As admission to the state's Rental Assistance Program has been frozen for several years, no waiting list has been maintained by that program's administrators.

The program review committee attempted to collect waiting list data from housing agencies in the state but received little useable information. Many of the local housing authorities surveyed by the committee responded with only partial information or estimates of waiting lists and times. No current waiting list information was readily available from non profit housing sponsors or private for-profit developers of government-financed housing projects.

As the waiting list data submitted were incomplete, they proved inadequate for drawing any firm conclusions about unmet need for housing assistance in the state. The information received does show a demand for all types of subsidized units at nearly every local housing authority responding to the survey. All of the authorities responding to the data request had waiting lists for their family housing projects. In some of the larger cities, several hundred families were on the waiting lists for state and federal public housing.

The least demand appears to be for elderly projects in certain urban areas; two of 14 large housing agencies and one of 51 smaller authorities surveyed reported having no applicants on waiting lists their elderly housing. In the majority of cases, however, at least 40 elderly applicants were waiting for admission.

As discussed in more detail below, housing agencies report the longest waiting lists are for Section 8 certificates and vouchers. The high demand for the tenant-based subsidies is generally attributed to the portability of the assistance, the choice permitted the tenant in selecting a unit, and the deep rental subsidy provided.

Affordable Housing Supply

The second factor required to measure unmet need is an inventory of the number and types of affordable units available in the state. Connecticut's supply of publicly supported affordable housing is comprised of government financed and operated rental housing projects, government subsidized private sector rental units, and owned homes whose purchase was subsidized through a federal, state, or CHFA mortgage assistance program.

Each year, DECD compiles a database of government assisted housing units to meet the purposes of the state's affordable housing appeals law. The department's inventory includes traditional federal and state public housing units, private sector units rented by Section 8 and RAP recipients, subsidized units in projects financed by federal and state agencies, and owned homes whose purchases were financed by a federal, state, or CHFA mortgage assistance program, and certain properties with deed restrictions related to affordability.

The total number of assisted rental units in the department database for 1996 was 119,497. These units, according to program review committee estimates, represent about 28 percent of all rental units in Connecticut. The DECD affordable housing database included 28,163 home ownership units, which is about three percent of all owned homes in the state.

DECD staff were reviewing and verifying the 1996 affordable housing data and still collecting missing elements to develop an automated database of assisted housing during the program review study. It was not possible for to accurately breakdown the 1996 data by type of household, assistance program, or funding source. The most recent housing inventory providing that level of detail was compiled in 1994 by the former Department of Housing. Information from that compilation, published as the Catalog of Publicly Assisted Housing, is summarized in Table V-4.

Table V-4. Publicly Assisted Housing in Connecticut: Units by Type and Primary Funding Source as of September 1994

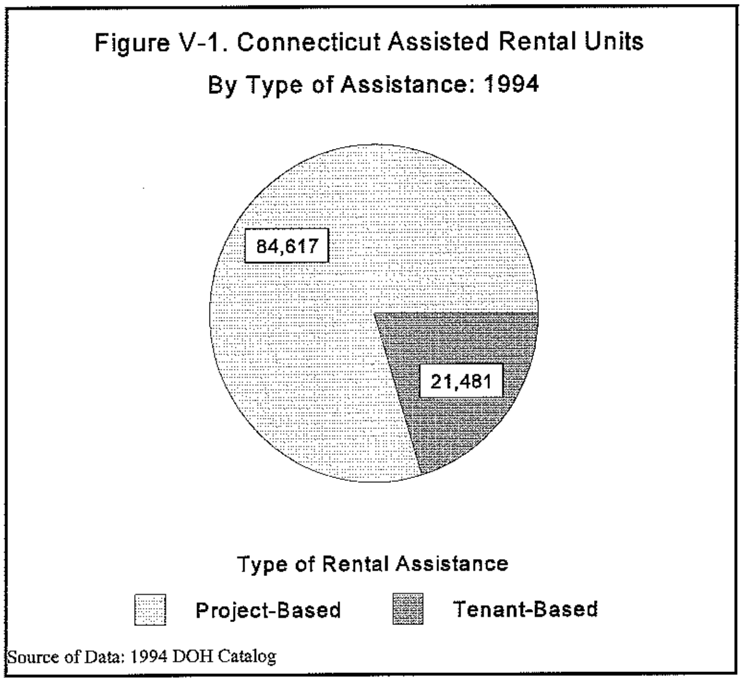
Funding Source	Rental Units: Project-Based			Rental Units: Tenant-Based			Owned Homes	All Units
	Family	Elderly	Total	Family	Elderly	Total		
STATE*	15,673	15,443	31,116	2,620	-	2,620	25,116	58,852
U.S. HUD	36,288	17,213	53,501	14,954	3,907	18,861	-	73,362
TOTAL	51,961	32,656	84,617	17,574	3,907	21,481	25,116	131,214

* State sources include the Department of Economic and Community Development, the Department of Social Services, and the Connecticut Housing Finance Authority.

Source of Data: Dept. of Housing 1994 Catalog of Publicly Assisted Housing

Table V-4 shows Connecticut's supply of assisted housing is comprised of far more rental than owned units (106,098 versus 25,116). However, this is mainly because homes financed through federal mortgage insurance and assistance programs, in which the state has little involvement (i.e., those administered by HUD, FHA, Freddie Mac, Fannie Mae, and the Farmers Home Administration[5]), are not included in the inventory. Even without considering federal homeownership programs, however, the majority (55 percent) of Connecticut's assisted housing inventory in 1994 was primarily federally financed

[5]The Farmers Home Administration (FmHA) funds rental housing developments as well as home purchases in rural areas. According to the state's 1994 catalog of assisted housing, FmHA had financed 4,716 units in Connecticut, about half of which (53 percent) were owned homes. Of the 2,234 FmHA-funded rental units, 81 percent were for elderly and 19 percent were for family households.



Of the publicly assisted rental units included in the 1994 inventory, most are the project-based type, such as "conventional" low-income public housing projects administered by local housing authorities. As Figure V-1 shows, 80 percent of assisted rental units were project-based while tenant-based assistance, which is provided through certificates and vouchers eligible households can use in the private sector, accounted for only 20 percent of all government subsidized rental units in the state.

According to the inventory figures presented earlier in Table V-4, about two-thirds of Connecticut's assisted rental units (66 percent) are targeted for families while the rest (34 percent) are reserved for elderly households.[6] Family and elderly rental units are depicted by funding source in Figure V-2.

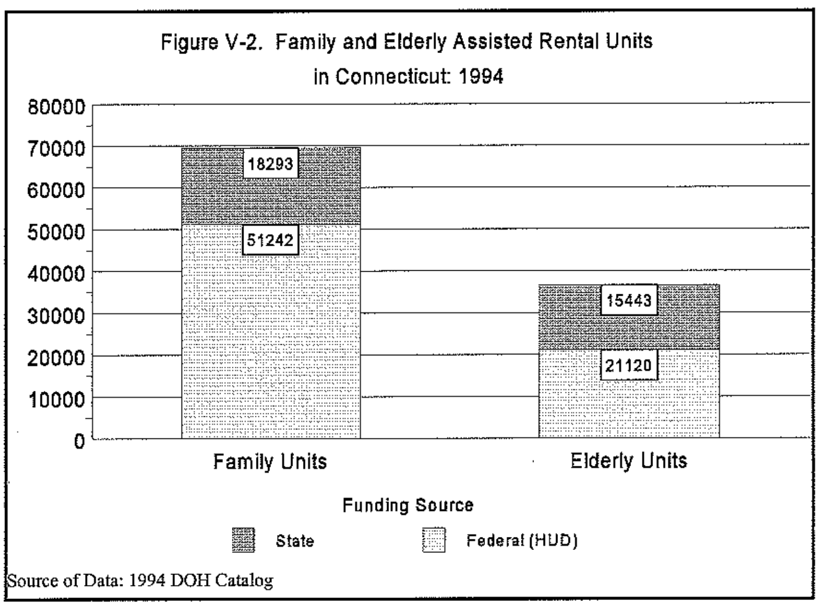


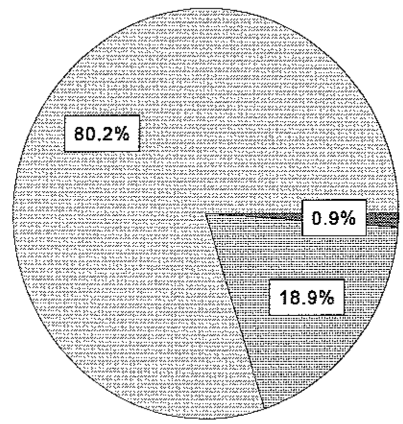
Figure V-2 compares the 1994 federal and state "portfolios" of assisted rental by type. At that time, the state, represented by both DECD and CHFA, had sponsored the development of elderly and family rental projects almost equally -- about 15,400 versus 18,300 units. In contrast, the more than 51,000 federal family units accounted for the majority (71 percent) of all HUD-funded rental units in Connecticut (73,362) in 1994.

[6] In practice, family rental units, whether state or federally funded, could be occupied by elderly persons or by other adults without children. Elderly units, in contrast, are limited to those over age 62 and non elderly disabled persons.

Trends in supply. As noted above, the Department of Economic and Community Development was still compiling and verifying its 1996 information on affordable housing units in the state. Any comparisons between 1994 catalog information and the 1996 data, therefore, must be considered preliminary.

Based on analysis by the program review committee, it appears Connecticut's supply of publicly assisted housing may have increased by as much as 9.5 percent, from about 136,000 units to nearly 149,000 units, between 1994 and 1996. As Figure V-3 shows, the proportion of rental units and owned homes (80 percent and 20 percent, respectively) remained about the same in 1996 as in 1994, even though the 1996 affordable housing inventory included a new category of deed-restricted units.

Figure V-3. Affordable Housing In Connecticut by Unit Type, 1996



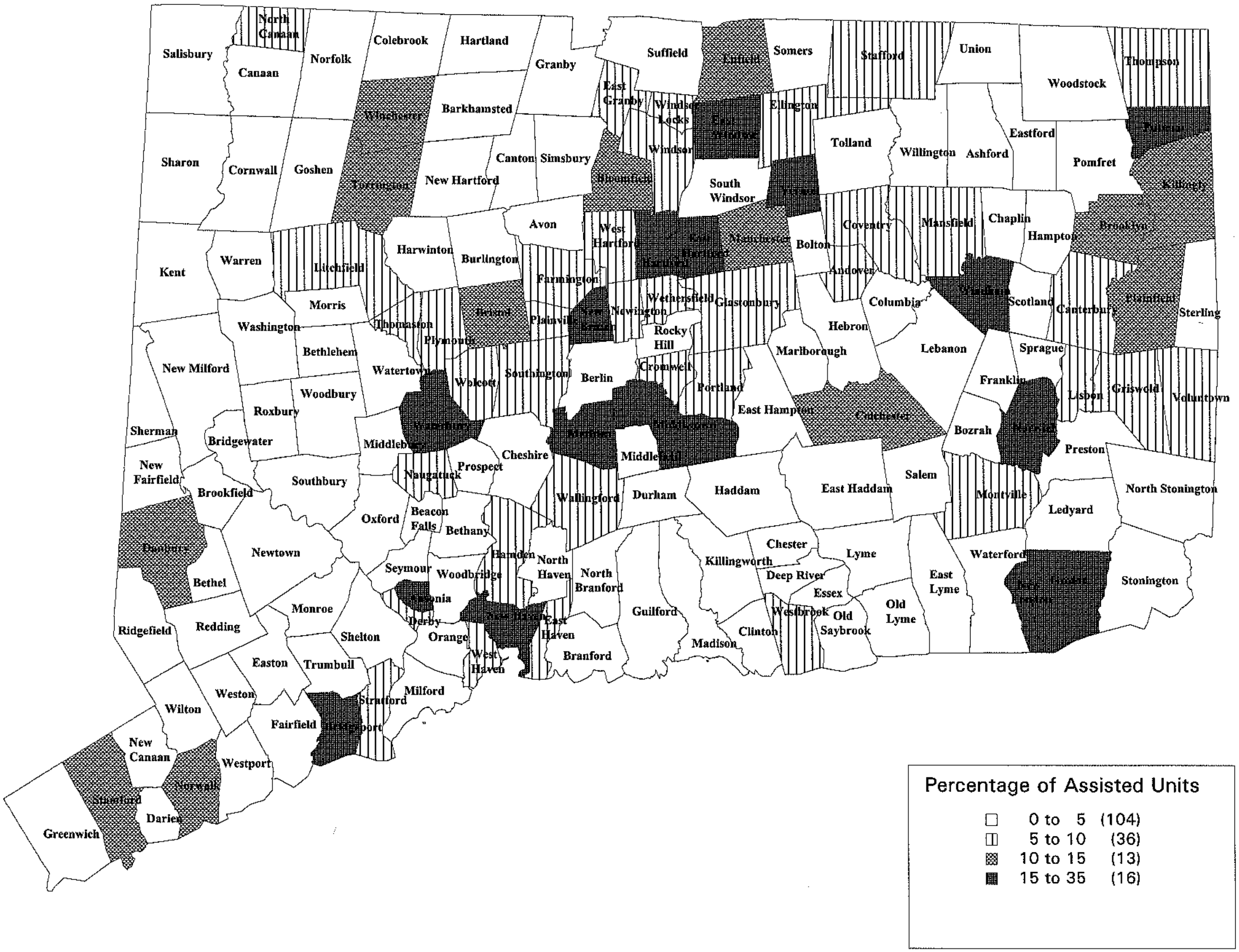
Source of Data: DECD Affordable Housing Appeals Procedure List

Some of the growth in units between 1994 and 1996 is due to at least 2,000 new Section 8 certificates and vouchers allocated to Connecticut over the past two years. It further appears the 1996 figures include about 2,200 units of existing military housing not counted in the 1994 catalog Newly completed CHFA multifamily developments and new authority home mortgages have also added units to the inventory. Specific numbers for these and other changes in the state supply of assisted housing, such as demolitions of public housing projects, have not been calculated at this time.

Owner/developers of rental units. It appears the majority of publicly assisted rental housing is under the control of nongovernment organizations. Based on the department's preliminary 1996 data, local housing authorities are responsible for about 53 000 (44 percent) of the nearly 120,000 government assisted rental units in Connecticut. Most of the remainder are overseen by a variety of private nonprofit entities, with a small portion owned and/or operated by private for-profit companies.

Distribution of assisted housing. The map presented in Figure V-4 shows the distribution of assisted housing units among Connecticut cities and towns in 1996. Municipalities are shaded according to percentage of total dwelling units meeting the definition of affordable under the state

Figure V-4. Distribution of Assisted Units in Connecticut, 1996.



affordable housing appeals process law, with lighter shading indicating a lower proportion of assisted housing.[7] According to the figure, in the majority of communities (61 percent), 5 percent or less of available housing was affordable to low-income households. Two towns (Redding and Easton) had no affordable units. In eight communities, 20 percent of more of the housing stock was affordable, with Hartford having the highest percentage (34 percent) in the state.

The location of federal and state subsidized rental units, based on the department's 1994 publicly assisted housing catalog data, is depicted in Figure V-5. The number and type of units in each town is represented in relative terms by charts graduated in size and showing the breakdown of elderly and family units. All except 18 towns had some state and or federal subsidized rental units. As might be expected, the figure shows most assisted rental housing was in urban areas. The figure also displays the concentration of family rental housing in the major cities.

Connecticut compared to other states. As discussed earlier, whether Connecticut has a greater or smaller supply of affordable housing than other states is difficult to determine. Some information on the geographic distribution of HUD rental units, summarized below in Table V-5, is available but has not been updated since 1993. No comprehensive source of state-by-state data was identified through the committee's study. Surrounding states were contacted for their assisted housing data but the information received could not be reliably compared.

Table V-5. Geographic Distribution of HUD-Assisted Rental Units: 1993

	No. HUD-Assisted Rental Units	No. Low-Income Households	Ratio Units to L.I.-Households	No. Rental Households	Ratio Units to Rental Households
U.S.	4,379,736	35,378,956	12.4%	33,163,888	13.2%
CT	71,124	469,173	15.2%	422,998	16.8%
MA	145,090	832,343	17.4%	915,617	15.8%
NJ	147,668	1,097,601	13.5%	981,330	15.0%
NY	452,152	2,525,468	17.9%	3,174,886	14.2%
RI	34,610	145,339	23.8%	153,185	22.6%

Source of Data: U.S. HUD (agency webpage)

[7]Since affordable is defined under the state law as units receiving government rent subsidies or mortgage assistance, any private units with market rents affordable to low income persons (i.e., costing 30 percent or less of the tenant's income) would not be reflected in these data.

Figure V-5. Distribution of Assisted Rental Units in Connecticut, 1994.

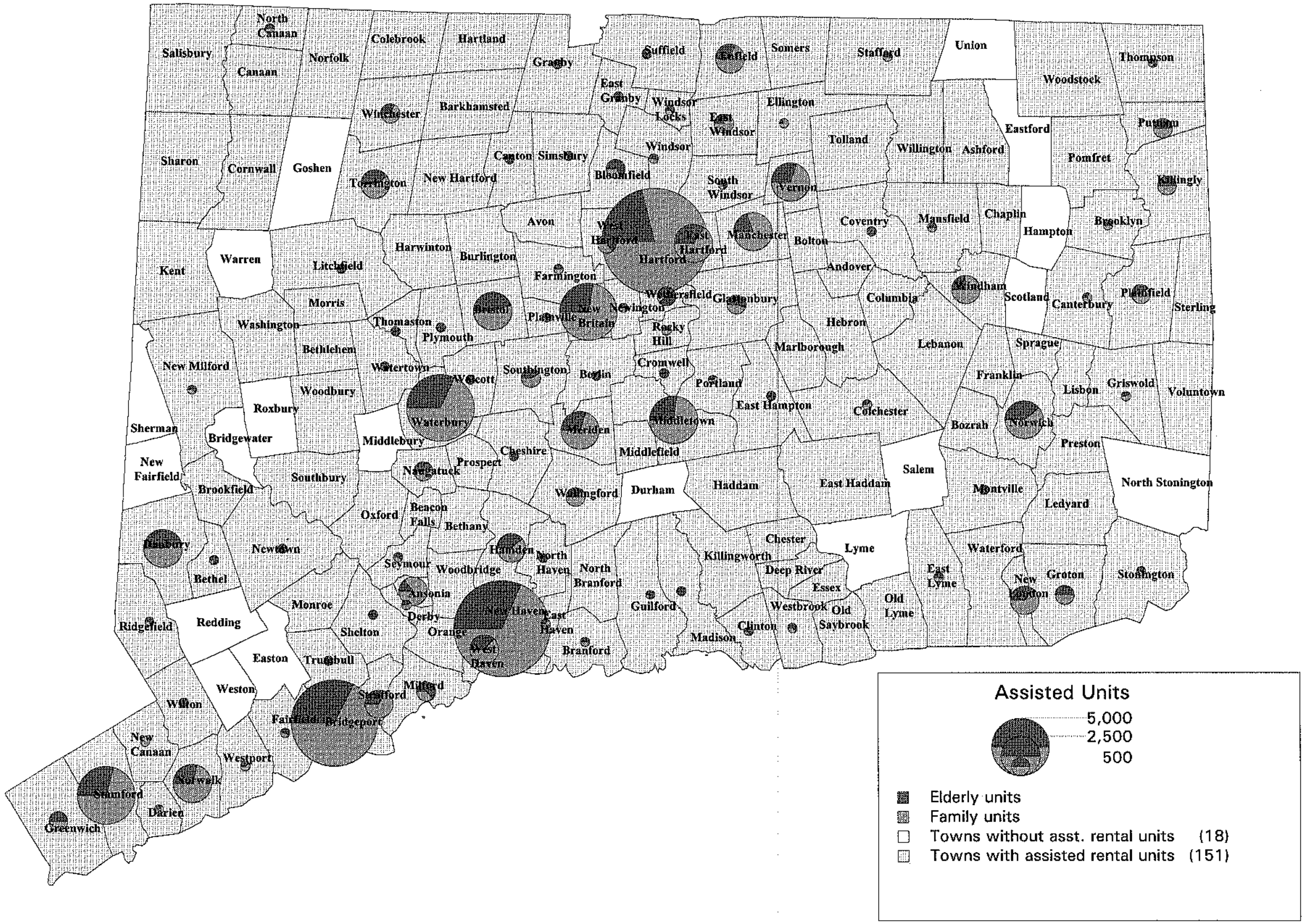


Table V-5 shows HUD rental unit data for Connecticut and four neighboring states as well as the U.S. overall. According to the table, Connecticut has a higher ratio of HUD rental units to low income households (15.2 percent) and to all rental households (16.8 percent) than the nation as a whole (12.4 percent and 13.2 percent, respectively).

In essence, it appears Connecticut has a better supply of federal rental housing than most states. While three of the four surrounding states had even higher ratios of households served, Connecticut was among the top 10 states for HUD-assisted rental units as of 1993. Rhode Island had the highest HUD unit-to-household ratios in the country -- 23.8 percent for low income households and 22.6 percent for all rental households.

Inventory limitations. A major limitation of the state's current affordable housing inventory is the absence of any statistics on private market units affordable without a subsidy to low- and moderate-income households. Until this information is compiled, as the committee recommended in the previous chapter on planning, the true need for housing assistance cannot be calculated. Comparisons of the supply of assisted units with housing need indicators can be made to at least partially assess unmet need, but any results must be carefully interpreted. The need for rental subsidies is discussed below while issues related to the need for homeownership assistance are presented in the following chapter on funding priorities.

By comparing the current number of subsidized rental housing -- approximately 119,500 units -- with the number of poorest renters in the state as of 1990 -- an estimated 94,515 households, it could be concluded Connecticut's supply of assisted rental units is more than adequate to meet affordable housing needs of this population. However, this assumes all the subsidies could be directed to the renters with incomes below 30 percent of the area median.

Instead, most rental assistance is designed for households with incomes ranging from 0 to as much as 80 to 100 percent of the area median. Some subsidies are additionally targeted to certain populations like the elderly. In the case of project-based rental subsidies including public housing, units may not be located where eligible tenants want to live. A database of affordable housing, therefore, must include a variety of details about each unit included if accurate assessments of unmet need are to be developed. Planning staff at the Department of Economic and Community Development intend to expand and refine their affordable housing database but at this time, the information it contains is insufficient for an in-depth analysis of unmet need.

Utilization. Utilization measures, such as turnover statistics and occupancy or vacancy rates, are also needed to fully assess the supply of rental affordable housing. *The committee found the extent to which available rental subsidies are used is not well documented.* For example, occupancy/vacancy information is only compiled for federal public housing and CHFA projects. HUD was unable to provide accurate vacancy data for the multifamily rental projects it finances and no data on occupancy are collected for state elderly or moderate rental projects. Utilization of

Section 8 and RAP certificates, generally measured by unit lease-up rates, can only be determined by contacting each agency administering the tenant-based assistance programs.

Occupancy information from HUD for federal public housing projects in Connecticut similarly shows most local authorities had vacancy rates of 10 percent or less for their federal units as of June 1997. As part of the committee survey, local housing authorities were asked for vacancy data for state projects they oversee. Based on the sample that responded to the survey (14 of the 20 largest authorities and 56 smaller agencies), it appears vacancies at state elderly and moderate rental projects are not an issue for most authorities. Only a few state-funded projects, primarily in urban areas, had vacancy rates in excess of 10 percent

As discussed in Chapter III, vacancy rates in the private rental market rental have been high -- 10 percent or more -- throughout the state for several years. In some cities, rental vacancies are estimated at 20 percent or more. Since 1994, Connecticut's overall vacancy rate has been substantially higher than the national average as well as rates in neighboring states. *The committee believes high private market vacancy rates, coupled with generally long waiting lists and low vacancies for subsidized units, indicate there is not a rental housing shortage in Connecticut but a shortage of units affordable to low and moderate income households.*

Another utilization measure, the length of time a tenant has been receiving a rental subsidy, is not regularly compiled for all assistance programs. As described in Chapter II, tenure data are only available for residents of federal public housing projects. Collection of tenure statistics is not required for the Section 8 program, for the state Rental Assistance Program, or the state's elderly and moderate rental housing projects. The data HUD collects for federal public housing show a significant number of tenants in Connecticut -- 22 percent -- have been in their current units more than 10 years. The tenure of another 39 percent of tenants in federal public housing in Connecticut is between three and 10 years.

The program review committee gathered some information on how long tenants of state projects as well as Section 8 and RAP participants receive housing assistance, on average, through the survey of local housing authorities and a review of a sample of tenant files. Length of stay data for state projects were received from four large and just over 40 smaller local housing authorities. The authority data showed current tenants of state elderly projects had been in their units for at least two and up to 15 years; the average tenure was eight years. Families in state moderate rental projects at present had an average tenure 6.5 years and length of stay ranged from three to 20 years.

From the review of current tenant files revealed found half of the Section 8 participants included in the sample have been receiving assistance through the program for at least six years. Similarly, about three-quarters of all current RAP participants included in the file review have been receiving assistance for at least five years.

The tenure data collected by the program review committee support what housing program administrators have said in interviews -- in most cases, rental subsidies are long-term rather than temporary assistance. Given the income level of the client populations served by state and federal rental assistance programs and the costs of rental housing in Connecticut, long-term need for subsidies is not unexpected.

Need for Rent Subsidies

Even without firm statistics on unmet need, other evidence points to the fact many renter households in the state cannot afford adequate shelter without some type of subsidy. Information presented in Chapter III illustrated the housing affordability problem for low- and even moderate-income families in Connecticut.

According to 1997 HUD income estimates, the lowest 10 percent of families in the Hartford and New Haven areas had incomes under $19,000. The highest affordable rent, including utility costs, for a household at the $19,000 ceiling would be $475 per month. For the poorest families in this income category, rent would have to be significantly less than $475 to be affordable. Using the 30 percent of income standard, a family earning the minimum wage, for example, would be able to afford housing costs of around $270 per month.[8]

Based on the HUD fair market rents for 1997, the committee found there is no area in the state where a family could find a two-bedroom apartment that meets federal housing quality standards for $475 including utilities. The 1997 FMRs for two-bedroom units ranged from $684 in the Hartford area to $1,070 in the Stamford/Norwalk area.

The most recent study of rental housing affordability conducted by the National Low Income Housing Coalition, a non profit housing research and advocacy group, supports the committee finding. The coalition analysis of census information and other federal data shows more than one out of every three renter households in Connecticut cannot afford the HUD Fair Market Rent without spending over 30 percent of income on housing costs.[9]

Those working at low-wage jobs, many of whom are coming off of cash assistance because of welfare reform, are hardest hit by high housing costs. The coalition study found a worker in Connecticut would have to earn more than two and one-half times the state minimum wage ($5.18 per hour) to afford a two-bedroom apartment (and related utilities) without exceeding the generally accepted standard of affordable housing.

---

[8]Minimum wage ($5.18 per hour) x 40 hours per week x 52 weeks per year = $10,774 per year = $889 per month x 30 percent = $269.

[9]*Out of Reach: Rental Housing At What Cost,* National Low Income Housing Coalition, September 1997.

Needs for affordable housing are likely to continue to exceed what is provided under current levels of public assistance. At the same time, it is unlikely there will be any significant expansion of housing subsidies, especially rental assistance, by either the federal or state governments. Given limited government resources, all housing assistance needs cannot be served.

Often, this is the focus of housing policy debate -- who should be served and for how long. One frequent criticism of housing assistance programs is the recipient's length of time on assistance. The program review committee examined several options regarding rental subsidy programs including the following alternatives: limiting the time a household can receive assistance; requiring a family self-sufficiency component for all rental assistance; and lowering the level of subsidies provided in order to serve more needy households.

Time limits. While many policy makers and members of the general public view government housing subsidies as temporary assistance, it is generally acknowledged certain populations may have long-term needs. As discussed above, the low income of many households makes it difficult to afford unsubsidized rents. Many working families will continue to need some level of assistance before they earn enough to pay private market rents. Long-term assistance is also needed by the low-income elderly or disabled households living on fixed incomes. Therefore, committee concluded that strict limitations on program participation were unsuitable for certain populations and would jeopardize the ability of many families to meet their monthly rent payments and avoid eviction for nonpayment.

Furthermore, state and federal welfare reform policies are already placing time limitations on the duration of cash assistance. Once a family is required to participate in a welfare-to-work program, their annual housing recertification will be reduced to reflect any increases in income. This will continue until the family is no longer eligible for assistance and to pay all housing costs. Housing support should be seen as a safety net. Eliminating it would be detrimental to many families striving for self-sufficiency and could impair the success of welfare-to-work efforts. In the long run, if welfare reform is successful, attrition rates within housing assistance programs will grow and enrollment decrease on its own.

Family self-sufficiency. Establishing a mandatory family self-sufficiency component for the state Rental Assistance Program was also considered by the program review committee. As described in Chapter I, the federal Section 8 program includes a voluntary family self-sufficiency component. Some housing agencies in the state currently administer family self-sufficiency programs but participation has been very low.

In addition, housing administrators have indicated the self-sufficiency program is expensive to operate. The program is labor-intensive, requiring substantial case management, and counseling and other types of assistance are needed for effective implementation. The committee believes these functions are better managed through a welfare program designed to provide social services rather than a housing program focused on providing decent, affordable shelter. Further, the whole thrust of current welfare reform initiatives is to help clients enter the workforce and leave the dependence of subsidies. An additional self-sufficiency component within housing assistance programs is unnecessary.

Shallower subsidies. Another option the committee considered for extending existing assistance to more needy households was to provide shallower rental subsidies under the RAP program. Like the federal Section 8 program, housing subsidies in the RAP program are deep. At present, state Rental Assistance Program payments average about $500 a month.

Any reduction in the amount of the RAP subsidy means the client rent contribution must increase. RAP regulations already require families to contribute 20 percent of their annual income or 40 percent of their adjusted monthly income (less a utility allowance), whichever is greater. The household incomes of RAP families are very low -- about $7,000 per year on average. It is possible that requiring any higher tenant contribution would obviate the RAP program's primary objective of providing a subsidy that makes housing affordable. The committee believes, without further research, subsidy levels cannot be reconfigured in a responsible way and no changes in RAP assistance levels are recommended at this time. The need for the state rental assistance program is discussed in greater detail in the following section.

Connecticut Rental Assistance Program

Established in 1985, the Connecticut's Rental Assistance Program is the state's tenant-based subsidy program, which is modeled on the federal Section 8 program. The Department of Social Service, as noted in Chapter I, administers the program, which serves more than 2,000 families in the state. Three community action agencies -- CRT, NOW, and CAANH -- to operate the RAP program under contracts with the department.

Income eligibility for the program is set at 50 percent of the median area income. In the New Haven area, where over 1,200 RAP clients are served, the current median income for a family of four is $57,200. An examination of the reported annual incomes for New Haven area RAP participants suggest the vast majority of certificate holders (94 %) have incomes under $15,000. In fact, the median annual income for this group is $7,000. As a result, deep subsidies are required -- the average $500 a month -- to make rents affordable for RAP clients. *The program review committee found discontinuation of the RAP program would mean few recipients, at their current income levels, could afford unsubsidized rents.*

The tenant-based approach of providing subsidies is cost-effective and is consistent with the government policy focusing on use of existing housing resources rather than production of new projects. It also offers rental income stability for landlords which encourage maintenance of their property and reduce abandonment.

Without RAP, the state's primary tenant-based rental assistance program is Section 8. Since the federal government is expected to decrease or, at a minimum, slow the growth of the Section 8 program, it cannot be relied upon to compensate for the loss of the state RAP subsidies. **Therefore, the program review committee recommends the Department of Social Services maintain the the Rental Assistance Program at its current level of certificates.**

While committee supports continuation of the state Rental Assistance Program, it does not support expansion of the program at this time. Admission into the RAP program has been frozen for a number of years primarily because the program's future has been uncertain.[10] Program administrators have not maintained RAP waiting lists and have only recently begun to re-examine demand for assistance. Current demand for the program and extent of need, therefore, is not known.

Since RAP subsidies are deep and recipients tend to receive assistance for long periods, any expansion of the program would be expensive. It would be difficult to anticipate parameters for expansion without making RAP a full entitlement program. In the opinion of the program review committee, additional certificates should not be funded until the existing demand fully evaluated and administration and oversight of the program is improved in accordance with committee recommendations contained in Chapter VIII.

Section 8 Utilization Rate

Information gathered through committee surveys and interviews of local housing authorities as well as the state Section 8 contractor, the Connecticut Association for Community Action, indicate the demand for Section 8 certificates and vouchers is great. Current Section 8 waiting lists for 15 of the largest housing authorities in the state are well over 100 households in all but two cases. At four agencies, the Bridgeport, New Britain, and Norwalk housing authorities and the city of Hartford program run by Imagineers, the Section 8 waiting lists each contain more than 500 families. The wait for Section 8 applicants is at least one year at the large housing authorities and a five-year wait before a certificate or voucher becomes available to a family on the waiting list is common.

Waiting lists for the state Section 8 program that CAFCA runs for the department through six regional subcontractor agencies are also long. At the time CAFCA took over the program from the former contractor in July 1996, about 1,800 households were on the statewide waiting list; approximately 60 percent were from the greater Hartford area. To increase accessibility to the program, DSS decided, at CAFCA's recommendation, to regionalize the existing waiting list. Existing applicants were distributed among the six subcontractors according to their address.

The department also authorized CAFCA to take new applications from three regions (northwestern, northeastern, and southeastern) determined to be under served by the prior contractor.

---

[10] In 1997, the legislature authorized $5 million for the creation of a new Time-limited Rental Assistance Program to help meet welfare reform objectives.

Around 2,300 applications were received by the three agencies serving these regions; at each agency, 200 applications were selected through a lottery system to establish a new waiting list. As of December 1, 1997, the number of households on the waiting lists of all six subcontractors totals over 1,900.

Given the long waiting lists for Section 8 rental subsidies, utilization rates -- comparisons of the number of leased-up units to the number of certificates and vouchers allocated to a housing agency -- should be high. In addition, since HUD provides administrative fees on the basis of units under lease, housing agencies have an incentive to process new admissions as quickly as possible. Data on utilization rates for all agencies administering Section 8 in the state were not readily available, although lease-up statistics are monitored by HUD.

However, the committee found the overall lease-up rate for the certificates and vouchers administered by CAFCA for the Department of Social Services has been consistently below 90 percent since the agency took over the program in July 1996. Some of the individual subcontractor agencies have achieved higher utilization rates, as Table V-6 indicates, but as late as November 1997, only 87 percent of the 2,850 certificates and vouchers allocated to the state Section 8 program were leased up.

Table V-6. DSS Section 8 Program Certificate and Voucher Utilization Rates: September 1997

	CRT	CAANH	ACCESS	TVCCA	NOW	NEON	TOTAL
No. In Use	1,003	593	183	188	197	268	2,432
No.Authorized	1,167	704	244	252	207	276	2,850
Percent Used	86%	84%	75%	75%	95%	97%	85%

Source of Data: CAFCA

DSS informed its contractor of its concern about utilization in writing on October 30, 1997, noting that in the past both HUD and the department expect a 95 percent lease-up rate. The department letter observed low rates could result in HUD sanctions, although there is no indication the federal agency is considering that step, and could diminish the state's chances of receiving new federal Section 8 funding in the future. DSS also pointed out higher utilization would bring in more administrative funding, and most importantly, would meet needs of many people who need housing assistance.

CAFCA responded to the department's concerns in a November 5, 1997, letter, explaining several reasons for lower than desired utilization. According to the contractor, establishing new regional waiting lists and tenant selection policies contributed to its lease-up problems from the outset of its administration of the program. While revisions to admission standards, including the possible adoption of some local preferences, were being considered, the processing of new applications was put on hold until December 1996. New waiting list procedures proposed by CAFCA were not finalized and approved by DSS until March 1997. It then took the three agencies authorized to open new lists at least six months to implement the process (e.g., one month to advertise for and select applicants; two to three months to notify, orient, and screen applicants; and two to three months to actually inspect and lease-up a unit).

The impact of opening a new waiting list is reflected in Table V-6, which shows ACCESS and TVCCA, two of the subcontractors instituting the new admission process, with the lowest utilization rates. The third subcontractor with a new waiting list, NOW, which completed implementation in August, increased its lease-ups from less than 80 percent in prior months to 95 percent in September.

Another factor likely to contribute to low utilization is the minimal Section 8 staffing at the subcontractor agencies and the backlog of annual tenant recertification that occurred during the transition from the former contractor in July 1996. When CAFCA took over the program, recertifications of tenant eligibility were three to four months behind schedule. DSS through CAFCA directed the subcontractor agencies to make getting recertifications up-to-date a priority. As a result, only limited resources were available to process new applications and conduct unit inspections for new lease-ups.

The program review committee believes the significant level of unmet need for housing assistance in the state makes it essential to maximize the Section 8 subsidies that are available. CAFCA anticipates that it will achieve a 90 percent lease-up rate by the third quarter of state FY 98 and reach the 95 percent goal by the end of the year. **However, the committee recommends DSS carefully monitor utilization rates of its Section 8 program contractor and provide assistance, and if necessary, additional resources to ensure the 95 percent lease-up rate is consistently achieved.**

As discussed later in the section of Chapter VIII on DSS monitoring, the agency has reserves of administrative fees from HUD, and with better lease-up rates, more funding will be available. If necessary, reserves could be applied to adding personnel to the tenant selection and lease-up functions. In addition, the agency is considering establishing staff-to-caseload ratios for the program operator when the Section 8 contract is rebid next year. The committee supports this proposal as it is likely to produce more realistic estimates of the actual cost to effectively administer the program in the future.

Preferences for Housing Assistance

Eligibility for housing assistance is primarily based on household income. In general, applicants must meet the definition of low income (less than 80 percent of area median income) to receive a state or federal rental subsidy. Federal regulations for the Section 8 certificate and voucher programs also require that public housing agencies insure at least 30 percent of families with approved leases have incomes at or below the very-low-income level (less than 50 percent of area median income).

Until recently, the federal Department of Housing and Urban Development further required that low-income households meeting certain conditions be given admission preference for the Section 8 and federal public housing programs. Federal preferences apply to three categories of families:

1) involuntarily displaced;

2) living in substandard housing (including homeless shelters or being homeless); or

3) paying more than 50 percent of family income for rent.

In 1996, the federal preferences were made voluntary. Public housing agencies may continue to use these categories or adopt their own local preferences as long as they are consistent with federal and state law including nondiscrimination and affirmative fair housing objectives. HUD requires agencies to hold a public hearing before adopting or amending local preferences for admission.

It is estimated as many as 70 percent of housing agencies throughout the country have dropped the federal preferences for admission. In Connecticut, at least seven of the 20 largest local housing authorities no longer use federal preferences according to results from a survey conducted by the program review committee. Another seven large authorities responding to the committee survey as well as the DSS, as administrator of the state Section 8 program, still use them.

One reason housing agencies have retained the federal preferences is they tend to give highest priority to families with emergency needs and serious hardships. Many housing advocates believe housing assistance should be earmarked for the most needy clients, particularly families and individuals who cannot work due to age, disability, or to the disruption caused by homelessness, evictions, and substandard living conditions.

The program review committee understands the position of reserving a limited resource -- rental subsidies -- for those most in need. However, applying the federal preferences to Section 8 admissions severely limits the program's ability to meet equally legitimate goals. For example, restricting assistance to hardship cases has meant rental assistance is not available to forward other desirable goals, such as supporting individuals who are working to become self-sufficient under welfare reform initiatives.

The committee recommends the Department of Social Services discontinue using federal preferences for determining admission to the state Section 8 program. This would permit the department to open the program to all eligible low income families, many of whom have been on waiting lists for years with no realistic chance of receiving a subsidy. The department could adopt local preferences to respond to specific needs and priorities in Connecticut or to insure that certain categories of needy clients, such those who are unemployable because of a disability, are given priority.

For similar reasons, the program review committee also recommends all local housing agencies discontinue using federal preferences for admission to any state-funded projects as well as the federal rental subsidy programs they oversee. Eliminating the federal preferences should reduce the amount of time housing agencies must spend verifying eligibility for a preference, which slows down the entire application and admission process. In addition, preferences that are based on client status such as homelessness or excessive housing cost burden can be subject to abuse. The committee believes it will be fairer and more efficient in the long term to issue rental subsidies in sequence, based on the date and time an application is received. If determined to be necessary for addressing local priorities, local preferences should be limited to more readily verifiable conditions such as residency or disability.

Elderly Disabled Population Case Mix

Under federal law, non-elderly disabled people are entitled to live in elderly public housing built with federal funds. Several states, including Connecticut and Massachusetts (discussed below), have parallel provisions for public housing built with state funds. The purpose of combining these populations is to provide housing for younger disabled individuals while improving rental income for senior facilities. The intent was to fill prolonged vacancies, foster integration, and enhance support services in these developments.

Many Connecticut local housing authorities (LHAs) operate both state and federal elderly developments. Currently, there are approximately 417 people with disabilities residing in over 7,300 state elderly housing facilities. However, there is no way to determine how many of these individuals have disabilities other than physical because it is illegal under federal law for housing agencies to ask recipients questions related to their type of disability. Some public housing agencies have raised concerns about management problems that have resulted from admitting disabled persons to public housing projects for the elderly. The following is a description and discussion of some of the issues involved.

Definition of elderly. The initial definition of "elderly" for federal housing programs was established in the United States Housing Act of 1937. Over time, the definition has been amended to include disabled or handicapped individuals. Under current federal law, disabled or handicapped individuals are eligible to apply for elderly housing if they are otherwise qualified for admission to the public housing program. While the elderly person must be over the age of 62, the disabled person may be of any age and be physically, mentally, or developmentally disabled.[11] As defined by the Social Security Administration, disability may refer to individuals with mental illness and at one time also included substance abusers. However, Congress passed P.L. 104-121 in 1996 which eliminates drug addiction and alcoholism as a basis for disability under Social Security Disability and Supplemental Social Security Income programs.

In addition to the basic eligibility requirements, HUD regulations state housing authorities must deny admission to applicants whose habits and practices may be expected to have a detrimental effect on other tenants or on the project's environment. A housing authority must also deny admission to any applicant it determines would be unable to manage a household or comply with the terms of the lease. In making this evaluation, housing authorities must judge each disabled person on the same basis and procedures it uses to judge all other applicants and residents. Antidiscrimination laws prohibit housing authorities from applying different or stricter screening standards to applicants with handicaps than it applies to other applicants. An applicant must be evaluated on individual behavior history and not on assumed behavior or unfounded perceptions.

For state-funded elderly projects, "elderly" is defined as individuals age 62 and over who need financial housing assistance or people who have been certified as totally disabled by a federal board or agency. (C.G.S. § 8-113a(m)) In 1995, the statute was amended to exclude from this definition people who: 1) currently use illegal drugs; 2) currently abuse alcohol and have a recent history of disruptive or dangerous behavior and whose tenancy (a) constitutes a direct threat to another individual's health or safety or (b) would result in substantial damage to another person's property; or 3) have a recent history of disruptive or dangerous behavior and whose tenancy constitutes a similar threat.

Opponents to the mixed population policy propose the definition of elderly be changed to exclude disabled persons and serve them only in family projects. *The program review committee does not believe there is a need to make a change in the elderly definition at this time.* Recent changes in state and federal laws make individuals with certain disabilities no longer categorically eligible for state or federally funded elderly housing. Further, changing the definition would limit housing alternatives for disabled which was one of the original policy's objective. Elderly housing units are an important housing resource which should be utilized to its fullest for those who qualify under the law. To eliminate senior housing for the disabled would remove a very significant housing

[11] An individual is deemed to be disabled if the person has a disability defined in either Section 223 of the Social Security Act or Section 102 (7) of the Developmental Disabilities Assistance Act.

resource. Instead, the program review committee believes that concerns and issues raised around the mixed populations can be addressed in a number of ways discussed below.

Designation plan. In 1992, the U.S. General Accounting Office (GAO) acknowledged the growing management problems where younger disabled persons were being mixed into senior housing. [12] In April 1994, HUD adopted regulations allowing designated housing to separate elderly and younger residents. All local authorities may now separate senior and younger disabled persons currently living in mixed facilities if HUD approves a designated housing plan. Before approving a designation plan, HUD also takes into account comments of advocates of both elderly and disabled groups, residents, and members of the community about the plan.

While this has been an option since the early 1990s, only one Connecticut housing authority (East Hartford) has applied and been federally approved. *The program review committee finds there is a limitation in choosing designation plans as a remedy.* First, this is a voluntary policy and residents who are in compliance with their lease cannot be forcibly relocated. Thus, developments with existing mixed populations may not see change for a time.

Another regulatory remedy would be to duplicate Massachusetts recent legislation setting limits on the number of disabled allowed in senior housing. The 1995 Massachusetts legislation requires housing authorities to set aside 86.5 percent of their state funded elderly units for elderly people and 13.5 percent for non-elderly disabled people (Mass. Gen. Laws Ann. Ch. 121B § 39). However, if the authority finds there are insufficient low income non-elderly disabled people to fill this percentage, it must place low income elderly people in the units. If the authority finds there are insufficient low income elderly to fulfill the percentage, it must give priority to low income disabled people between the ages of 50 and 60. If units are still available, then the authority may offer them to non-elderly disabled people.

Advocates for persons with disabilities argue that this creates an exclusion of disabled from publicly subsidized housing limiting their access to affordable/accessible units and may rise to the level of discrimination. In fact, discussions with HUD personnel suggests this approach has potential litigation problems.

Waivers. Currently, DECD regulations allow housing authorities to petition the commissioner to lower the admission age requirement for up to one year under certain conditions. The program review committee found one housing authority (Norwich) applied and received approval from DECD to lower the age requirement from 62 to 55 years of age. According to the Norwich Housing Authority, it sought this waiver because it had essentially no waiting list for its elderly developments potentially jeopardizing its financial stability. *The program review committee finds the waiver is an available option for housing authorities seeking to manage vacancies.*

[12] U.S. General Accounting Office, 1992. *Public Housing: Housing Persons with Mental Disabilities with the Elderly.* Gaithersburg, MD.

However, caution should be taken that waivers are not used as vehicle to circumvent the mixed population policy.

Vouchers/Certificates. Another solution is setting aside housing certificates or vouchers specifically for these groups to help them find rents in the private market. Since the dissolution of traditional federal preferences, housing authorities which also administer Section 8 vouchers and certificates now have the option to develop their own preferences. As such, they may wish to establish Section 8 preferences for disabled as a means for managing the size of the young disabled population in housing projects.

In April 1997, HUD issued a Notice of Funding Availability (NOFA) for Mainstream Housing Opportunities for Persons With Disabilities. The purpose of the NOFA was to announce the availability of $48.5 million nationwide for Section 8 rental vouchers and certificates for persons with disabilities. Housing agents who currently administer a Section 8 rental voucher or certificate program were eligible to apply for up to 100 rental vouchers or certificates. According to HUD, only one Section 8 housing agent in Connecticut, the Department of Social Services, submitted an application but was denied.

In addition, HUD announced NOFAs concerning Rental Assistance for Persons with Disabilities in Support of Designated Housing Allocation Plans. However, only one Connecticut housing authority, East Hartford which has an approved designated plan, would qualify. HUD has also announced other related NOFAs concerning Supportive Housing for Persons with Disabilities and Supportive Housing for the Elderly.

The Department of Mental Health has also received a multi-million five year grant to provide permanent housing for homeless people who are severely mentally ill or have AIDS. The department is already serving almost 500 clients through four different program components: tenant-based; project-based; through a sponsor; or a single room occupancy.

The program review committee believes Connecticut housing agents should take advantage of these types of opportunities whenever possible. However, the committee finds that obtaining certificates and vouchers may alleviate the problem in some cases but not all. One of the benefits of mixing disabled into elderly complexes is that the rents are low. Matching this rent structure without significantly altering the amount the tenant has to contribute may be difficult without a substantial subsidy. Further, one feature of senior housing attractive to many physically disabled is wheel chair accessibility which is less common in the private market.

Coordination of services. Some advocates suggest that mixing nonelderly disabled persons into senior housing is possible with proper support services and cooperative agreements between health service providers and housing authorities. One example of a successful program is the Danbury Housing Authority (DHA). DHA was cited in two national studies as an example of a housing authority that integrated mental health ventures. DHA implements a careful screening process that includes a rental history and police record check. All management staff is trained to make referrals to community service agencies. DHA has collaborated with area social service agencies to assess and identify resident needs and link residents to services. DHA has also developed clear, objective standards regarding grounds for eviction, as well as a formal grievance procedure. According to DHA director, while lease violations are not tolerated, staff focus on resolving problems long before eviction becomes necessary.

Another model proposed would use resident coordinators to link up tenants with needed services, monitor the receipt of services, and improve the social climate. The program review committee believes that providing the connection between housing and outside services can significantly reduce management problems and would be worthwhile for most tenants. However, creation of such a coordinator position may be duplicative and costly.

The program review committee recommends housing authorities tap into existing resources and seek more local effort from mental health and social service agencies in their communities to improve management problems at elderly housing projects. It is important for social service and housing providers to work together to maintain the client in housing. Helping recipients with any needs is much more difficult if the client has no permanent housing. Housing authorities should identify and consult with state and local service officials and providers. The committee believes better collaboration with local social services will help reduce tensions and alleviate some of the management problems. However, regardless of the implementation of resident coordinators or links with community service providers, use of services is a matter of individual choice. Therefore, the success of service efforts, however sufficient, depends upon the individual's willingness and ability to use them regardless of where they reside.

Population growth. According to projections prepared by DECD, the demand for elderly and disabled housing in Connecticut should gradually increase over the next several years. A continued rise is expected in the number of people receiving SSI disability payments while expectations for greater demand from the elderly population will occur after the year 2007 when the first of the "baby boomers" reaches age 62. Table VII-1 illustrates DECD projections for these populations up to the year 2005. From the year 1995 to 2005, the total population aged 62 and over is expected to increase 5 percent from 548,502 to 576,702. Of this population, the number of low and moderate income elderly (those which would potentially be eligible for elderly public housing) grows only 3.4 percent. During this same period, the disabled population experiences a much larger growth (37.5 percent).

Table V-7. Population Growth for Elderly and Disabled.				
	1995	2000	2005	Number & % Change 1995-2005
Population 62+	548,502	556,507	576,702	28,200 (5.1%)
Low income elderly	55,184	55,402	56,824	1,640 (2.9%)
Moderate income elderly	116,092	117,039	120,430	4,338 (3.7%)
Subtotal	171,276	172,441	177,254	5,978 (3.4%)
*Disabled**	64,000	75,000	88,000	24,000 (37.5%)

* Disabled defined as SSI recipients between the ages of 16 and 64. DECD projections assumed an annual three percent increase for this group based on changes in federal laws intended to slow down growth of this population.

Source of Data: Department of Economic and Community Development

Factors contributing to increasing numbers of population mix. One reason cited by housing authorities as to the increase in the number of younger disabled persons being admitted to projects for the elderly is the vacancy rate. According to some authorities, vacancy rates are high in projects because of competition for older applicants from other assisted housing. Some believe public housing units do not hold the same appeal for elders they once did. Others theorize seniors coming from their own homes would not wish to reside in elderly housing which typically consist of small one bedroom or efficiency units. With the decline of rents in the private market, some seniors are now able to get more apartment space at prices they can afford. Others believe seniors are obtaining support services (such as meals or van rides) that allow them to stay in their private homes longer.

Another factor attributed to increasing numbers of nonelderly disabled in need of housing is deinstutionalization. The concept of deinstutionalization is to allow mentally disabled persons to live, work, and socialize in the community, while still receiving the services they need. However, obtaining an affordable private rental unit is problematic, and this is one of the reasons disabled individuals were initially integrated with the elderly. Similar to seniors, disabled people are often on very low fixed incomes. Mental health advocates as well as some housing authorities claim that given a choice the disabled would prefer not to live with the elderly. Others argue that a large concentration of disabled people in a single building resembles an institution and may impede an individual's ability to integrate into the community.

Vacancies/Waiting lists. Another concern with the policy of allowing young disabled into senior housing is that they would gradually displace the elderly. Advocates for the elderly have suggested that increasing the number of younger disabled in elderly housing will eventually limit senior access to subsidized housing. As mentioned previously, there are approximately 417 people with disabilities residing in about 7,300 state elderly housing units. This represents only five percent of all elderly units.

The program review committee submitted data requests to all housing authorities in the state regarding vacancies and waiting list in their senior housing. Of the 76 housing authorities that replied, 38 percent stated they had vacancies in their state senior housing ranging from one to 50 units. As expected, committee analysis found higher vacancy rates in larger urban housing authorities. A review of the vacancy rates of the 20 biggest housing authorities with the most subsidized housing disclosed vacancy rates over 10 percent and in at least one instance over 40 percent.

An analysis of the waiting lists revealed similar results. Eighty-three percent of the housing authorities reported having a wait list for senior housing. Almost all of the smaller housing authorities indicated they had waiting lists while larger housing authorities had relatively smaller wait lists. However, only 33 housing authorities reported having disabled individuals on waiting lists. Of those housing authorities, the disabled comprised on average only 18 percent of the wait list.

While population growth trends indicate the number of disabled is expected to increase over time, it is also evident there are currently vacancies available in senior housing and in some areas there appears to be an abundance of elderly housing. *As was the case when the policy was established, the program review committee finds vacancies in senior housing still exist.* In fact, some housing authorities interviewed by the committee indicated there was competition for senior applicants in their communities from other housing developers.

Many housing authorities believe public housing units do not hold the same appeal for older applicants as they once did. Most senior public housing projects consist of small one-bedroom or efficiency units which must compete with newly constructed elderly developments offering more amenities. For housing authorities with chronic vacancies or slow lease-up rates, one benefit derived from allowing mixed populations is that younger residents represent an applicant pool allowing the facility to fill vacant units and acquire a more manageable rental income stream. The larger the rental income stream, in theory, the better the project's financial stability and flexibility. On the other hand, while housing authorities need to keep their senior housing close to fully rented for financial reasons, some claim they can no longer attract senior applicants because of problems brought about by earlier introduction of younger disabled to the complex.

Given the fact there are some elderly project vacancies and there continues to be a need for rent stabilization, the committee believes one of the primary objectives for establishing the mixed population policy still exists. Therefore, the committee finds the disabled should not be excluded from the definition of elderly for the purposes of eligibility. The other policy objective -- providing more housing alternatives to the disabled through the use of existing resources -- is also still valid.

By eliminating the disabled from the definition of elderly the state would, in fact, decrease the housing opportunities for this group. This would increase demand by the disabled population in the private rental market. Because their incomes are likely to be low, the disabled are a group who would more than likely have difficulty finding rents they can afford. Therefore, the program review committee does not believe exclusion of disabled from the definition of elderly is necessary or appropriate when vacancies exist which could provide an additional resource.

Management Issues. During the course of the study, the program review committee contacted various housing authorities regarding a wide range of housing issues including mixing populations. In general, most housing authorities indicated the mixed population policy was not a problem. However, several mentioned that generational differences and lifestyle conflicts between the young disabled and the elderly do present difficulties. This echoes the findings of a recent survey conducted by the legislature's Select Committee on Housing.[13]

Although the housing survey also made an attempt to measure the extent of negative incidents, limitations of the data were acknowledged. As a result, comprehensive data on the extent of the problem are not readily available. However, anecdotal reports suggest the incidents range from "quality of life" issues such as loud music or late night visitors to nonpayment of rent and suspected illegal activities.

Housing authorities have two existing remedies for these management problems: screening and evictions. These remedies should provide effective management tools in the operation of senior housing projects. Housing authorities are given the discretion not to rent to someone whose tenancy would threaten the health or safety of others or would damage their property.

Existing law allows housing authorities to evaluate potential applicants. In fact, statutory changes made in 1995 to the state definition of elderly require housing authorities to specifically exclude individuals who abuse drugs or alcohol and have recent history of disruptive or dangerous behavior. It is up to each individual housing authority to develop its own screening process. Screening may be a difficult and time consuming activity especially for some of the disabled population who may not have a lengthy or stable housing history. Also, some housing authorities may be afraid to ask too many questions out of fear of being sued for discrimination. Thus, it may be difficult to assess a potential tenant.

Nevertheless, screening for *any* potential tenant is one of the most crucial parts of a successful housing program. *Therefore, the committee reiterates the recommendation regarding a housing agent's responsibilities outlined in Chapter VII: housing authorities must improve their screening mechanism for all tenants including elderly and disabled.*

[13]In 1996 the Select Committee on Housing authorized University of Connecticut to develop and conduct a survey designed specifically on the issue of mixed population. In its analysis, the majority of housing authorities do not report management problems with young disabled.

The committee acknowledges that screening is not a foolproof solution. Some housing authorities point out that applicants may be initially acceptable but later their situation deteriorates. The other administrative tool for management problems of existing tenants is the eviction process. Housing authorities have the discretion to terminate tenancy if residents are in serious or repeated violation of lease terms such as failure to pay rent or fulfill tenant obligations. Effective lease enforcement is an important element in providing tenants with good living conditions. *As stated earlier for family housing programs, the program review committee believes housing authorities should establish clear standards of conduct and obligations and the prescribed response to violations.* It is the role of the housing authority administration to set guidelines and procedures and its responsibility to implement them. Failure to take immediate action when problems arise can make developments appear unsafe, undesirable and create more problems with vacancies, maintenance, and turnover.

It is the position of the program review committee that housing authorities should be allowed to exercise these options as best suits their specific problems and concerns. Housing authorities should use their best judgement in screening applicants and ensure that whatever screening process they develop is used consistently with all applicants. To assist housing authorities in screening all applicants, the committee recommends DECD through its affirmative action office provide guidance regarding the types of information and questions that are allowed to be asked of any applicant of public housing.

Chapter VI: Housing Funding Priorities

- There should be a refocusing of the funding of state's housing programs, away from the development of new rental units and toward rehabilitation of the units the state has already financed.
- The total rehabilitation funds for Connecticut federal units over the past three years almost equals the amount that the state has expended for rehabilitation in 18 years.
- State-assisted housing projects operated by the housing authorities are an investment worth preserving; they can offer low rents that cannot be replicated with other programs.
- Much of the state's assisted housing units are old -- one-third of them are more than 40 years old.
- Since 1979, 85 percent of state bond money for housing has gone for new construction, only 15 percent for the rehabilitation of older units.
- There has been bond funding appropriated for rehabilitation but not all has yet been spent.
- Because of grants for original construction, and little or no property tax liability, state-assisted units can charge much lower than market rents, making them able to serve lower-income families and elderly.
- Connecticut has been innovative and responsive in supporting home ownership programs.
- The state has historically promoted, and continues to promote, home ownership through a great number of its programs, which has contributed to Connecticut's high home ownership rate.
- State housing programs that assist home buyers have not ignored the cities, but urban home ownership rates still lag far behind other parts of the state, and efforts must continue to be targeted to increase rates in the cities.
- Lower housing costs have much improved the ability for low- and moderate-income persons to buy homes, but people still need assistance with down payments and low-interest rate mortgages.

Chapter VI

Housing Funding Priorities

Subsidized housing in Connecticut is financed through one or a combination of the federal Department of Housing and Urban Development, the Connecticut Housing Finance Agency or the Department of Economic and Community Development. Currently, the two former agencies account for most of the funding. HUD contributed more than $400 million in Connecticut to sponsor multi-family developments, community and economic development, and public housing rehabilitation and operating subsidies. In addition, another $800 million guaranteed FHA mortgages.

CHFA's contribution to housing finance is also heavily weighted toward the purchase of single family mortgages. In 1996, CHFA contributed more than $400 million toward home loans, another $4.5 million in federal low income housing tax credits, and another $90 million to fund a variety of multi-family construction and rehabilitation programs.

In comparison, DECD's FY 96 expenditure was $102 million, including its capital, federal, and General Fund spending. DECD expenditures peaked in FY 90 with more than $178 million, but its housing financing has since declined. Thus, as a housing financing agency, its role has declined.

As discussed in Chapter I, the program review committee believes that an executive branch agency should be responsible for the state's housing programs. *However, the committee also believes there should be a refocusing of the funding of state housing programs, away from the development of new rental units and toward rehabilitation of the units the state has already financed.*

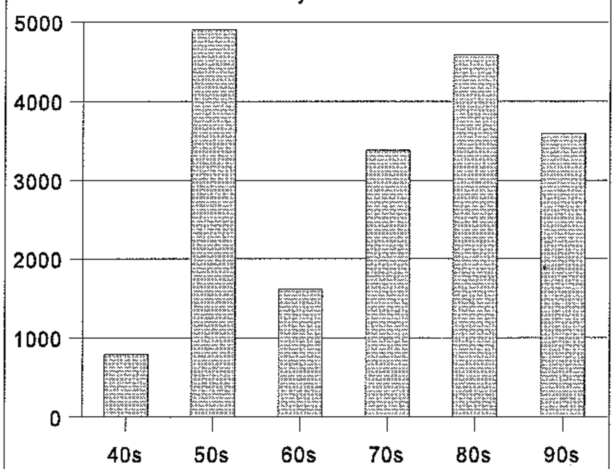
Rehabilitation of Existing State Units

Current portfolio. The state Department of Economic and Community Development already has more than 18,000 rental units in its portfolio. About a third of these units are more than 40 years old. Another significant portion, as Figure VI-1 indicates, is quickly aging.

The state has not adequately attended to the rehabilitation needs of its units. The state began a program for rehabilitation of its units in 1967. Since 1979 (the earliest comprehensive budget figures available) the state has funded

$124 million in bonding funds to the rehabilitation program. However, this accounts for only 15 percent of the housing bond funds expended during that period. More than $800 million were expended on new housing.

Figure VI-1. Development of State-Assisted Housing Units By Decade



Source of Data: DECD Management Plans

Further, if the $124 million were allocated among all the units built in 1970 or prior, where the greatest rehabilitation needs exist, it would translate to slightly more than $16,315 per unit in the 18 years of budget activity examined. In comparison, since FFY 94 when HUD created its dedicated rehabilitation program for public housing, Connecticut has received $109.6 million to rehabilitate about 18,700 federal public housing units. Since HUD has not developed any new public housing since the 1970s, the committee assumed that all federal units are in need of rehabilitation funding. *However, even if all federal units were allocated money, the total rehabilitation funds for those units over the past three years almost equals the amount that Connecticut has expended for rehabilitation in 18 years.*

In addition to the rehabilitation funds expended on the properties themselves, HUD also provides operating subsidies to its federal housing agencies. Unlike the state housing units, the rent in federal housing is subsidized for low-income housing recipients because often 30 percent of tenant income will not cover operating expenses of the housing project. The operating subsidies help pay for ongoing maintenance and thus may avoid more expensive rehabilitation.

Because rents in state housing complexes are expected to pay for all operating costs, there is a greater need for the state to assist with extraordinary expenses such as major rehabilitation. Program review staff interviewed most of the largest housing authorities in the state, and all indicated a dire need for state rehabilitation funding. In addition, the capital improvement plans and rehabilitation grant applications also provide documentation of the need.

Capital improvement plans. In November 1993, The Department of Housing requested that each housing sponsor that had received state funding for housing submit a five-year capital improvement plan. The department directive to the sponsors stated that "the purpose of the assessment is to ensure that state assisted housing is maintained in decent, safe, and sanitary condition to serve the tenants for whom it was built".[14] The plans were to be updated annually. About two-thirds of the sponsors complied with the plan submission request. The plans submitted

[14]Memo from M. Duffy to Local Housing Authorities, Private Developers, and Non-profit Sponsors, Nov. 22, 1993.

showed capital improvement needs totaling more than $65 million over the five-year period. Of course, these cost figures may be high since they are submitted by the sponsors themselves without state verification.

Rehabilitation grant applications. In September 1996, the DECD commissioner invited applications for rental rehabilitation funding. Applicants were told to include need, urgency, and cost estimates in their submissions. The department received 71 grant applications from 31 different sponsors, all but one were housing authorities. In all, 368 items were listed as needing repair or rehabilitation. Table VI-1 shows the needs described as urgent by the authorities and DECD's evaluation of the items, after a site inspection. The department only examined the items the applicants rated as urgent or eminent.

Table VI-1. Analysis of Rehabilitation Grant Applications to DECD

Applicant Requests			*DECD Site Inspection Results*	
Category of Need	Number of rehab items in Category	Estimated costs by Category (million)	Number of Approved Rehab items in Category	Estimated costs by Category (million)
Urgent need- may be a threat to Life	60	$29	24	$4.4
Eminent Need- may, if unattended, result in a threat to life	64	$10	32	$5.8
Total	124	$40	56	$10.2

Source of Data: DECD Rental Rehabilitation Funding Applications

The applications indicated 124 items were in urgent or eminent need of rehabilitation at an estimated cost of $40 million. The department's site inspection results rated 56 in these two need categories and estimated the costs at slightly more than $10 million. All of the items DECD rated as urgent are scheduled by the department for bond commission approval, but seven of the 32 items considered in eminent need are not in the bonding pipeline. The other repair items contained in the applications but not evaluated by DECD will also have to wait.

Legislative allocation. The legislature has approved monies to help with the rehabilitation problem. Staff examined DECD budget figures and finds that the total bonding allocation for rental rehabilitation was $133 million during the FYs 79-96, yet as indicated earlier $124 million has been spent. The committee understands the bond fund process can be lengthy and time consuming, and that financing is limited. However, rehabilitating only when the needs become urgent runs counter to providing decent and sanitary housing conditions, risks legal liability if physical injury occurs, and does not protect the state's initial investment.

Benefits of Preserving State-assisted Housing Stock

The program review committee believes that state-assisted housing projects operated by the housing authorities are an investment worth preserving. In Chapter II (Figure II-2) rent subsidies are discussed, illustrates the various rents charged for subsidized housing compared to HUD fair market rents. The average rent charged statewide for a two-bedroom apartment in the state's moderate rental program is $314, less than half the statewide FMR. Rents this low cannot be replicated currently. Recent projects that DECD has funded under the moderate rental program charge rents much closer to the private market rents. For example, moderate rental developments operated by private developers charged an average of $676 for a two-bedroom unit compared to statewide FMR of $785.

Lower rents. Of course, much of the differences in rent can be attributed to two factors. First, unlike the private developers, most local housing authorities received grants rather than lower-than-market-interest loans for original construction. Second, the statutes require that municipalities enter agreements to charge housing authorities a payment in lieu of taxes (PILOT), not to exceed 10 percent of the rent paid on the unit. The state reimburses some of these towns; DECD expended almost $5 million in FY 96 on both PILOT and tax abatements payments to municipalities.

The committee reviewed financial data compiled by DECD from local housing authorities operating budgets, and found that 14 of the 21 state moderate rental projects for which DECD had financial data paid no property tax at all. Of the remainder, the average payment was $23.79 per unit per month. For the 93 elderly projects for which DECD had data, the average monthly payment for the 69 elderly projects that paid property tax was $14.24, and 24 projects paid no tax at all.

Meeting objectives. With grants and limited property tax liability, housing authority developments charge much lower rents than private landlords or even developers who receive a production subsidy. Because the housing authority's rents are low, they are better able to meet the goal of housing the low-income population without the state providing a continuing financial outlay. The state made an initial financial commitment decades ago, and has an ongoing responsibility to finance the major rehabilitation needs for these projects, so that rents can be kept low.

Thus, the program review committee found the following:

- *much of the state's assisted housing units are old -- one-third of them are more than 40 years old;*

- *there are dire rehabilitation needs at state-assisted housing projects that are well-documented through Capital Improvement Plans and grant application from local housing authorities;*

- *since 1979, 85 percent of state bond money for housing has gone for new construction, only 15 percent for the rehabilitation of older units;*

- *there has been bond funding appropriated for rehabilitation but not all has yet been spent;*

- *because of grants for original construction, and little or no property tax liability, state-assisted units can charge much lower than market rents, making them able to serve lower-income families and elderly; and*

- *subsidizing construction of new developments cannot offer rents much below fair market rent.*

In light of the above findings, **the program review committee recommends DECD make rehabilitation of its state-assisted units its funding priority.** If rehabilitation of already existing units is given priority, it will diminish competition between new developments and rehabilitation for DECD funding, maintain the current housing stock that serves the lowest-income people, and preserve the state's assets.

Before approving any new construction, DECD should thoroughly analyze the needs the development will address, especially considering the high vacancy rates in Connecticut's overall rental market. Further, DECD should evaluate market analysis provided by the developer, and compare it with the planning data the committee recommends that DECD collect. (Chapter IV, page X). If a clear need can be shown for new subsidized construction, HUD and CHFA housing monies should be tapped first, before any state funds are committed to a new project. The program review committee believes there may be rare exceptions to the rehabilitation funding priority. For example, DECD, being responsible for economic development and housing, might determine that new housing is an integral part of an economic development proposal and cannot be funded through any other means.

Operating Subsidies

Another alternative to funding rehabilitation needs as required, is for the state to provide an ongoing operating subsidy to its state-assisted projects. The federal Housing and Urban Development agency provides operating subsidies for its public housing. In FFY 96, HUD expended more than $52 million in operating support for its 18,728 public housing units in Connecticut. This allocation allows the average rents in federal units to be $228 a month rather than the $439 a month they would be if the operating subsidies were expected as part of the rent.

If state operating subsidies were annually allocated, then housing authorities might not need funding for their rehabilitation needs. However, the program review committee determined this is not the best alternative. First, the statute requires DECD to review rents at state-subsidized units to ensure they are the lowest possible to cover operating expenses. Average rents are low at state assisted housing -- $314 a month for a two-bedroom apartment at moderate rental projects and $134 for a one-bedroom in elderly state housing complexes.

Second, there are no assurances that operating subsidies would actually lower rents. Most housing authorities appear to work hard to keep operating costs down now. If operating subsidies were provided, authorities and other sponsors may not be as diligent in collecting rents, and keeping other costs down. Third, operating subsidies can be very costly. If state units were subsidized at a similar level as federal units, and all 18,000 were subsidized, the state would face a similar annual outlay as HUD-- about $52 million. Therefore, staff believes operating subsidies should not be provided to state-assisted units, but that their rehabilitation needs receive funding priority as recommended above.

Home Ownership

Government housing subsidies apply to both rents and home ownership. State and federal programs to promote home ownership include a variety of mechanisms to lower mortgage costs ranging from lowering interest rates to down payment assistance and urban homesteading.

Federal sponsorship. To support home ownership on the federal level, a public-private partnership established the system of mortgage insurance and guarantees pioneered by the Federal Home Administration and the Veteran's Administration starting in the 1930s. More recently, two enterprises sponsored by the federal government, Fannie Mae and Freddie Mac, were chartered to create a secondary market for the purchase of single and multifamily home mortgages to extend the availability of mortgage credit to low and moderate income families. In addition, the federal government also supports home ownership through the deduction of mortgage interest from home owners' personal income tax.

The Clinton administration developed a National Home Ownership Strategy that has generated a nationwide initiative aimed at reducing the costs of buying and owning a home. Private mortgage lenders are playing a major role in organizing the National Partners in Home Ownership and many local partnerships have helped sponsor 4.4 million new homeowners nationwide since 1993.

The federal strategy to increase the percentage of people owning homes has increased it momentum in Connecticut. For example, Fannie Mae opened a Hartford office and targeted $75 million for sponsorship of home ownership in the capital city over the next five years. This doubles the amount earmarked for Hartford during recent years.

State efforts at home ownership. *The program review committee believes that Connecticut has been innovative and responsive in supporting home ownership programs.* Some of the programs and results Connecticut has had are discussed below.

Connecticut has always had a higher rate of home ownership than the national average, as indicated in Chapter III on Affordability Trends. Though Connecticut's rate fell to a low point of 64.5 percent in 1993, it has always been higher than surrounding states, and is now returning to the rate it enjoyed before the recession of the late1980s and early 1990s.

One of the reasons the state's home ownership rate is rising is because home prices have become much more affordable. As cited in Chapter III, the affordability index in Connecticut has more than doubled from 1990 to 1996. The index measures the affordability of the median priced home for the median income family in a given area. Connecticut's current affordability index of 156 suggests that families earning about 60 percent of the state's median family income ($36,720) should be able to afford a median priced home in the state. This assumes they have a 20 percent down payment, with current interest rates of 7.5%, and the median sales price of $133,500.

Another indication owning a home is affordable is the number and percent of sales below $100,000. These "affordable" prices, as a number and percentage of sales in each county, are displayed in Table VI-3. The data include residential and commercial sales, but not condo orpurchases or foreclosure deeds. Residential sales of under $100,000, therefore, may be undercounted. The table indicates these prices make up at least one-third of the sales in every county but Fairfield. *Thus, the program review committee finds lower housing costs have much improved the ability for low- and moderate-income persons to buy homes.*

Table VI-3. Number of Sales below $100,000 by County for 1996

County	*Number of Sales*	*Percent of County's Total Sales*
Fairfield	2,686	19
Litchfield	1,391	41
New Haven	4,867	43.8
Hartford	3,689	37.5
Tolland	912	43
Windham	1,059	66
Middlesex	1,033	36.4
New London	1,802	46

Source of Data: The Commercial Record.

Promoting home ownership. *The program review committee determined the state has historically promoted, and continues to promote, home ownership through a great number of its programs, which has contributed to Connecticut's high home ownership rate.* But, improved affordability in the private market does not mean there should be shrinking financial assistance for persons who wish to buy homes. Instead, it should be viewed as a housing financing opportunity for a number of reasons.

First, all housing literature indicates home ownership is a desirable goal. Home ownership is associated with many attributes promoted by public policy -- a stake in the community, property upkeep, neighborhood and community stabilization, individual growth in equity, as well as contributing to state and national economic growth.

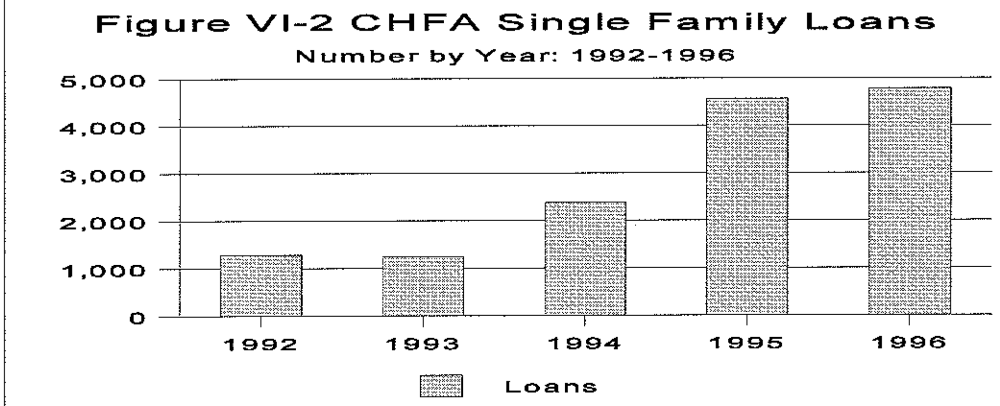
Second, home ownership is a primary goal of many planning and financing agencies. For example, DECD's strategic plan makes a commitment to converting renters to home owners. The state's current five-year Conservation and Development Plan highlights facilitating home ownership of existing housing stock as its second-highest housing priority. The Capitol Region Council of Governments, the region's major municipal planning agency, states "municipal and regional housing strategies should provide opportunities for people to move from rental housing to home ownership".[15]

Third, a more affordable real estate market provides lower-income families opportunity to own a home they wouldn't enjoy in a tighter market. However, while the private market has brought home ownership closer to moderate- or lower-income families, it is still not attainable to many without financial assistance.

At the committee's public hearing, CHFA president, Gary E. King, testified that an estimated 30-40 percent of *all* first-time Connecticut home buyers are financed through CHFA. In addition, 1996 CHFA loan data indicate 28 percent of the agency's borrowers were minorities and 30 percent were female-headed households. These two groups have been cited in national housing studies as being under represented in home ownership.

The need for assistance to purchase a home still exists. In fact, improved affordability has probably increased demand. Figure VI-2 shows that CHFA's loan activity increased sharply over the last five years. But improved affordability also means more people can be served with the same or fewer assistance dollars. Table VI-4 below illustrates CHFA loan characteristics over the last two years. While it is only a two-year snapshot, the results indicate that improved affordability has allowed CHFA buyers to purchase homes at lower prices, obtain lower loan amounts, and thus lessen their monthly mortgage payments.

[15] Capitol Region Council of Governments 1997 Regional Housing Policy, p.1.



Source of Data: CHFA 1996 Annual Report

Table VI-4. CHFA Typical Loan Characteristics --1995-96			
Year	*Purchase $*	*Loan $*	*Monthly Mortgage*
1995	$95,700	$89,500	$605
1996	$92,100	$87,374	$587
Source of Data: CHFA Annual Reports			

Targeting urban areas. Despite high home ownership rates in the state overall, rates in Connecticut cities lag far behind. The disparity in the home ownership rates among some Connecticut towns are shown in Table VI-5. As the table illustrates, Hartford, New London, and New Haven home ownership rates are less than half the state's overall rate of 69 percent.

While lower home ownership rates in cities is partially due to the type of housing stock, the discrepancies among the major cities as a group illustrate that type of housing stock is not the only factor. *However, the program review committee concluded this is not because state programs that assist home buyers have ignored the cities.* In fact, the CHFA home mortgage program offers more generous terms in the cities than elsewhere. For example, urban purchasers are not required to be first-time home buyers, and they may exceed income limits set by CHFA for other areas. As Figure VI-3 illustrates, many of CHFA's home mortgages have been distributed in the cities. In fact, data from the agency also shows that , since 1969, almost 23,000 of the 71,305 CHFA home mortgages (or 32%) were distributed in the same seven cities listed in the first column in Table VI-5.

In addition to its regular mortgage assistance program, CHFA also offers a pilot program, authorized by the General Assembly in 1990, targeting a certain number of mortgages to tenants of public or subsidized housing. The program combines low-interest financing (no more than 6 percent) with buyer counseling. In 1995, CHFA underwrote 210 pilot mortgages worth $18.4 million and in 1996 CHFA helped finance 277 loans worth $23.9 million.

Figure VI-3. CHFA Home Mortgages 1969-1996 by Municipality

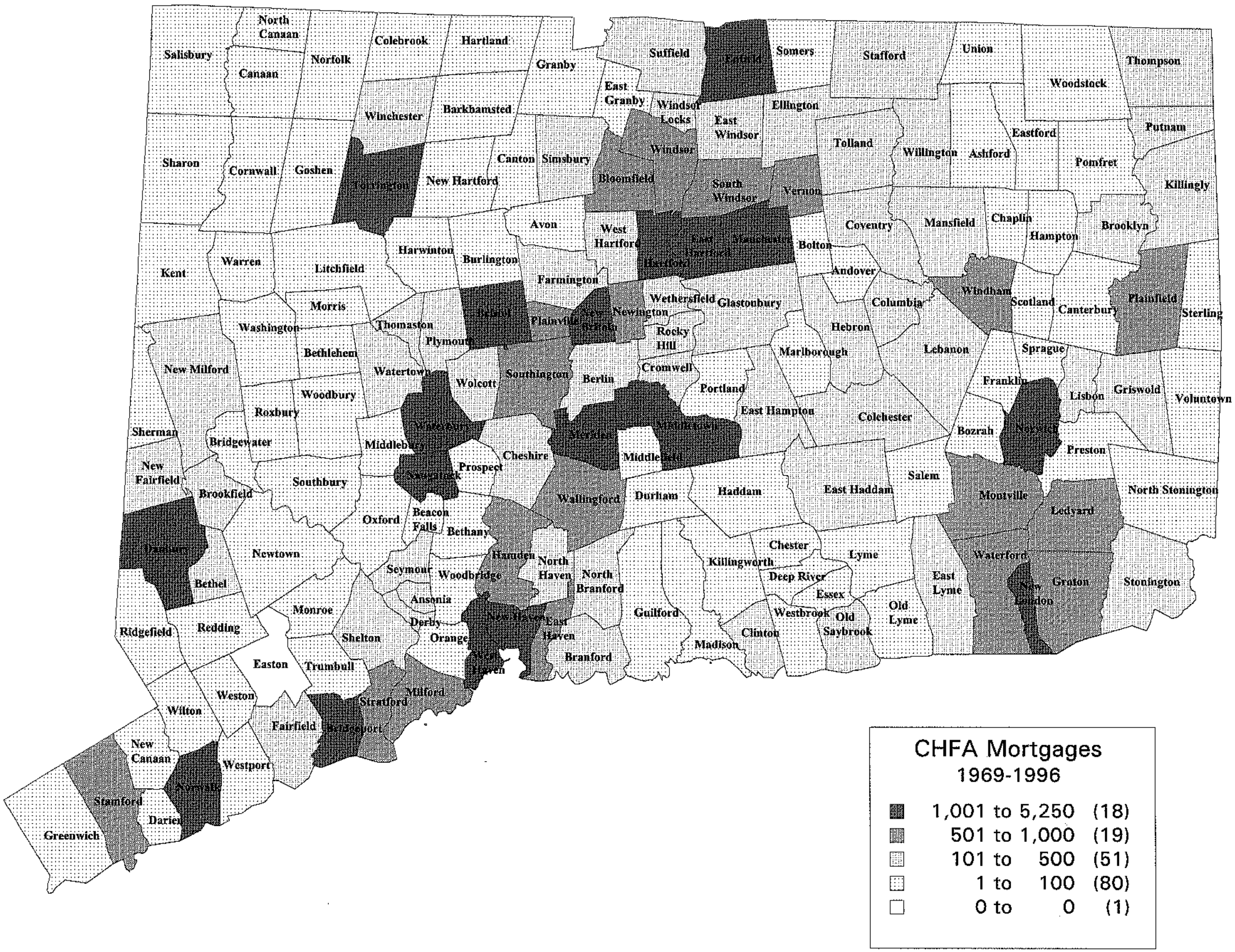


Table VI-5. Percentage of Owner-Occupied properties: Cities and Selected Towns			
Large Cities	*Percent Owner-Occupied*	*Selected Other Towns*	*Percent Owner-Occupied*
Bridgeport	40.4%	Fairfield	80.3%
New Britain	40.2%	Southington	80.6%
Hartford	22%	West Hartford	73.6%
New London	33%	Waterford	84.5%
New Haven	28.8%	East Haven	74.8%
Stamford	54.8%	Darien	85.7%
Waterbury	44.8%	Southbury	86%

Source of Data: Data for large cities is 1994 data from Report of the Neighborhood Revitalization Task Force (Jan. 1995), while the data for other towns are from the 1990 census

Down payment assistance. A recent nationwide study reported more than half of all renters perceived saving the down payment the major obstacle to owning a home. The state has confronted this problem since 1977 with a down payment assistance program (DAP) to help first-time qualified if they purchase homes in one of 47 targeted Connecticut towns and cities. CHFA assumed responsibility for the program from DECD in 1995, and to date has issued 3,300 DAP loans worth $15.7 million.[16] Since its inception in 1977, the program has financed more than $140 million in down payment assistance loans.

Further, in each of the next two years, $10 million dollars of the bonding package is to be set aside for the DAP program. The legislature placed as a requirement, however, that all DAP borrowers attend a minimum 10-hour counseling program. The program is intended to educate potential home buyers about their future financial and maintenance responsibilities. The counseling sessions increase the chances the individual home owner will succeed and contributes to overall success of the program.

Revitalizing neighborhoods. Low home ownership rates in Connecticut cities have been linked to the serious problem of abandoned properties. The rental population in most urban centers has declined. When units are empty and landlords cannot pay expenses with rents collected, they often abandon the property. In New Haven, there are more than 700 abandoned properties while in Hartford the problem is also extensive, impacting more than five percent of all housing units. State grant funds are being used in Hartford to demolish some of the abandoned units considered by neighborhood groups to be safety hazards and crime ridden.

[16] Must be a CHFA mortgage, and may be up to 25 percent of cost or value of mortgage.

Restoring urban neighborhoods, and increasing the percentage of owner-occupied homes is essential to revitalizing cities. There are a number of initiatives underway that attempt to address these issues. A major one, the Community Development and Preservation Loan Fund is a public private partnership, began in 1997. A consortium of banks have provided the fund with $47 million and participate in underwriting the loan applications. Five non-profit lending organizations[17] accept and process the applications from qualified developers to construct or renovate one- to four- family homes in 47 distressed communities.

The fund provides short-term financing for up to 95 percent of the development costs, with the remaining five percent coming from the developer. After the construction, the home must be sold to an owner-occupant. CHFA makes permanent mortgage financing available to the home buyer for up to 100 percent of the as-completed appraised value. Total development costs cannot exceed 130 percent of the appraised value when completed.

If there is a gap between the development cost and the as-completed appraised value, the developer must secure a commitment for permanent financing from municipal sources, which the purchaser does not have to pay back. These funds may come from the municipality's allocation of federal funds under the HOME program, Community Development Block Grants, or other public funds, but these funds also serve other purposes and their availability is limited.

Urban Homesteading. Another strategy aimed at both neighborhood revitalization and home ownership is the state's urban homesteading program. The legislature first created the Urban Homesteading program in 1975 to financially assist cities in providing loans for persons or families to purchase abandoned or vacant property.[18] The family must contribute at least $1,500 in cash as well as "sweat equity", and must agree to live in the home for at least five years in order to obtain the loan. Over the years the state has expended about $12 million to help underwrite 170 loans, the vast majority of them -- 120, worth $10 million -- in Hartford.

In conclusion, the program review committee found that the programs summarized above demonstrate that Connecticut supports home ownership as a public policy. The state has developed creative and effective ways of dealing with obstacles that stand in the way of low- and moderate-income persons, especially urban dwellers, from buying a home. But urban home ownership rates still lag far behind other parts of the state, and efforts must continue to be targeted to increase rates in the cities.

[17] Connecticut Housing Investment Fund, Bridgeport Neighborhood Fund Waterbury Housing Fund, Housing Fund of Lower Fairfield County, and the Greater New Haven Community Loan Fund

[18] In 1986 the program was modified to allow new construction on urban homesteading property.

Chapter VII: Obligations and Responsibilities in Subsidized Housing

- Housing agencies administering tenant-based housing subsidy programs are conducting the initial reviews, and recertifications are done in a timely manner.

- While requesting DOL to verify wage records for *every* tenant before certification or at annual redetermination would be costly, cumbersome, and unworkable, better wage record verification for housing assistance clients is necessary.

- Based on a review of over 600 Section 8 and RAP tenant files, a substantial portion of files did not contain up-to-date inspection reports:

  - about 20 percent of all files did not contain evidence that an annual inspection had been conducted; and

  - almost 55 percent of the RAP files did not contain a recent inspection report.

- Inspections identify a substantial proportion of units with problems -- about one-third fail the first inspection.

- Inspection report results should be kept separately and aggregated to provide a useful tracking and management tool for housing agencies.

- It appears rent reasonableness is rarely determined on the basis of comparative analysis by either the DSS subcontractors or the local housing authorities.

- The average rents paid for a two-bedroom unit were between 87 and 113 percent of applicable HUD ceilings.

- Anecdotally, the number of termination hearings appear to vary by administrator and terminations are rare.

- Family obligations in state housing programs are not clearly stipulated. Although certain aspects of the family obligations may be implied, they are not distinctly stated in the current state program regulations and documentation.

- It was unclear from the file review of Section 8 and RAP files to what extent obligations, including tenant screening, are communicated to owners.

Chapter VII

Obligations and Responsibilities in Subsidized Housing

In the vast majority of housing situations -- whether public or private, home ownership or rental -- there are legal obligations to which all the parties agree. Most often these obligations are contractual and are agreed to in writing. Subsidized housing programs are no different. The major parties involved in subsidized housing are: 1) the housing agency (which also often serves as the landlord); 2) private landlords which are involved in tenant-based programs; and 3) the tenants.

Each has a series of responsibilities and duties in the housing arrangement. These must be carried out if subsidized housing programs are to work, serve the low- and moderate-income populations for which they were intended, and be perceived well by the general public who ultimately pays for them. This chapter outlines the major responsibilities and obligations of each of the parties, cites deficiencies where staff found them, and makes recommendations to strengthen how the responsibilities can be better carried out.

Because some housing agents do not receive state funding, or only for limited programs, the recommendations contained in this chapter in many circumstances will be optional. Most of these recommendations are administrative and do not require statutory authority or change to carry out. As a result, the recommendations may not be enforceable but the program review committee expects they will be implemented, instead, to ensure consistency and uniformity in the procedures that will create stronger, better-run housing programs.

Housing Agencies

Housing agencies are always responsible for determining a tenant's eligibility based on income and family size. This determination is conducted during initial program admission and annually when the tenant is recertified. If the housing agency also acts as the landlord, as in project-based housing, it must also: screen for tenant suitability; maintain and repair the units; have them inspected at least annually; collect the rents; and manage the housing to ensure its financial viability. If the housing agency is not the landlord, but rather is administering a tenant-based program such as Section 8 or RAP, the agency must: inspect the private unit for housing quality standards at least annually, ensure that corrective measures are taken in failed units before a lease is signed or payments continued; and pay rental subsidies to landlords.

The program review committee found that housing agencies are conducting the mandatory initial reviews and that most recertifications are done in a timely manner. Program review staff reviewed 605 case files in the agencies with which DSS has contracted to run its Section 8 and RAP programs, as well as in several local housing authorities of varying sizes that also administer a Section 8 program. In general, the review indicated that these agencies appear to be doing a good job recertifying their clients annually as required. Only about 11 percent of all the files indicated that a recertification had not been done in over a year, and only about 3 percent had a 1995 recertification date. A separate analysis of RAP files, however, found 26 percent had out of date recertification. **Therefore, the program review committee recommends DSS direct its subcontractors to step up recertification efforts in the state Rental Assistance Program.** Recertification documents a recipient's continued need. For successful program administration, housing agents must ensure that the clients being served are still eligible and subsidies are provided accordingly. Based on the file review, the program review committee believes the thoroughness of the eligibility and verification process appears to need attention.

Determining income eligibility. Housing sponsors must ensure that only eligible tenants are determined to be qualified. Since the major qualifying factor for eligibility is income, housing agents must be diligent in determining accurately what the household income is. Each client is required to sign a form whereby the housing agency can access confidential data, including wage records. Each housing agent determines and verifies the applicant's income as well as the employer's name and address through wage stubs, and often call or send a letter to the employer.

If a tenant is receiving state assistance, DSS is asked to verify of the amount of assistance received. The department also informs the housing authority if the DSS client is receiving child support. The federal Social Security Administration also documents the amount of Social Security a client is receiving. The federal agency also cross-checks its income benefit files with federal housing subsidy files and reports on any discrepancies it finds.

While the committee found the DSS, child support, and Social Security documentation in the files, rarely did the files contain evidence of an independent check of wage records maintained by the state Department of Labor (DOL). Program review contacted DOL staff to determine how frequently the wage files are examined for housing agents and was told that for September and October of this year, fewer than 100 requests were made in either month. Similarly, the committee found only rare requests for other independent wage verification such as federal and state income tax returns.

Wage and income checks are valuable and worth the effort and time they add in determining eligibility. Unreported income is a common problem, based on impression of housing agency caseworkers, and anecdotal information committee staff read in the files. The fraud early detection

(FRED) system, put in place at DSS as one of welfare reform measures, saved the department more than $8 million dollars in food stamp, medical, and AFDC assistance programs. These DSS program expenditures ($3 billion) are larger than the costs in housing programs, but prevention efforts can make a difference.

The main purpose of DOL's wage record file is determination of unemployment benefits, and they are the responsibility of the department's Employment Security Division, which is federally funded. For DOL to verify income records of all clients in state-assisted housing projects or in the Section 8 and RAP programs would mean checking records of more than 25,000 clients. (This would not include the federal units or CHFA projects). The department indicated it could not review that volume of records without additional staff resources. Furthermore, these personnel could not be paid with federal employment security funds.

While requesting DOL to verify wage records for ***every*** *tenant before certification or at annual redetermination would be costly, cumbersome, and unworkable, the committee believes better wage record verification for housing assistance clients is necessary. The program review committee proposes strengthening verification of client income: one for housing clients receiving other public assistance, and another for clients who are not.*

The state Department of Social Services is responsible for determining eligibility for the state's two major cash assistance programs -- Aid to Families with Dependent Children (AFDC), now Temporary Assistance to Needy Families (TANF) and State Supplement programs. DSS already has electronic access to DOL's wage records, although the data lag by a couple of calendar quarters. According to officials at DSS, the wage records and the cash assistance files are matched quarterly, and the agency's eligibility technicians update the cash assistance amounts accordingly.

Many of the clients receiving cash assistance also receive a housing subsidy. The Department of Social Services had to begin keeping the data as part of welfare reform.[19] According to department staff, 35.6 percent of all TANF clients are also receiving housing subsidies. Demographic information kept by HUD indicates about 50 percent of clients on Section 8 are receiving some type of public assistance.

Since many housing clients are also DSS clients, and DSS is already checking its own clients' wage files quarterly, the results produced should be similar to a direct DOL wage check.

---

[19] The state's Welfare Reform Act of 1995 (P.A. 95-194) required the reduction of benefits for AFDC clients living in subsidized housing. The law was challenged in the court case Ward v. Thomas. The court decided that clients receiving housing subsidies through Section 8 or RAP programs could have their cash assistance reduced, but that AFDC recipients in other forms of subsidized housing could not as a "value" to that type of subsidy could not be determined. According to Attorney General's Office, the federal Welfare Reform Law as well as revisions to the state's Welfare Reform Law that occurred in the budget (P.A. 97-2) will now allow the state to include all housing subsidies, and the A.G.'s office intends to go back to court to have the reduction rule apply to all housing subsidy recipients.

Thus, the committee believes another verification would be unnecessary for DSS clients. **However, the legislative program review committee recommends DSS supply the housing agency, along with the cash assistance information, the date when the client's wage records were last matched against the cash assistance files.**

Thus, DSS would be required to document the date of the wage record check. If the match had not been done recently, the department could run the match before sending the cash assistance data to the housing agency. Further, the DSS date would provide the independent verification the housing agency needs that wage records had recently been examined.

Because of volume and potential costs at DOL, the program review committee determined a check of non-public assistance clients' wage records is not always practical. The housing agency should make the determination of when an independent check of DOL wage records or other wage verification is appropriate and necessary. For example, clients may be required to submit a copy of their last two federal and state income tax returns. While not as current as wage records, tax returns do indicate a client's total earnings for a recent time period. The returns also provide a document for the client and housing agency to discuss changes in the client's situation -- family, earnings or deductible expenses -- that might affect status in the housing program. Further, an examination of tax records also gives housing agencies a better picture of a client's unearned income.

However, it is impossible to check all records on every client, and there is no one clearinghouse for all income information. *Thus, the program review committee concluded there is no one process to verify income, but that housing agencies should develop methods that are cost effective, efficient, thorough, and accurate.*

Housing inspections. As previously discussed, all housing agencies must inspect units -- whether owned or overseen -- to ensure they are decent, safe, and sanitary. For tenant-based programs such as RAP or Section 8, the unit must be inspected before the tenant moves in and at least annually thereafter. The federal Housing Quality Standards (HQS) standards are used for both RAP and Section 8 inspections. The HQS inspection provides a checklist to guide inspectors in determining whether a unit passes or fails.

If a unit fails inspection, the landlord is given the opportunity to repair any violations found. According to the subcontracting agencies, most units fail inspections due to: inoperable or missing smoke detectors; chipped or peeling paint; or the condition of appliances. Any housing quality violation detected must be corrected within 30 days to prevent the termination of rental assistance payments. Both the landlord and the tenant receive a written notice specifying that his/her rental assistance will be terminated unless the owner has corrected all the violations within 30 days. In the event of a serious violation, the owner must make repairs within 24 hours or provide the tenant with suitable temporary accommodations. If the unit is deemed uninhabitable then the lease must be terminated.

At the end of the 30-day notice period, the unit must be reinspected to verify that all violations have been eliminated. If repairs are incomplete, the agency may begin termination of payment. The tenant must be notified that he or she must relocate to a suitable unit within 30 days or risk losing payments.

Program review conducted a file review of these programs because no aggregate data exist on: inspections conducted; pass/fail ratios; corrective measures needed or taken; and reinspection results. Instead, the individual inspection reports reside in the tenant's file with all other documentation for the program.

Based on a review of more than 600 Section 8 and RAP tenant files, the committee found a substantial portion of files did not contain up-to-date inspection reports. About 20 percent of the files did not contain evidence or the documentation required for certification that an inspection had been conducted during the past year. This percentage was significantly higher in RAP where almost 55 percent of the files did not contain a recent inspection report. Housing agencies must be more diligent in conducting annual housing inspections.

From the inspection reports, the committee found that units frequently fail the first inspection. Of the 594 files containing inspection reports, 32 percent (190) of the units failed the initial inspection. (Separate analysis of RAP files found similar results.) Generally, the reasons for failed inspections, the reasons appeared varied and included: non-operating or missing smoke detectors; broken windows; chipped paint; and inoperable appliances provided by the landlord. The housing agency conducted the required reinspection about 85 percent of the time. Upon reinspection, 94 percent of the units passed.

Based on results of the file review, the program review committee believes inspections identify a substantial proportion of units with problems. However, the staff was unable to determine from the file review whether corrective actions were taken in a timely fashion, or if the housing agencies stopped the rent payments until problems with the unit were remedied.

Inspection report results should be kept separately and aggregated to provide a useful management tool for housing agencies. These data could: track inspections by inspectors; serve as a prompt for reinspection or corrective actions; provide an overview of the housing stock in their program; help to detect irresponsible landlords; and identify areas and neighborhoods where properties are failing and need attention.

To help address these problems, the program review committee recommends that housing agencies begin tracking and evaluating the results of housing inspections. The evaluations should include: location of unit; landlord; date of inspection; inspection results; corrective measures needed; reinspections needed and date required by; results of reinspection; and sanctions imposed on landlords, if any.

Rent reasonableness. A basic premise of tenant-based rental assistance programs is that adequate, safe, and sanitary housing can be obtained in the private market at a cost equal to or below fair market rents. Housing agencies administering the Section 8 and RAP programs are responsible for ensuring rents for assisted units are within program guidelines.

For the Section 8 certificate and voucher program HUD annually establishes a schedule of fair market rents by bedroom size for specific geographic areas within each state. Federal FMRs are intended to reflect an area's median cost for rent and utilities for privately owned dwelling units. Once established, they serve as ceiling rents for the Section 8 program. HUD requires housing agencies administering Section 8 tenant-based rental assistance insure rents proposed by landlords for approved units are within applicable fair market limits, and reasonable compared to rents for similar units.

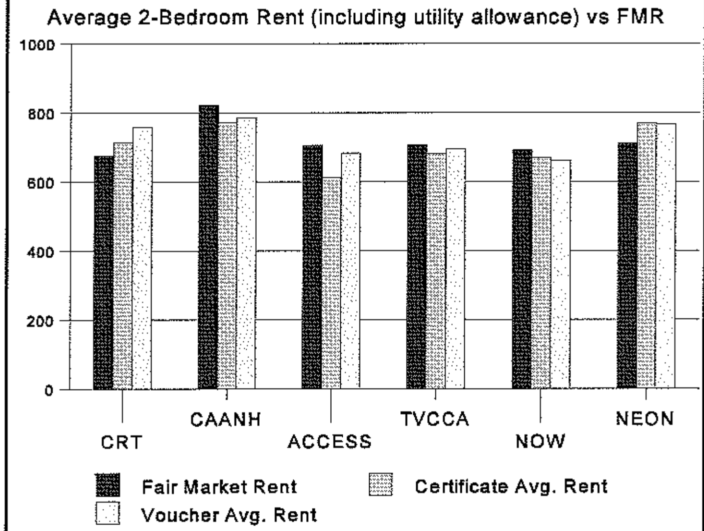
For the Section 8 *certificate* program, public housing agencies must certify and document compliance on a case-by-case basis. Housing agencies are also expected to determine the reasonableness and comparability of rents charged for units leased under the Section 8 *voucher* program although the same level of documentation is not required. Rent adjustments for Section 8 units under either program, which landlords may request annually, must be analyzed for reasonableness by the housing agencies as well.

To comply with rent reasonableness requirements, housing agencies need an overall knowledge of their rental market and data on rents charged for specified units. According to the HUD administrative handbook for Section 8, housing agencies must conduct telephone, site visit, or extensive market surveys of available rental units to develop comparative information covering the following areas: unit location (e.g., type of neighborhood, accessibility to services); unit size; unit type; quality; handicapped accessibility; amenities; available facilities; management and maintenance services; unit age; and gross rent amounts. For the purposes of rent reasonableness determinations, agencies should also obtain market rent information from city offices, banks, or real estate agents as well as rental information from newspaper classified advertisements, and the rents for other Section 8 assisted units in the area.

As part of its review of a sample of Section 8 tenant files at the state subcontractors and selected local housing authorities, the committee checked for evidence of rent reasonableness determinations. In 37 percent of the 471 files examined, there was no evidence that any comprehensive rent comparison had been performed. Some of the files lacking documentation were for vouchers, which do not require any particular rent reasonableness paperwork. Section 8 certificate files, however, should contain a form certifying the proposed rent as reasonable. No such forms were found in 30 percent (99) of the Section 8 certificate files reviewed by the committee. Furthermore, even when a form was in the tenant's file, the section on comparative rental information section was frequently blank or incomplete. Many times, it appeared rents were certified as reasonable as long as they were under the HUD fair market rent amount. *From the* *committee's review of tenant files, it appears rent reasonableness is rarely determined on the basis of comparative analysis by either the DSS subcontractors or the local housing authorities.*

Analysis of rents paid for tenants served by the state Section 8 program in May 1997 found them to be very close, on average, to fair market rents levels. As Figure VII-1 indicates, *the average rents paid for a two-bedroom unit were between 87 and 113 percent of applicable HUD ceilings. These findings may be an indication of how well FMR amounts reflect rents actually paid in the private market but could also be evidence that effective rent comparisons and negotiation with landlords are lacking.*

Figure VII-1. DSS Section 8 Rents in May 1997



Source of Data: CAFCA May 1997 and HUD 1996 FMRs

Like the Section 8 certificate program which it parallels, the state Rental Assistance Program requires that units chosen by tenants comply with housing quality standards and the proposed rents not exceed applicable fair market rent levels. (Fair market rents for the RAP program have always been based on the HUD Section 8 schedule although the state froze the amounts at 1990 levels as a cost-savings measure.) The social services department's RAP policy manual, last issued in 1988, states "rents requested by the owner must be reasonable and in accordance with the fair market rent schedules."

The policy manual directs the designated RAP agents to consider the size and location of the units and what utilities and amenities are included. Specifically, the manual states rental comparisons should be made with units of similar size within the same neighborhood. *However, the committee found no evidence of this type of rent reasonableness analysis in any of the 124 randomly selected RAP tenant files it reviewed.* It appeared administering agencies instead relied on the property owner's certification on the "Request for Lease Approval" form that, among other things, the most recent rent charged for the unit was comparable to the rent proposed for the RAP tenant.

The committee concluded agencies administering tenant based rental assistance must seriously review proposed rents and seek to negotiate the lowest reasonable amount. Federal fair market rents should serve only as guidelines particularly since they are set for large regions and cannot reflect the often wide variations in rental prices among municipalities and even neighborhoods. In addition, FMRs are established by unit size (i.e., number of bedrooms) but not for types of structures (two-family home, apartment building, etc.), location, or amenities, which also influence rent prices.

The program review committee, therefore, recommends all agencies responsible for administering tenant-based assistance programs establish and implement effective rent reasonableness procedures. The committee specifically recommends the Department of Social Services establish a process, guidelines, and criteria for conducting rent reasonableness studies of proposed rents for both the state Section 8 program and the state RAP program. Compliance with rent reasonableness requirements should be checked during annual independent audits of the administering agencies. DSS also should develop a database of rental information that the administering agencies can use as a resource for their comparative analyses.

Several of the local housing authorities have formalized rent reasonableness procedures. The Mansfield Housing Authority, for example, uses an automated system that carries out a general analysis of rent reasonableness for each application and recertification. The authority staff supplement the computer analysis with information from a rental unit database it maintains for its service area. Imagineers also maintains a database on rents charged for various types of units throughout its service area, periodically hiring consultants to conduct market studies to produce up-to-date information on private rents.

Program administrators of Section 8 and RAP generally agree the rent reasonableness function is worth the effort, particularly when in many areas of the state, private landlords are experiencing high vacancy rates. The committee noted a number of instances where tenant files contained evidence of a landlord's willingness to negotiate lower rents when a tenant's circumstances changed. For example, in several cases, a landlord was willing to charge a one-bedroom rent for a two-bedroom apartment when a decrease in household size would have required the tenant to seek a smaller unit.

Serious review of proposed rents will require more staff effort but should not demand significant new resources, especially if the process is automated and comparative rents are available from the recommended DSS database. The committee found in some agencies, housing quality inspectors check out rents charged for similar units in a complex or neighborhood during their field visits to assess a unit's compliance housing quality standards. The committee believes this efficient use of field personnel time could be adopted by most agencies to strengthen rent reasonableness efforts. Perhaps the most critical step is for the management of housing agencies to clearly communicate to their staff that comparing and negotiating proposed rents is a priority.

An alternative to more vigorous rent reasonableness analysis is to establish FMRs by community. HUD regulations permit housing agencies to request revisions and exceptions to fair market rents under certain conditions, provided changes can be supported by analytical data from comprehensive rental market studies and other types of research. The committee concluded local FMRs are not a satisfactory substitute for good efforts at rent reasonableness. The process for developing local fair market rents would take at least the same effort as conducting adequate rent reasonableness analyses. Local FMRs would still not take into account neighborhood and structural differences among units in the same municipality. It is also likely even localized FMRs would act only as a ceiling on proposed rents and not promote negotiation. In the opinion of program review committee, effective rent reasonableness procedures offer the best potential for cost control in tenant-based rental assistance programs and are also fairest basis for negotiating with landlords.

Family Obligations

As mentioned earlier, each party in a housing assistance program enters into an agreement outlining the corresponding responsibilities. In *tenant-based* programs such as Section 8 or RAP, there is a three-way partnership among the tenant, the landlord/owner, and the program administrator. In *project-based* programs, the landlord/owner is also the program administrator -- for example a local housing authority. Regardless of the type of program, tenants are expected to abide by certain program requirements.

The responsibilities between the tenant and owner are typically laid out in the lease. The program administrator also has certain expectations of the families who participate in subsidized housing programs. These family obligations are usually a condition to continue to receive assistance. As mentioned earlier, a violation of program requirements is usually the only way assistance is terminated.

A review of program policies and documentation shows family obligations generally include:

- providing all necessary information to complete eligibility certification;
- paying the family contribution to contract rent in a timely fashion;
- using the subsidized unit solely as family residence, not to sublease or leave without proper notice;
- notifying housing agent of any changes in household composition and request approval for any additional occupants;
- informing the program administrator of any income changes as well as any eviction proceedings; and
- allowing the housing agent reasonable access to the unit for inspection.

Violations may end a family's participation in a program. Prior to program termination, a housing administrator must afford the participant notice and an opportunity to be heard. Committee staff requested data from the various housing agents regarding hearings and terminations. However, most program administrators indicated they did not compile hearing information and were not able to produce termination statistics. Because hearing and termination information is not compiled, the level, extent, or any trends in enforcement are not known. *Anecdotally, the number of hearings appear to vary by administrator and terminations are rare. A review by the committee of more than 600 program files confirms that administrators use discretion as to what actions to pursue when violations of family obligations are committed.*

From the file review the committee found several instances of leniency in the enforcement of family obligations. While violations of family obligations seemed quite common, terminations are infrequent. Moreover, even when termination proceedings are initiated, tenants are usually reinstated. The case files indicated many instances where tenants were unavailable for inspectors to gain access to the units for the scheduled inspection. These "no-shows" result in wasted time for the inspector, delay in qualifying or recertifying the unit, and a rescheduled appointment.

Many times a recipient's failure to report changes in income or household composition is dismissed with a warning. Usually in these instances the tenant portion is adjusted with a signed repayment agreement. However, many repayments appear to be months behind or ignored completely. In several cases, the tenant had not paid the rent, disappeared, or moved without notice to the landlord or housing agent.

The committee recognizes that not every type of violation of family obligation should result in program termination. Nevertheless, adherence to obligations is necessary if the program is to operate effectively. The committee believes housing agents should not only pursue punitive actions but alternatives which may deter future violations. For example, housing agents may elect to not authorize a new move if repayment is not paid or if tenant did not inform housing agent of eviction.

The program review committee believes the enforcement of obligations is a crucial factor to the successful administration of any program. Clear communication must exist between all the parties in housing assistance programs. In particular, each program participant must understand what is expected as a condition of continued participation and exactly what consequences will come from non-compliance. For example, Section 8 recipients must certify they reviewed and will comply with the family obligations. *However, the committee found family obligations in state housing programs are not as clearly stipulated especially in the RAP program. Although certain aspects of the RAP family obligations may be implied, program review found they are not distinctly stated in the current program regulations and documentation.*

For these reasons, the legislative program review committee recommends all housing agents clearly list family obligations including the specific consequences of noncompliance. Similar to the Section 8 program, tenants participating in state-funded housing programs

should be provided a list of family obligations and be required to sign their acknowledgment and intention to comply. Specifically, the Department of Economic and Community Development should develop a list of family obligations that should be incorporated as part of its housing manual for the management of state financed housing. In addition, the Department of Social Services should establish the family obligations for the RAP program by regulation.

Recently, DSS drafted proposed regulations which delineates the families' responsibilities for the new time-limited RAP program mentioned in Chapter I. The committee proposes these family obligations be extended to the existing RAP program.

The committee believes more aggressive enforcement is needed. Housing administrators must send a message that family obligations are serious and violators not tolerated. Given the limited resources available and the number of families waiting for the opportunity to receive housing assistance, it is unjust to give repeated chances to non-compliant households. Recipients should be provided fair notice and a reasonable opportunity to defend their actions. With a recipient's signed acknowledgment of family obligations, housing administrators should be able to deal with violators firmly and swiftly. Documentation that the family has been informed of obligations and consequences of non-compliance may become important especially if and when a termination hearing occurs.

In addition to the general family obligations stated above, participants in the federal Section 8 program as well as residents in federal public housing projects may not engage in drug-related criminal activity or violent criminal activity or receive any other housing assistance for the same unit. A similar provision exists for state public housing authorities. Pursuant to C.G.S. § 8-45a, public housing authorities may consider an applicant's or occupant's criminal history (including drug activity) to deny acceptance into public housing. The committee believes all state housing programs should have the same requirement. Although initially modeled after Section 8, the current RAP program does not have this provision. **Therefore, the program review committee recommends the Department of Social Services develop a regulatory provision modeled after the federal regulation which requires housing agents to deny or terminate housing assistance to those engaging in drug related criminal activity or violent criminal activity in the state Rental Assistance Program. The committee also recommends all state housing agents aggressively avail themselves of the statutory provisions already in place.**

The program review committee thinks the federal prohibition against drug activity in government sponsored programs is in the best interest of all residents and program participants. It is practical and logical to extend this prohibition to state-funded programs and projects. It is the housing agent's responsibility to ensure tenants live in safe, decent, and sanitary environments. As such, housing administrators should be given the authority and discretion to discourage drug activity in their programs.

Landlord Obligations

As discussed previously, housing agencies in project-based housing also act as the landlord, while in tenant-based housing landlords own the private units. In both cases their landlord obligations are similar. First, they must maintain their units; in the case of private units they must meet the housing quality standards discussed earlier. Both must collect rent. In project-based housing all of the rent comes from the tenant; while in tenant-based housing the landlord receives an automatic payment from the administering housing agency, and must collect the remaining portion from the tenant. In addition, private owners may collect a security deposit from their tenants, as approved by the housing agency, but landlords are prohibited from collecting any payment, other than the tenant portion and the housing assistance payment.

Private landlords must immediately notify program administrators of any changes in the unit including damages, abandonment, or eviction. Owners may not commit fraud, bribery, or any other corrupt or criminal act involved the housing program. In addition, as a condition to participate in the program, landlords must also have paid property taxes, as well as any fines and/or assessments due. Finally, landlords are also responsible for the screening of tenant suitability.

Tenant Screening. Landlords have a responsibility to screen tenants so those selected will abide by the provisions of the lease, including paying their rent, maintaining their units, and not behaving in a disruptive manner. Such screening is allowed provided it does not discriminate against a protected class -- e.g., race, color, religion, age, or family composition.

For most *project-based* housing, the housing agency also serves as the landlord, and therefore has all tenant screening responsibilities. For *tenant-based* assistance, the private landlord is responsible for conducting the screening. This is an important distinction in the two types of programs.

There are obvious benefits to screening applicants before accepting them as tenants. Tenants who respect their units and abide by lease provisions reduce the cost of rent collection, contribute to a positive cash flow, reduce maintenance costs and vandalism. If tenants with a history of non-payment of rent, destruction of apartments, or disruptive behavior could be weeded out, money, time, and effort on the part of landlords trying to enforce the lease or ultimately in eviction would be saved.

Some housing authorities in the state have begun using a private service based in Massachusetts, the INFO CENTER, that provides information on person's credit history, criminal records, and any court-ordered evictions. The INFO CENTER charges $50 annual contracting fee with a government or non-profit agency plus an additional $12-$14 fee each time the service is used. Program review staff believes this is a cost-effective approach to screening out unsuitable clients. Since this information provides only evictions resulting from the courts, housing agencies should also check with the tenant's previous landlords to ensure the tenant paid rent and observed the lease.

To assist with the initial screening process, program review recommends that each housing agency in Connecticut with a responsibility for determining eligibility and tenant suitability use a screening service to provide eviction, credit, and criminal history. The service should be used to approve any new tenant before a lease is signed. Any applicant shall be able to review the screening service report, and if the tenant disagrees with the report results he or she shall have an opportunity to provide documentation to correct it.

This recommendation would address those project-based programs where the housing agency also serves as the landlord. For tenant-based programs, screening tenants is a private landlord obligation. While this responsibility is clearly part of the federal Section 8 regulations, the committee was told during the study that often landlords believe that these tenants have been pre-screened by housing administrators. *It was unclear from the committee's review of Section 8 and RAP files to what extent obligations, including tenant screening, are communicated to owners.* It is unlikely that all private landlords are familiar with the regulations, even if they should be. However, it perpetuates a bad image of housing programs in general, and Section 8 in particular, if parties are unclear about obligations or if tenants with bad rental records are accepted into the program.

To ensure that tenant-based programs are well-run and improve the public's perception of them, landlords as well as families must be well-informed of their obligations in the program, and held to them. **Therefore, the committee recommends that housing agencies administering the Section 8 and/or RAP programs clearly inform participating and interested landlords of their obligations through a brief bulletin that lists responsibilities to: screen tenants for suitability; maintain their units; and pay taxes and assessments.**

Further, before accepting a lease with a particular landlord, housing administrators should: 1) check with local housing code officials to ensure the landlord's unit does not have a history of code violations; and 2) check with the tax collector's office in the municipality to ensure the landlord is not in arrears with property taxes or assessments. If the results warrant, housing agencies should use the information as basis to disapprove a lease with a particular landlord.

Penalties for fraud. The above proposals should assist in informing all parties in subsidized housing of their obligations, and consequences if the rules and responsibilities are not followed. There will be circumstances and occasions when the best efforts to screen out ineligible tenants and landlords are not sufficient, or where deliberate fraud occurs. The program review committee believes fraud in housing programs should be treated similarly to other public assistance where services are illegally obtained or provided.

There are several provisions already in the statute that address fraud, but at present those provisions are scattered in several locations, and do not clearly speak to housing fraud. Currently, Sections §8-46 and §8-72 of the Connecticut General Statutes establish a penalty of not more than

$500, or imprisonment not more than six months for any applicant who makes a false statement concerning the income of the family which makes for admission to or continued occupancy of housing projects. The program review committee recognizes the statutes make a vague reference to housing projects but appear to limit the punishable fraudulent activity to *income* eligibility. To clarify, **the program review committee recommends a statutory modification to include *any state-financed housing project* and that the penalty imposed for false statement is applied to *any eligibility* requirement for the program.**

Another statutory provision, C.G.S..§ 17b-97, concerns fraud in obtaining aid, food stamps, or public assistance benefits, including emergency shelter housing. Other housing programs such as the RAP program or the DSS Section 8 program are not specifically mentioned. Again, program review believes that clarification is necessary. **Therefore, the committee recommends that C.G.S.§ 17b-97 be modified to include any housing program administered under DSS auspices, and specifically include §17b-812 for the RAP program and §17b-2 for the state-administered Section 8.**

Other provisions in the penal code appear to address vendor or applicant fraud. For example, Section §53a-119(6) addresses defrauding of public community, including certifying, attesting, or filing a claim for benefits or reimbursement from a local, state or federal agency which he knows is false; or knowingly accepts the benefits from a claim that he knows is false.

The committee believes with the clarifications recommended above, fraud in housing programs will be punishable violation. Housing agencies need to make clear to all participating parties that making false statements or making false claims for payment are considered fraud and that violators will be charged. Further, if violators are arrested and prosecuted in initial cases and are well publicized, it should send a message that will deter others from similar actions.

Chapter VIII: Oversight and Management

Asset Management

- Each financing agency -- HUD, DECD and CHFA -- performs functions to oversee and manage the housing they financed.

- HUD uses a management assessment tool (PHMAP) to evaluate public housing agencies, and rates these agencies based on percentage scores on given indicators such as vacancy rates and rents collected.

- HUD also oversees and private developers of multi-family houisng projects. Of the 320 private multi-family projects in Connecticut financed by HUD, 63 are currently on "troubled" or "potentially troubled".

- CHFA asset management report for quarter ending June 30, 1997 rated 174 of 230 projects. Fifty-three of CHFA's projects are on their "watchlist".

- DECD annually reviews about 280 management plans (operating budgets). Each local housing authority is statutorily required to file its annual report with DECD, but the committee found compliance with this requirement is poor.

- DECD, unlike HUD and CHFA, does not regularly collect or monitor the types of information that tells the department how well their properties are being managed or operated.

- Charging DECD administrative fees to state-assisted housing sponsors, for services that are very indirect to tenants, is the wrong way to pay for administrative functions.

Affirmative Fair Housing

- Both federal and Connecticut state government have fair housing and equal opportunities laws.

- At state level, DECD currently requires funded developers to submit a fair housing marketing plan, aimed at including "least likely to apply" groups (those groups that have not typically lived in the area).

- The statutory requirements for affirmative fair housing are only minimally satisfied.

- Given the lack of current evaluation, the statutory affirmative fair housing requirements are little more than a paper commitment.

DSS Monitoring

- For state-administered Section 8 program and Rental Assistance Program (RAP) DSS subcontractors are required to inspect units, and the department monitors a random sample of units.

- There is little value to the department's current field monitoring effort.

- Oversight of the DSS tenant-based rental assistance programs is seriously impeded by the lack of an adequate automated information system.

- DSS has sufficient federal funding available to obtain and operate a quality automated information system.

Chapter VIII

Oversight and Administration

The program review committee examined several aspects of oversight and administration of Connecticut's subsidized rental housing. The committee assessed asset management functions of the three major housing financing agencies, HUD, CHFA, and DECD. Once housing projects have been funded and become operational, the funding agency ensures that the operation and management of the project protects it as an asset all oversee to varying degrees the housing each financed.

The committee also examined how the Department of Economic Development ensures compliance with affirmative fair housing requirements. Finally, administration of the state's tenant-based housing programs by the Department of Social Services was reviewed to determine the effectiveness of the department's monitoring efforts.

HUD Management Role and Responsibilities

To assess the operations of its public housing agencies, HUD uses the Public Housing Management Assessment Program (PHMAP). PHMAP was first established in 1992 and allows HUD to evaluate management performance using standard criteria.

In general, PHMAP uses a series of weighted indicators to assess the performance of PHAs in all major aspects of their management operations. [20] The PHMAP score is determined by HUD using information submitted by the PHAs themselves and information drawn from HUD's database. Annually, PHAs receive a grade of "A" through "F" for each of the indicators. HUD then uses a formula that reflects the weights assigned to each indicator, coverts the grade into points, and divides that total by the maximum total the PHA could have achieved to arrive at a percentage. This percentage, a number between 0 and 100, is the PHMAP score.

---

[20] Initially, PHMAP contained twelve indicators but has now been reworked to following eight: vacancy; modernization; rents uncollected; work orders; annual inspections of units and systems; financial management; residential services and community building; and security.

The PHMAP score determines a PHAs designation to one of the following:

- **troubled** performers - those scoring less than 60 percent;
- **standard** performers - those scoring between 60 and less than 90 percent; and
- **high** performers - those scoring 90 percent or more.

If a housing agency is considered "troubled", it must enter into a memorandum of agreement with HUD to identify solutions to its management problems including the resources each will commit to resolve the problems. PHAs receiving designations of standard or high performers are required to develop improvement plans for any indicator category for which they received a low grade. As of June 1997, 12 Connecticut authorities rated high; 18 standard; one was considered troubled; and PHMAP scores were not yet available for 20 PHAs. A listing of the available PHMAP scores for the 52 Connecticut PHAs are included in Appendix H.

The PHMAP is implemented by local HUD field offices. Responsibilities include: determining the indicator grades and PHMAP scores; negotiating memorandums of agreement; approving PHAs improvement plans; and monitoring their progress in meeting the goals of the memorandum or improvement plan. According to a 1997 report by the United States General Accounting Office (GAO), the PHMAP process needs improvement.[21] Problems cited by the GAO are that HUD does not include an independent on-site inspection of the condition of an authority's housing and does not always allow for extenuating circumstances in assigning a negative rating. HUD is now in the process of revamping PHMAP.

Private rental developments subsidized with HUD financing are also overseen by that agency. Each development must have an annual independent audit, yearly inspection reports, and submit annual financial statements as well as monthly accounting reports to the HUD field office. Field office staff examine the reports for indicators of impending problems, especially default.

Some of the indicators that could predict a problem are: high or increasing vacancy rates; persistent physical problems -- units that don't meet quality standard or receive a low rating on a management review or physical inspection report; financial statements that reveal significant irregularities; high project expenses; problems with rent levels or rent collections, and using reserves for regular operating expenses. Based on these indicators, HUD had placed 63 of the approximately 320 agency-financed Connecticut projects on its "troubled" or "potentially troubled" list in May 1997.

---

[21] *HUD Should Improve the Usefulness and Accuracy of Its Management Assessment Program*, General Accounting Office, January 1997.

Connecticut Housing Finance Authority

The authority assigns 22 people to manage CHFA-financed housing, which includes about 17,000 rental units. The asset management functions CHFA performs include oversight and review of: financial statements on projects; management plans, outlining all policies and procedures in place for operating housing developments, as well as a description of relationships between management agents and owners; development and design characteristics; project management staffing; and project marketing plans.

The authority also annually reviews 10 percent (or a minimum of 10) of the Section 8 unit subsidies it administers. The review includes an examination of waiting lists, verification of income, assets, medical and child care expenses. CHFA asset management staff also perform site monitoring to ensure the owner and managing agent of the property are in compliance with plans and agreements they submit. CHFA recommends its asset management staff visit projects at least once a year and talk with residents to determine their satisfaction.

The program review committee examined CHFA's asset management report for the second quarter of calendar 1997. Results are summarized in Table VIII-1 below. Currently, CHFA has about 230 loans on existing projects and another 40 in construction; 174 of these projects were reviewed for the report. Rankings for each category are "4" for the most positive to "0" for the most negative. The numbers within each category in the table indicate how many projects attained that score.

Table VIII-1. CHFA Asset Management Report Results: April 1/97- June 30/97

Total Projects = 174	Tax Status	Current Occupancy	Physical Condition	Rent Collection	Financial Condition	Mortgage Reserves
Type: Family=83 Elderly=73 Not Stated=13 Combin.=5	For-Profit=135 Non-Profit=33 Not Stated=6	100% = 81 90-99% =87 80-89% =8 70-79% = 0 below 70% =2	4=75 3=54 2=26 1=9 0=9	4=103 3=25 2=19 1=24 0=3	4=82 3=45 2=19 1=24 0=3	4=78 3=39 2=32 1=13 0=12

Source of Data: CHFA Asset Management Reports

CHFA maintains this list for all mutifamily loans that have experienced delinquency, technical default, material default or are otherwise deemed to warrant focused attention. The list for June 1997 is summarized in Table VIII-2. Fifty-three of the authority's loans appear on the list indicating that they were in workout, foreclosure or had been resolved and were monitored. Seventeen had been resolved and reinstated as paying loans. Two had been reinstated as paying and sold to new owners. Eleven had been taken over by the authority for restructuring of their loan and resale of the asset back into the market. The balance of the loans were in process of workout or are being intensively monitored.

Table VIII-2. CHFA Watchlist: June, 1997	
Reason Placed on List	**No. Projects**
Resolved	17
Real Estate Taken Over by CHFA	11
Property Sold	2
Workouts in Progress	7
Litigation	4
Defaults in Discussion	2
Technical Defaults	7
Watchlist	3
Source of Data: Connecticut Housing Finance Authority	

Department of Economic and Community Development

The original development costs of the department's portfolio of more than 18,000 rental units was about $535 million. DECD indicates a conservative replacement value, excluding land, is approximately $1.2 billion. For the majority of state-assisted housing projects, DECD serves as the sole financing agency, and therefore must protect the state's financial interest in these properties. After the development of a project is complete and the units occupied, the department has five major functions of asset management: approval of annual operating budgets; loan servicing; contract monitoring; ensuring adherence with regulations; and review of quarterly financial statements.

Approval of management plans. Each year developers, local housing authorities or other entities that manage state-assisted housing must submit a management plan to the department for approval. In all, DECD reviews approximately 280 plans. Each plan, which is actually the operating budget for the projects being managed by the entity, contains the rents charged, the total revenues generated, and total expenditures for each project. From these budgets, which DECD must approve, DECD staff can evaluate how the project is doing financially, whether rents need to be increased, or further reserves established.

Compliance with the submission of management plans varies depending on the type of projects. As shown in Table VIII-3 below, elderly congregate projects have a perfect filing record, and elderly rental programs almost always submit their plans in a timely fashion. On the other hand, limited equity coops, which rely on tenant volunteers to manage the housing, and homeless housing programs do a poor job of submitting required documents with DECD.

Table VIII-3. Submission Compliance of Management Plans to DECD-- September, 1997

Housing Program	*Total Required*	*Total Submitted*	*Compliance Rate*
Moderate Rental (local housing authorities and non-profits)	36	34	94%
Moderate Rental (private developers)	27	16	59%
Elderly Housing	104	101	97%
Congregate	23	23	100%
Affordable	23	16	70%
Housing for Homeless	24	8	33%
Mutual Housing	4	4	100%
Limited Equity Co-op	32	11	34%
PRIME	10	4	40%
Community Housing Development Corporations	2	1	50%

Source of Data: LPR&IC staff analysis

The filing of management plans is a crucial component in overseeing how the projects are managed. It is the absolute minimum that should be required of a project that has received state financing. They provide the best, and sometimes the only, view of the financial condition of the project. Without these plans on file, DECD does not know what revenues are coming in, what the expenses are, nor consequently how well the project is managed. It is therefore critical that these management plans be submitted, as required by statute. Further, when management plans are not submitted in a timely fashion it is often an early indication that the project itself is not well managed. Unfortunately, the program review committee believes that DECD has little enforcement authority once the project has been financed, but certainly the information should be used for future financing. **Thus, the program review committee recommends that no future funding be allocated to a housing sponsor that is not current with the filing of management plans.**

Audits. The other primary way that DECD monitors hosuing it has financed is through the audit function. All sponsors of state-financed housing that receive more than $100,000 in state and/or federal aid in a given year are required to have an annual audit that complies with the requirements of the single state audit. In most cases these audits are performed by an independent public accountant, for which the sponsors pay. Sponsors that receive less than $100,000 but more than $25,000 may choose the single state audit or audits required by the particular grant or aid received. The audit's purpose is to review financial records and contract compliance, as well as adherence to program and regulatory requirements. DECD has responsibility for ensuring the single state audits are performed for local housing authorities while the Office of Policy and Management has purview over single state audits for non-profit agencies.

A negative audit is one of a variety of reasons that could lead to more intense department oversight. Of DECD's financed projects, the department reports that 23 housing authorities, developers or sponsors -- some with numerous projects -- have been placed on a department watch list for a variety of reasons, ranging from non-compliance with report filing or the like to more negative indicators. Nine of the 23 sponsors have projects that are considered "troubled", because they are in default or have other serious problems.

While DECD is not required to conduct the audits for housing authorities, it often does for sponsors who receive less than $100,000 in a year. DECD indicates that in 1996 it performed audits for 107 of 200 sponsors, the majority of which are small local housing authorities and non-profits. DECD does not charge for these audits; the costs are absorbed by DECD. (DECD had been able to charge an administrative fee to all local housing authorities, which will be discussed later in this chapter). In addition, according to the OPM, few agencies actually perform the audits required of the funded program.

The program reveiw committee believes the department should not perform the audit function unless it is paid to do so by the local housing authority. The administrative fees that had been collected from all housing sponsors should not be subsidizing the cost of the audit work being performed for some sponsors. DECD's responsibility is to ensure that the audits are conducted, that they are conducted according to standards, review the results, and ensure that any corrective measures recommended in the audit are taken. Time taken to actually conduct the audits is time that might be better spent performing oversight functions and ensuring that remedial action that result from the audits are taken.

Because of the department merger in 1995, auditors now have responsibility for ensuring that audits are conducted for economic development programs as well as housing. This joint responsibility has been coupled with staffing cuts -- the DECD reorganization plan calls for only five auditors for both internal and external auditing functions for the entire department. Consequently, audit staff are likely to be spread thin.

For the above reasons, the program review committee recommends that DECD discontinue conducting the audits for local housing authorities, unless the department is directly compensated for work performed.

Section §7-392(d) of the statutes already allows the commissioner of DECD to determine whether an independent auditor or a department employee conduct the audit. The statute also allows the commissioner to charge the housing authority for the audit. Thus, the recommendation is not proposing anything beyond the existing statute, but rather requiring the commissioner to implement what it now provides.

The program review committee believes the recommendation will foster a fairer system than one where some housing authorities subsidize the cost of audit work done at other authorities and non-profits. It will also allow the few DECD audit staff to concentrate on oversight function for the department and not on individual agency audits.

The program review committee found the frequency of current auditing requirements is unnecessary. Currently, all housing authorities must be audited biennially, whether they have received state funding or not. The commitee considered this requirement excessive. If housing sponsors are submitting their management plans in a timely fashion, and have received no new state or federal aid,the committee concludes that requirement is needless. Program review also believes the threshold of $25,000, which prompts an annual audit is too low, but because this is a requirement of the Single State Audit Act, this would have been beyond the scope of this study.

Therefore, the program review committee recommends that Section §7-392(d) of the statutes be modified to require that all housing authorities not otherwise subject to annual auditing requirements be audited once every three years.

Management assessment tool. The review of management plans and audits are important tools that assist DECD to monitors its assets. *The program review committee believes these two oversight functions are necessary and should continue as recommended above. However, DECD, unlike HUD and CHFA, does not regularly collect or monitor the types of information that tells the department how well their properties are being managed or operated.* For example, DECD does not know the percentage of units at state-assisted projects that are occupied or vacant, how long a unit stays vacant, nor the percentage of rents collected.

DECD does not have the staff to perform on-site inspections annually, but neither does it collect that information from its housing sponsors. Thus, the program review committee believes that DECD has been weak in its oversight of how its $1.2 billion in housing assets have been managed. It compiles no asset management reports similar to CHFA, has no field presence, and does not have an assessment tool to measure management similar to HUD's PHMAP system. The department recognizes that it has not been performing its asset management functions well. In DECD's own reorganization plan it stated "despite a strong commitment to achieve this goal [protecting housing developments] the agency has fallen short of the mark. Local management operations are monitored as problems are identified, rather than as a preventive measure."

Early in 1997 DECD formed a nine-member advisory group, comprised mainly of DECD housing sponsors and two DECD staff, to examine administrative oversight of state housing management. Among considered options was to transfer the asset management function to the Connecticut Housing Finance Authority. CHFA, as discussed above, already has a comprehensive management system that appears to work well and provides information on how its portfolio is being managed.

The advisory group did not choose this option for a number of reasons the program review committee believes are valid. First, unless all oversight and administrative responsibility for the state's housing programs were transferred with it, program review believes that relocating only the asset management function would fragment authority for state housing, confuse housing sponsors, and diffuse ultimate responsibility.

Second, CHFA is not the agency that financed the DECD projects initially. Thus, unless the entire state housing portfolio were transferred to the quasi-public agency, CHFA would most likely charge a fee for managing DECD's assets.

The state agency that publicly financed the projects should be responsible for overseeing how well they are managed. **The Legislative Program Review and Investigations Committee therefore recommends that the asset management responsibility remain in DECD, but that the department develop an asset management system by January 1, 1999. The asset management system should examine indicators similar to those used in the management system developed by HUD. Those factors should include, but not be limited to: vacancy rates and vacancy turnaround time; percentage of rents uncollected; work order response time; annual inspection results; cash reserves; and status for audit and management plan submission.**

Similar to HUD's PHMAP, the Department of Economic Development should issue a report card on state housing sponsors, and categorize their status based on the scores. If the management assessment program results showed a housing sponsor as "troubled", the sponsor would be required to enter an agreement with DECD to take corrective actions. Further, the program review committee recommends that if corrective action is not implemented on areas determined by DECD to be critical, and in a time frame established by DECD, the commissioner of DECD may demand conveyance of title or possession of state-assisted housing. DECD may then determine the most efficient and cost effective manner for managing the housing, including hiring a private management company.

Inspections. Each local housing authority or private developer manages the day-to-day operations of its housing projects. The larger authorities have maintenance staff to oversee the physical condition of the units, while others hire part-time workers to repair and maintain the units. Each authority is responsible for annually inspecting its units. Committee staff was told by local housing authorities that a unit seldom fails inspection because the authority makes sure the unit meets the requirements before inspection. According to the housing authorities interviewed by committee staff, inspection reports conducted on the federal units are reviewed by HUD as part of the PHMAP process, and HUD on occasion performs walk-through inspections of its federally subsidized units.

On the state level, housing authority officials stated DECD rarely, if ever, performs physical inspections of the facilities, and the inspection reports for the state units do not have to be filed with DECD. As discussed, the major oversight of the department has been to monitor the financial management of the authority through review of budget filings and audits. However, with implementation of a management assessement tool, inspections and evaluation of the physical condition of the projects will be monitored more strictly.

Administrative Fees. The Department of Economic and Community Development had been statutorily authorized to collect an administrative fee upon housing sponsors for services provided by DECD. The service fee had risen to $15 per unit per month, which generated $2.8 million in fees to DECD in FY 96. During the 1996 legislative session, in response to complaints from housing project operators, the General Assembly passed P.A. 96-189, which gradually phases out the fee by July 1, 1999. Efforts by the state's Office of Policy and Management to reinstate the fee during the 1997 were unsuccessful, but DECD's draft proposals for administrative oversight recommends continuation of a moderate administrative fee.

The program review committee recommends that no state administrative fees be charged to sponsors of state housing projects, and that requests to reinstate any fee be denied. Tenants are in state-assisted units because their low or moderate incomes qualify them for reduced rents. According to state statutes, rents at state housing projects must be as low as possible to meet each project's operating expenses. In fact, DECD staff review the management plans to ensure this. Rents at some state-assisted projects are low -- average rent for a one-bedroom elderly unit is $134, while a one-bedroom moderate rental unit is $284 (see Figure II-2 in Chapter II). To charge an administrative fee that amounts, in some cases, to almost 15 percent a month is excessive.

The program review committee concludes that placing "user fees" on tenants who can least afford it, and for services that are very indirect to tenants, is the wrong way to pay for administrative functions. Further, as pointed out in Chapter VI, some housing sponsors have been unable to obtain state financing even for urgent rehabilitation needs. To charge those housing agencies a fee for state administrative functions is an example of the funding stream going the wrong way. The program review committee believes that the General Fund is the most appropriate funding source to pay for administrative functions associated with state-financed low-income housing.

The program review committee recommends that once the administrative fee requirement is phased out the amount generated by the fees in 1998 be replaced from the General Fund. The total amount that would need to be generated to replace the current fees is approximately $1.5 million. This is based on the amount projected from the fees in 1998, the final year before they are phased out.

DECD recognizes that the funding stream based on the fees will no longer be available and that it must operate with reduced staffing and financial resources. To cope, DECD is examining ways to streamline its administrative functions. The program review committee believes those efforts should continue and that any duplicative or unnecessary administrative functions be eliminated if DECD can ensure that the state's assisted housing is well managed and that it serves low and moderate income households as intended.

Affirmative Fair Housing

Prohibition against discriminatory practices currently exists in both state and federal law. On the federal level, the Fair Housing Act prohibits actions that discriminate or promote segregation and directs all administrators of federal housing programs to promote affirmative fair housing. Connecticut, as an administrator of federal housing programs, must certify that it will affirmatively further fair housing as a condition of receiving federal funds.

In addition to this general prohibition against discrimination, Connecticut has taken affirmative fair housing for state programs a step further through legislative action. In 1991, the Connecticut legislature passed P.A. 91-362 "An Act Promoting Housing Choice and Racial and Economic Integration." To implement this mandate, DECD currently requires all developers applying for funds for the construction and/or rehabilitation of five or more units to develop an affirmative fair housing marketing plan. In addition, each developer must also prepare a tenant selection plan. Both the marketing plan and the selection criteria must be submitted to DECD for review and approval. Review of the plans is done by the department's affirmative action office. The purpose of this review is an attempt to promote affirmative fair housing and give opportunities to those groups "least likely to apply" as defined by regulation.[22]

For a plan to meet DECD's approval it must include an analysis of the demographics of the project area and the marketing strategies aimed at groups "least likely to apply". Recipients must identify the groups through the submission of demographic data obtained from the U.S. Bureau of the Census.

[22]By regulation, "least likely to apply" means persons who do not live in the area of development because of racial or ethnic patterns, perceived community attitudes, price or other factor and thus need additional outreach to inform them of their opportunity to live in the development.

Twenty percent of the total number of units to be constructed or rehabilitated must be targeted to the "least likely to apply" groups. As part of their marketing strategy, each developer must indicate all the advertising strategies used to attract members of these groups. DECD staff reviews the type of media used, the racial/ethnic identification of reader/audience, the size and duration of the advertisement, and the community contacts made to organizations located in the housing market area. All advertising must include the fair housing logo and/or statement and be conspicuously displayed.

The marketing activities must be conducted in three steps: at the beginning of construction, at 50 percent completion, and a final contact made six to eight weeks prior to occupancy. A progress report must be submitted to DECD at each phase. If DECD determines there has been a lack of good faith in fair marketing, the department may require additional outreach until it is convinced sufficient effort has been put forth. If the department finds that despite good faith efforts there are not enough "least likely to apply" candidates, recipients may be given permission to rent or sell units to other eligible applicants.

In addition to submitting the marketing plan, recipients must develop a written plan covering the tenant selection process they intend to use. The department allows recipients to use either a point system outlined in regulation which is similar to the federal preferences described below or a selection method based on a random lottery. The department must approve the selection method prior to use. According to DECD staff, most recipients use the point system selection process. Regardless of the selection method used, regulations also allow recipients to use the following factors to screen applicants: demonstrated ability to pay rent on time; comments from former landlords; and credit history. (A lack of credit history may not be grounds to reject an applicant). Applicants must be given the opportunity to explain any negative reports received.

In 1996, DECD reviewed eight plans subject to affirmative fair housing marketing plan requirements. All were approved by the affirmative action office. According to DECD, plans are never denied because agency staff works with developers until the plan is acceptable.

Pursuant to current state regulations, recipients must also submit annual updates on whether affirmative fair housing goals have been met and retain records of all affirmative fair housing activities for at least five years. Recipients are also required to annually report racial and economic information from tenants and persons on waiting lists. Any developer who fails to comply with fair housing regulations is subject to sanctions. These include denial of further participation in DECD programs, termination of contract, or other penalties as determined by the commissioner. To date, DECD has not imposed sanctions.

DECD regulations state on-site monitoring may be conducted to check a recipient's activities for compliance with the requirements. However, due to DECD staff cutbacks, it is rarely done. In 1993, the department's affirmative action office consisted of three full-time professional staff and an office director. Currently, the office consists of a director and one full-time employee. Monitoring affirmative fair housing activities is currently a desk review of three self-reported progress reports. Meanwhile, the department's statutory mandate to compile waiting list information which can document the efforts of promoting fair housing choice and integration has not been done since 1994. According to DECD, the department does not have the staff to collect or maintain this information. The affirmative action office has also recently been charged with administering DECD's minority set-aside program in addition to its existing affirmative fair housing activities and preparation of the department's affirmative action plan.

The program review committee found statutory requirements for affirmative fair housing are only minimally satisfied. While the department does accept self-reported submissions, analysis is not done to indicate whether there has been any progress in affirmative fair housing. Without analysis or monitoring, there is no way for the state to ensure compliance or determine whether the policy objective is being met. *Given the lack of current evaluation, the program review committee found the statutory affirmative fair housing requirements are little more than a paper commitment.*

DECD has a statutory obligation to receive and review marketing plans and fair housing goals from state-funded housing developers. However, because of staffing cutbacks, the department cannot confirm whether the establishment of marketing plans and tenant selection criteria has improved housing sponsors' ability to meet affirmative fair housing goals or to what extent housing sponsors have achieved these goals. The program review committee believes the submission of plans and reports becomes meaningless if the information is not examined or analyzed.

Without the ability to check whether the affirmative fair housing requirements are meeting their public policy goals of increasing access to housing to under served groups, decision makers have no idea whether the law is working or whether it needs to be strengthened, replaced, or even abolished. Thus, the committee believes the first step should be to provide adequate staff for DECD to monitor the filed submissions and where necessary conduct on-site monitoring. Secondly, once there has been a period of adequate monitoring by DECD staff, the data can be examined to judge whether the statute is having the desired effect.

Based on discussions with the department, at least one additional full-time professional would be needed to fulfill current affirmative fair housing requirements. **Therefore, the program review committee recommends DECD hire one additional staff member for the department's affirmative action office by January 1, 1999. The department should then perform rigorous monitoring of past and current filings to analyze the state's affirmative fair housing activities. Results of the analysis should be reported to the Legislature's Select Committee on Housing by January 1, 2002, for further legislative consideration.**

The program review committee believes the assessment of the state's fair housing activities is consistent with new federal requirements. Previously, HUD only required state administrators to certify that they would affirmatively further fair housing through a written assertion as a condition of receiving funds. In 1995, HUD changed and consolidated many of its programs fair housing requirements. HUD now requires all administrators to perform an analysis of impediments to fair housing choice and develop strategies and actions to overcome any barriers. The purpose was to identify and analyze any policies, practices, and procedures that affect the location, availability, and accessibility of housing and current residential patterns and conditions.

To comply with the federal fair housing requirements, DECD hired outside consulting assistance to develop the analysis of impediments. After some preliminary setbacks due to a change in consultants, DECD anticipates a completion date in early 1998. The committee views the recommended addition of a staff person to be instrumental in the monitoring of any outcomes resulting from the impediments analysis.

The program review committee believes monitoring of affirmative fair housing activities is needed if current efforts are to be measured and deemed to be working. Ongoing monitoring of both federal *and* state funded projects allows for data analysis to determine the extent housing choices are affected by housing market related practices. With this data analysis, the department can determine if current activities are making a difference or whether new strategies are needed.

DSS Monitoring

The Department of Social Services is a public housing agency authorized to administer Section 8 certificates and vouchers statewide.[23] The state's involvement in operating Section 8 traces back to when the former Department of Housing received HUD designation as a public housing agency in order to administer the program in communities without local housing authorities. The state program has since expanded into jurisdictions that operate their own Section 8 programs. DSS currently oversees certificates and vouchers in about 116 cities and towns. The social services department also administers Connecticut's own Rental Assistance Program, which like Section 8 provides tenant-based subsidies for eligible clients and units throughout the state.

The Section 8 and RAP programs are under the jurisdiction of the department's Housing and Grants Team within the Family Services Division. The team's nine staff and an accountant from the agency's financial section handle a total of 16 housing-related programs. Among the team's major duties for Section 8 are: ensuring CAFCA's compliance with federal and state

[23] At present, only one other entity, the city of Hartford, through its private contractor, Imagineers, operates a Section 8 program with statewide jurisdiction. Other types of multi-jurisdictional agencies include several local housing authorities that administer the Section 8 program on the behalf of neighboring communities at their request.

program guidelines; authorizing fund expenditures and assuring fiscal responsibility for the program; monitoring program performance through field inspections, file reviews, and reviews of contractor progress reports; providing technical assistance to the contractor; preparing the state's Section 8 administrative plan and related funding applications for submission to HUD; and preparing other plans and reports as needed. Similar payment authorization and field monitoring functions are performed by team members for the state RAP program. The department's primary role, therefore, is to monitor its contractors' performance of Section 8 and RAP activities.

Information system. At present, the social services department must rely on its RAP and Section 8 contractors to supply all program data necessary for monitoring. Under their contracts, the operating agencies are responsible for supplying the hardware and software required to administer the state's rental assistance programs. DSS has no automated Section 8 system of its own and no electronic access to the contractors' information systems. It was anticipated the department would be linked to the CAFCA Section 8 database, but that has not occurred to date.

In addition, the system CAFCA and its subcontractors use for Section 8, which is based on the system two RAP contractors use for that program, is barely adequate. Despite continued modifications, the CAFCA system still cannot report detailed housing payment information in the format DSS specifies and numerous steps are required to update and revise tenant information files. Little programmatic information is tracked and key indicators such as location of certificates and vouchers by town, status of repayments and recoveries, or inspection results are unavailable through the system.

The program review committee found oversight of the DSS tenant-based rental assistance programs is seriously impeded by the lack of an adequate automated information system. Both the department and its contractors recognize the current automated systems are difficult to use and have limited reporting capabilities. CAFCA is reviewing alternative systems for the state Section 8 program, all of which would be more costly but also much more powerful and accessible. The committee believes a new system, specifically designed for effective administration of tenant-based rental assistance, is essential to proper management of the programs. In addition, DSS, as the designated housing agency with ultimate responsibility for state Section 8 and RAP, should have control over the automated system used to operate the programs.

Currently, the agency's contractors own the hardware and software for the Section 8 and RAP programs. If DSS rebids the contracts for both rental assistance programs, as is planned for late 1998, and different operators are selected, a whole new automated system will need to be established. In addition, transfer of program records and software ownership were issues the last time the Section 8 contract was rebid and a new operator was selected. The department sought to avoid similar problems through changes in the language of the current contract but it is not clear all concerns have been addressed. The committee believes it would be preferable for many reasons for DSS to own the automated system that runs its rental assistance programs.

Furthermore, the program review committee found the department has sufficient federal funding available to obtain and operate a quality automated information system. HUD provides funding for administrative costs related to the Section 8 program based on a flat rate per each approved unit under lease. Currently DSS receives $55 per unit. It provides CAFCA, in accordance with contract provisions, $32.50 per unit. CAFCA gives its subcontractors $32 and retains the rest of the fee to cover the costs of its own Section 8 coordinator position and related administrative expenses. The department estimates the equivalent of 3.1 full-time positions is devoted to Section 8 activities while the housing accountant spends the majority of his time (90 percent) on the Section 8 program.

For state FY 97, the Department of Social Services received $1,660,745 in Section 8 administrative fees from HUD and paid CAFCA $969,641. About $191,000 of the remaining funds ($691,104) were used by the department to pay the salary costs of the housing accountant and two housing team positions. As permitted by HUD regulations, DSS applied the rest of its administrative fee money, approximately $500,000, to other housing-related purposes including additional rent subsidies.

While these purposes are appropriate and worthwhile, the committee believes DSS should ensure its Section 8 program is being carried out effectively before it reallocates its administrative resources. **Therefore, the program review committee recommends the Department of Social Services purchase an automated system for operating the state Section 8 program and the Rental Assistance Program with its HUD administrative fees. At a minimum, the system should be able to process payments, produce financial reports and all documents required by HUD, calculate assistance payments, track tenant, owner, and unit information as well as admission patterns, recertification status, and unit inspection outcomes, and give all parties (i.e., DSS and its contractors) on-line access to program records.**

Automated systems meeting these requirements are available from several suppliers. According to estimates provided to the committee , the recommended system could be purchased by DSS for between $50,000 and $100,000. The highest price is for top-of-the-line software, in-depth training, technical support and an update service. Annual costs for technical support and upgrades would be between approximately $4,000 and $5,600, depending on the level of support desired.

The recommended system would make operations more efficient for the subcontractors and significantly reduce the amount of paperwork sent to DSS. As a management tool, the system would provide the department with the ability to review a variety of performance indicators at any time. For example, DSS staff could regularly check on the timeliness of recertification and inspections, consistent application of housing quality standards, follow-up on failed units, waiting lists, and tenant locations, without going through paper files in contractor field offices.

Under the committee's recommendation, programmatic and performance information will be readily available for the RAP program for analysis and review. In 1989, the Legislative Program Review and Investigations Committee authorized a three-phase prospective evaluation of the state Rental Assistance Program. At that time, the committee found a database did not exist to permit evaluation of the program. Recommendations were made for program administrators to design a RAP information system and perform analysis of the program. In response, DSS requires its RAP contractors to submit monthly and quarterly reports on a number of items. To date, although the reports are filed with the department, no trend analysis or program evaluation has been performed.

Field inspections. The responsibilities of the state's Section 8 and RAP contractors include monitoring the physical condition of the subsidized units participating in the program. In general, the contractors conduct field inspections of a unit before the household moves in initially and whenever a complaint is received from either the tenant or landlord. All Section 8 and RAP units also must be inspected annually as part of the tenant's recertification process.

In addition to inspections carried out by its contractors, DSS performs its own inspections of subsidized rental units. The department has four employees who, in addition to other duties, perform reinspections of both Section 8 and RAP units. Units are selected at random by the DSS inspectors from lists of recently inspected units supplied by the contractors. The department uses the same process for the federal and state rental assistance programs.

DSS field inspectors also conduct desk audits of the files related to the Section 8 and RAP units they reinspect. The inspector reviews the tenant's application, pertinent documentation of eligibility, payment calculations, and checks for previous inspections. Findings are reported back to the subcontractor, who is responsible for taking any corrective actions suggested by the DSS inspector.

Currently, the majority of the DSS monitoring staff time is spent conducting the reinspections of units and reviewing the related tenant files. The primary purpose of the reinspection is to ensure the initial inspections were accurate and complete and there is consistency among inspection staff. DSS reinspections usually occur several months after the contractor's inspection. Their usefulness as a check on the quality of the first inspection is limited since any number of changes in the unit's condition could have occurred in the interim. The committee also found DSS housing team does not analyze or even compile inspection results to determine if standards are consistently applied or if there are any important trends in unit failures.

Similarly, there is no evidence the results of the tenant file reviews are used to identify training needs or policy revisions to reduce errors in eligibility determinations, rent calculations, or other programmatic areas. In addition, while DSS monitors routinely provide contractors with the results of their reinspection and file reviews, noting the corrective actions required, the committee found little evidence that the department confirmed the corrections were made.

Based on these findings, the program review committee believes there is little value to the department's current field monitoring effort. **It is recommended DSS staff resources be redirected from carrying out duplicative field inspections and unproductive desk reviews to systematically reviewing contractor performance, program trends, and policies.**

The department is not required by HUD to actually carry out the reinspection function. Federal regulations state five percent of the units approved for participation in a housing agency's Section 8 program be reinspected as a quality control measure. Imagineers, which like CAFCA operates a Section 8 program under contract for another entity (the city of Hartford), has the supervisor of its field staff conduct reinspection. Inspection reports are sent on a monthly basis to the city. The committee believes the department should take a similar approach and make its contractor, CAFCA, responsible for ensuring the five percent reinspection requirement is met and reporting the results monthly. Similar arrangements could be established for the RAP program.

It is likely the contractors can carry out reinspection in a more timely fashion and give their staff feedback on any errors or omissions more quickly. The DSS monitors could concentrate on determining how well inspections are being done and whether violations of housing quality standards are being resolved. Furthermore, the recommended automated information system will provide a more efficient and thorough way of identifying and, sometimes, preventing eligibility and subsidy errors than field reviews of a small sample of active cases. The committee believes a quality automated system will prove to be a much more cost-effective approach for DSS monitoring and oversight of Section 8 and RAP.

APPENDIX A
Glossary of Housing Terms

APPENDIX A
GLOSSARY OF HOUSING TERMS

affordable housing - governmentally assisted housing or housing for which individuals, families, or the elderly pay 30 percent of less of their annual household income where such annual household income is less than or equal to the area median, determined by HUD.

affordable housing appeal process - the legislatively mandated process requiring towns and municipalities to give full consideration to local affordable housing needs when reviewing developer proposals to build such housing.

Community Development Block Grant (CDBG) - a federal program operated by HUD that provides funds to states and local communities to provide decent housing, improve neighborhoods, and expand economic opportunities, principally for low- and moderate-income persons and families.

Comprehensive Housing Affordability Strategy (CHAS) - comprehensive planning document identifying overall housing needs and outlining strategies to address them. No longer used as planning tool.

Connecticut Association for Community Action (CAFCA) - umbrella agency for community action agencies in Connecticut under contract with Department of Social Services to operate the state's portion of Section 8 and RAP program.

Connecticut Housing Finance Authority (CHFA) - a quasi-public agency promoting housing in Connecticut by offering financing through the private sale of bonds.

Consolidated Plan (ConPlan) - federal reporting requirement identifying overall housing needs and outlining strategies. This plan replaces CHAS.

contract rent - amount of rent specified in the lease the housing agency authorizes an owner to collect for a unit occupied by a family receiving assistance.

Department of Economic and Community Development (DECD) - Connecticut's lead state agency in matters relating to housing and economic development

Department of Housing and Urban Development (HUD) - lead federal agency for all matters relating to housing.

Department of Social Services (DSS) - Connecticut's state agency administering Section 8 and Rental Assistance Program.

elderly- housing desinated for persons age 62 or older or disabled as designated by a federal agency including the Social Security Administration.

elderly congregate - housing for elderly where units are self-contained but residents are provided one meal in communal dining room.

fair market rent (FMR) - the rent limit including utilities for units of varying bedroom size published in the Federal Register for Section 8 program.

family self sufficiency (FSS) - federal initiative designed to help families eventually become self sufficient through the use of supportive services.

gross rent - the sum of the contract rent and the utility allowance.

housing assistance payment (HAP) - the payment made by the housing agency to the owner of a unit under lease by an eligible family. The payment is the difference between the contract rent and the tenant rent.

housing quality standards (HQS) - the federal minimum quality standards for housing assisted under Section 8.

limited equity coops - residents purchase at below market rates by contributing cash or labor. Equity in unit is limited to preserve future affordability.

local housing authorities (LHA) - agencies created to act as developers and managers of the day to day operations of federal and/or state publicly assisted properties.

low income - annual income at or below 80 percent of the median income for the area, with adjustments for household size as determined by HUD. Low income includes two sub-categories: **very low income**, which is 50 percent or less of area median income; and **extremely low income**, which is 30 percent or less of area median income.

median family income (MFI) - income level for a given region at which half the families in that area earn above that amount and half earn below. HUD uses this as a base for determining eligibility for its housing programs.

moderate income - annual income between 81 and 95 percent of median income for the area as determined by HUD.

project based subsidies - subsidies tied to units designated for use by assisted households and not to the people who live in them.

public housing agency (pha) - any state, county, municipality, or other government entity or public body that is authorized to engage in or assist in the development or operation of housing for low income families.

public housing management assessment program (PHMAP) - federal tool to evaluate management operations of public housing agencies using standard criteria.

recertification - the annual review of documentation used to determine recipient's eligibility and assistance level.

Rental Assistance Program (RAP) - state's rental assistance program modeled after the federal Section 8 certificate program.

rent reasonableness - the determination an administrative agency makes to ensure rents paid in the Section 8 certificate and voucher program are not excessive for the neighborhood, and do not inflate rents in the community.

Section 8 certificate - issued to qualified very low-income families so that they can afford to rent units in the private market. Program pays the difference between 30% of tenant's income and the rent. Fair market rents are the upper limit in the program. Certificates are "portable", and can be used anywhere in the country.

Section 8 voucher - issued to qualified very low-income families so that they can find affordable private rental units. Program pays difference between 30% of tenant's income and the rent.Tenants may pay above FMR with a voucher as long tenant pays the additional amount. Vouchers are also "portable".

Tenant based subsidies - subsidies permitting recipients to rent existing units in the private market.

Total tenant payment (TTP) - the total amount the HUD rent formula requires the tenant to pay toward rent and utilities.

utility allowance - the housing agency's estimate of the average monthly utility bill for a household. Housing agency pays the allowance if utilities are not included in the rent.

APPENDIX B
Data Collection Methods

APPENDIX B

DATA COLLECTION METHODS

As part of the publicly assisted housing study, program review committee staff surveyed local housing authorities for a variety of information using a data request form, telephone interviews, and field visits. Committee staff also reviewed a sample of tenant files maintained by the contractors that administer the state's Section 8 certificates and vouchers and Rental Assistance Program (RAP) as well as Section 8 tenant files at several local housing authorities.

Local Housing Authority Survey

Program review staff contacted the largest housing authorities in the state to gather detailed information on assisted housing waiting lists, vacancies, preferences, inspections, Section 8 portability, terminations and hearings as well as certain tenant characteristics (e.g., income, length of stay, etc.). The housing authorities selected were from the 20 municipalities with the most government assisted housing units according to the 1996 Department of Economic and Community Development affordable housing appeals law inventory. They are: Bridgeport, Bristol, Danbury, East Hartford, Enfield, Hartford, Manchester, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Stamford, Torrington, Vernon, Waterbury, West Haven, and Windham. Three of the largest authorities --Bridgeport, New Haven, and West Haven -- only administer federal housing programs at this time.

Data requests were sent to the 20 authorities and committee staff also visited 10 to conduct interviews with the executive directors and other staff. A sample of the data request form is included in this appendix. All but two of the largest housing authorities provided some of the information requested. The Stamford Housing Authority never responded to committee staff information requests and Hartford Housing Authority reported it was unable to assign any staff resources to compile the requested data due to the demands of its ongoing public housing demolition and tenant relocation actitivies.

Less comprehensive data requests were also sent to the 80 smaller housing authorities in the state that oversee state-funded housing projects. Many also administer federal public housing projects and Section 8 certificates and vouchers. Responses were received from 56 smaller authorities.

Tenant File Review

To develop a better understanding of the state Rental Assistance Program and the Section 8 program overseen by the Department of Social Serivces (DSS) as well as the households they serve, the program review committee staff determined it was necessary to collect information only available in the program operators' tenant files. Among the items reviewed were: admission date, latest recertification and unit inspection dates, indicators of duration of assistance, and evidence of rent reasonableness analysis.

Committee staff reviewed approximately 10 percent (222) of the files for all Section 8 households participating in the DSS program and about 5 percent (130) of all RAP household files. Files were selected at random from the program records at each of the department's six Section 8 and three RAP contractor agencies in proportion to their caseloads.

Committee staff also reviewed between 10 and 50 Section 8 tenant files at nine local housing authorites of various sizes throughout the state (i.e., Bridgeport, Enfield, Hartford, Mansfield, Middletown, Meriden, New Britain, New London, and Vernon). The sample examined at each housing authority represented at least three percent and up to nine percent of the agency's total allocaton of Section 8 certificates and vouchers.

Overall, a total of 605 tenant files from 15 housing agencies were included in the sample. The total sample of Section 8 files examined (475) at both the DSS contractor agencies and the local housing authorities represented nearly 2.5 percent of all certificates and vouchers authorized for Connecticut as of 1996.

1. NUMBER OF UNITS ADMINISTERED BY AUTHORITY/VACANCIES:

	FEDERAL Elderly	Family	SECTION 8 CERTIFICATES	VOUCHERS
No. Units				
No. Vacant				
Average Time Vacant				

2. WAITING LIST STATISTICS:

FEDERAL UNITS	**Number Households On List**	**Average Time on List**
Elderly		
-- Disabled non elderly		
Family		
SECTION 8	**Number Households On List**	**Average Time on List**
Certificates & Vouchers		

3. **Do you use Federal preferences?** ___ no ___ yes
   Do you use other preferences? ___ no ___ yes (describe________________________

____

4. SECTION 8: TENANT/HOUSEHOLD INFORMATION

Tenant Characteristics	**Certificates**	**Vouchers**
Average Length of Time Received		
Average Total Mo. Rent Paid (Contract Rent)		
Average Mo. Assistance Payment (HAP)		
Portability		
No. Initial (out-going)		
No. Received (in-coming)		

List locations (city/town) of certificates and vouchers outside your jurisdiction (list here or attach a recent monthly mobilitiy/portability report with city/town names): ____ ____ ____

5. SECTION 8 UNIT INSPECTIONS

Statistics for Section 8 Units (e.g., from recent monthly or quarterly report): Please indicate Inspection Time Period : ____________________	
Number Scheduled	
Number Conducted	
Number Units Passed	
Number Units Failed	

6. SECTION 8 TERMINATIONS

How many of your Section 8 clients left the program within the last 12 months?

A. Total number terminated ___________________

B. Number left voluntarily ___________________

7. HOUSING HEARINGS

Number of hearings held over the last 12 months. _______________

Results:

_____ Housing Authority upheld

_____ Tenant upheld

APPENDIX C
Connecticut Housing Programs

Appendix C. Summary of Housing Programs in Connecticut

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Moderate Rental	State Year Auth: 1947	7,643	Families or persons Low and Moderate Income -- 80% or below of Median Family Income (MFI)	Provide loans /grants to developers to construct/rehab units to rent at below-market rents. Rents are 30% of tenant's income or base rent, whichever is greater	DECD	LHAs, Municipal developers, Non-profits and for-profits	$82.6 92% grants
Affordable Housing	State Year Auth: 1988	443	Low Income families -- 50% or below of MFI; 10% of units must be accessible to physically handicapped	Provides loans/grants to developers to construct/rehab units to rent at below-market rates. Rents charged are 30% of income of base rent, whichever is greater.	DECD	LHAs, Municipal developers; Non-profits and For-profits	$53 88% grants
Rental Rehab	State Year Auth: 1967	Not Applicable		Provides loans or grants to developers already operating a program to maintain or upgrade units. To date, only Moderate Rental and Elderly units have received funding	DECD	LHAs; Municipal developers; Non-profits and For - profits	$124 86% grants

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Elderly Rental	State Year Auth: 1958	7,280	62 or older or disabled. Had been average of Low and Very Low -- 65% of MFI (P.A. 97-2 allows 80% of MFI)	Provide loans or gants to developers to construct units for elderly at below-market rates. Tenants pay 30% of income or the base rent whichever is greater	DECD	LHAs; Municipal Developers; Non-profits and For-Profits	$116.5 91% grants
Federal Construction Programs (other than Section 8)	Federal Year Auth: 1937	Elderly - 3,782 Family - 8,595		Several programs that stimulate production of rental units for low and moderate income families and elderly persons by private developers through low-interest loans, mortgage insurance	HUD	non-profit and for-profit developers	
Elderly Congregate	State Year Auth: 1977	21 developments 870 units	Same income limits as state elderly rental units	Grants or loans to developers for development of congregate complexes for frail elderly. Complexes must include office, community area, communal dining and kitchen. Provides one meal a day Each living unit is self-contained.	DECD	LHAs, non-profits and municipal developers	$62 (dev'ment) 93% grants $12.5 (operating subsidies)

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Community Development Block Grants (CDBG)	Federal Year Auth: 1974	Housing is not only purpose	Communities	Grants to communities to improve infrastucture, create jobs, build senior centers. One component is housing rehabilitation, provided that 51% of rehabbed units are rented to low-income tenants.	Cities greater than 50,000 administer their own block grants; DECD approves, administers for smaller towns	Variety of grantees -- child care centers, job training centers, senior centers, private landlords	Federal Funds for FFY 96 $15
HOME	Federal Year Auth: 1990	Not Available		Multi-purpose: create or rehab affordable housing; help tenant pay rent; or help finance purchase of home or rahab an existing home	DECD administers for small towns; larger towns are entitled to funds separately	Must set-aside at least 15% of funds for Non-profits	Federal Funding to DECD FFYs 92-96 $34.2 DECD spent $31.6
Public Housing for Families	Federal Year Auth: 1937	13,530	Very low income families 50% or below of MFI	Separate but similar to federal public housing for elderly. LHAs pay off bonds or notes with HUD payments. HUD also provides operating subsidies, and rehab monies.	HUD	Public housing agencies -- mostly local housing authorities	

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Low Income Housing Tax Credit	Federal Year Auth: 1986	4,579	at least 40% of units must be occupied by tenants at or below 60% of MFI. Credits only for low-income units	IRS tax credits to developers for new construction or rehab of multi-family rentals. Dollar-for-dollar reduction in tax liability. Tenants pay 30% of income.	CHFA administers in CT.		Since 1987 $23.8 (Allocation of credits subject to state volume caps, based on population)
Elderly Public Housing	Federal Year Auth: 1937	7,443	62 years of age or older, or totally disabled. Income limits same as state elderly program	Local housing authorities develop and operate low-rent housing. HUD pays LHAs so that bonds can be paid off, and provides funds for planning, operating, and rehab. Tenants pay 30% of income. No base rent.	HUD		
Rental Assistance Program	State Year Auth: 1985 as a pilot program 1987 permanent	Families as of January 1997: 2,153	Very Low Income Families: 50% of MFI. Certificates can be taken statewide	Parallel program to federal Section 8. Rap certificates are given to tenants to obtain a rent in private market. State makes payments to landlords for difference between tenant payment (40% of income) and total rent within rents limits.	Department of Social Services	DSS sub-contracts with local CAP agencies	Since FY 87 $115.9

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Rental Subsidy Program	State Year Auth: 1983	Average # of clients for FY 97 652	Mentally retarded Connecticut residents. Very low income -- 50% or below of MFI	To help mentally retarded citizens pay rent. Subsidizes difference between tenant portion and rent to 130% of FMR for area. Payments made to clients, who then pay landlord.	DMR regional offices		FYs 90-97: $9.5
Private Rental Investment and Mortgage Equity (PRIME)	State Year Auth: 1988	1,109 624 are "affordable"	At least 20% of units must be for low-income -- persons at 50% or below of MFI	To stimulate dev'ment of large (25 or more units) rental projects by combining CHFA first mortgages with state grants or deferred loans, or rent subsidies.	CHFA (transferred from DECD via P.A. 95-250)	non-profits, for-profits, and since 1995, limited partnerships and joint ventures	DECD funding FYs 89-96: $52 27% grants
CHFA Home Mortgage Program	State Year Auth: 1969	during FFY 95-96: 4,590	Low or Moderate Income persons -- up to 140% of MFI-- who wish to purchase their first home	To provide mortgages with favorable interest rates, low downpayments, and flexible underwriting standards so that persons who might not qualify in the private mortgage market can purchase a home	CHFA	Loans are made through 50 private lenders. CHFA then purchases the loans	Since 1969 $3.9 billion

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Mortgage Assistance Pilot	State Year Auth: 1990	Since 1990:	Persons with incomes at 80% or below of MFI. Certain number must be dedicated to tenants of public or subsidized housing	Combines special mortgage financing and buyer counseling to qualified tenants of public housing or people with disabilities. Interest rates charged are on sliding scale, but no more than 6%.	CHFA and DECD		
Shelter Plus Care	Federal Year Auth: 1987	May 1997 451 clients	Persons must be homeless and severely mentally ill or have AIDS	Long-term rental assistance through payments to landlords, sponsors, project developers. Asst. through one of four components: tenant-based; project-based; through sponsor agency; or single room occupancy (sro). Most of the HUD grant period is 5 years. Project-based is 10 years.	DMH (DECD has one project funded under this program)	Variety of grantees in 7 major towns	Total amt. of DMH grant is $25. DMH has spent $2.5 DECD's annual grant funding .5m
Bridge Subsidy	State	Average clients per month FY 96: 541	DMH clients with low incomes	Helps DMH clients pay rent, by paying difference of what client can afford and actual rent.	DMH		FY 96 $1.1

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Community Housing Dev'ment Corporation	State Year Auth: 1967		Multi-target--conversion of units to make adaptable for persons with disabilities; to acquire, develop housing for low or moderate income persons	Grants or loans to housing development corps or eligible developers to construct, rehab units for low or moderate income. State funding can only be made when sponsor has at least half of funding from private source	DECD	housing developmen t corporations (a non-profit corp., designated by the municipality to finance or develop housing)	$41.4 97% loans
Downpayment Assistance Program	State Year Auth: 1977	Since 10/1/95: 3,295	Available to CHFA mortgage borrowers. Must be in a target area of state	To make loans to persons to purchase (owner-occupied) to help with down payment or mortgage payment up to 25% of cost or value. Authority may share in appreciation	Transferred to CHFA from DECD in 1995	CHFA	DECD: $125.8 (87% loans) CHFA: $15.7
Elderly and Disabled Rental Rebate Program	State Year Auth: 1974	Average yearly number of clients 90-97: 25,647	Clients must be age 65 or over, or totally disabled, have limited income, and not receive other state cash asst.	Grants to individual renters of: 35% of actual rent and utilities paid minus 5% of qualifying income; or maximum or minimum allowable amounts in statute.	Office of Policy and Manage-ment	Claims are submitted through the local tax assessors officeand then to OPM, which sends rebates	FYs 90-97 All grants Average yearly grant per client $379.00

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Limited Equity Coop	State Year Auth: 1987	439	Very low income persons -- 50% of MAI for grant funding. For loans or loan/ grant is 100% of MAI	Provides loans or grants to non-profits to develop co-ops for families to purchase through labor and/or cash. Any equity is limited to ensure unit's future affordability.	DECD		
Urban Homesteading	State Year Auth: 1975	Since 1987: 170	Agencies designated by cities select homesteaders based on statutory criteria	Financial assistance to urban agencies which then provide loans to urban homesteaders for purchase and rehabiliation of abandoned or vacant property.	DECD		
Section 8 -- unit based	Federal	8,538	Very low income persons -- 50% of MAI	developers construct or rehab units and HUD then pays the difference between the tenant's portion (30% of adjusted income) and actual rent for unit	HUD		

Program	Federal/State Year Authorized	Total # Units (or Clients)	Target Population	Purpose and Program Features	Admin. Agency	Providers	Funding FYs 79-96 (millions)
Section 8 -- tenant based	Federal	22,495	Very low income persons -- 50% of MAI Certificates and vouchers are portable -- tenants may take to another town or even another state	certficates or vouchers are provided directly to tenant to find a rental unit in the private market. With certificates, HUD pays the difference between the tenant's payment and the Fair Market Rent. Vouchers allow tenants to units that chargemore than FMR as long as tenant pays the difference.			

APPENDIX D
HUD Fair Market Rents

Appendix D

HUD Fair Market Rents For Connecticut
(Monthly Rent and Utilities Cost)

Metropolitan Areas	1993		1994		1995		1996		1997			
	2 BR	3 BR	2 BR	3 BR	2 BR	3 BR	2 BR	3 BR	1 BR	2 BR	3 BR	4 BR
Bridgeport	$833	$1,042	$855	$1,070	$695	$869	$713	$891	$609	$734	$917	$1,144
Danbury	$942	$1,244	$967	$1,278	$950	$1,255	$851	$1,124	$702	$876	$1,156	$1,332
Hartford	$709	$887	$720	$900	$670	$840	$675	$847	$535	$684	$858	$1,042
New Haven-Meriden	$786	$1,007	$807	$1,034	$802	$1,026	$822	$1,052	$614	$760	$973	$1,127
New London-Norwich	$700	$876	$710	$889	$700	$877	$706	$884	$587	$715	$895	$1,023
Stamford - Norwalk	$1,119	$1,500	$1,119	$1,540	$1,014	$1,359	$1,040	$1,394	$877	$1,070	$1,434	$1,584
Waterbury	$668	$834	$686	$857	$674	$842	$691	$863	$575	$711	$888	$994

FMR for units larger than 4 bedroom calculated by adding 15% to the 4 bedroom FMR for each additional bedroom

Source of Data: Federal Register

APPENDIX E
DSS Utility Allowance Schedule

APPENDIX E

Monthly Allowances for Tenant Utilities and Other Services: State Administered Section 8 Certificates and Vouchers, 1997		
	One-Bedroom Unit	**Two-Bedroom Unit**
Heating		
Single Fam. Detached	\$39 (oil) - \$61 (electric)	\$44 (oil) - \$81 (electric)
Row House/Garden Apt.	\$32 (oil) - \$50 (electric)	\$40 (oil) - \$ 68 (electric)
High Rise Apt.	\$28 (oil) - \$41 (electric)	\$36 (oil) - \$58 (propane)
Cooking	\$7 (nat. gas) - \$13 (propane)	\$9 (nat. gas) - \$18 (propane)
Water Heating	\$12 (oil) - \$36 (electric)	\$17 (oil) - \$42 (electric)
General Electric	\$28	\$37
Water	\$12	\$19
Sewer	\$10	\$13
Trash Removal	\$13	\$13
Range Allowance	\$2	\$2
Refrigerator Allowance	\$3	\$3
Source: DSS 1997 Utility Allowance Schedule, effective April 1, 1997.		

APPENDIX F
Connecticut HUD Income Estimates

APPENDIX F

Connecticut HUD Income Estimates

Methodology. Each year HUD estimates and transmits median family income distribution estimates for each metropolitan and non-metropolitan area of the country, which are identical to regions used to develop fair market rents. HUD uses the 1990 median family income estimates and updates to the current year (1997) with a combination of Bureau of Labor Statistics (BLS) earnings and employment data and census divisional median family income data. HUD uses average wage data from the BLS available through the end of 1994. Census divisional level median family and household income estimates from the Current Population Report (CPS) of 1995 are also used and trended forward using the national level change from the 1996 CPS results. These estimates are then trended forward to mid FY 1997 using a factor based on past CPS trends.

Based on these calculations and assumptions HUD develops an annual estimated median family income for state and regions, as well as the decile distribution of family income by region. Program review staff uses these income estimates throughout its analysis on income trends and the table below summarizes those data for two Connecticut areas over time.

Appendix F. Percent of Families at Certain Income Levels: Trends for Families in Hartford and New Haven Primary Metropolitan Statistical Areas 1989 -1997

	Hartford PMSA				New Haven-Meriden PMSA			
Year	Low 10%	Low 30%	Median 50%	High 30%	Low 10%	Low 30%	Median 50%	High 30%
1989	$16,480	$34,396	$48,418	$64,995	$14,745	$32,384	$46,805	$63,595
1993	$16,949	$36,742	$51,900	$70,109	$15,341	$33,695	$48,700	$66,169
1994	$17,665	$36,869	$51,900	$69,669	$15,625	$34,317	$49,600	$67,392
1995	$17,869	$37,295	$52,500	$70,474	$17,869	$35,701	$51,600	$70,110
1996	$18,924	$39,498	$55,600	$74,635	$17,106	$37,569	$54,300	$73,778
1997	$20,047	$41,842	$58,900	$79,065	$18,019	$39,576	$57,200	$77,718

Source: Housing and Urban Development 1989 and Estimated 1997 Decile Distributions

APPENDIX G
DECD Housing-Related Plans and Reports

APPENDIX G

STATE MANDATED DECD HOUSING-RELATED PLANS AND REPORTS

Report/plan	Statutory Reference	Frequency
Housing Production/Housing Market Report	8-37s	Annual
Five-Year Advisory Plan	8-37t	Every five years
Advisory Plan Annual Supplement	8-37t	Annual
Model Ordinances/Procedures for Regulating Land Development	8-37w	One-time (1991)
Report on Housing Authority Troubled Loans/Deferrals	8-37x(e)(2)	Annual
Report on Demographics of Households Served	8-37bb	Annual
Evaluation of Adaptable Housing Pilot Program	8-81a	One-time (1989)
Congregate Housing Program Report	8-119f	Every even-numbered year
Public Housing Room Count	8-159a	Annual
Housing Assistance and Counseling Demonstration Project Evaluation	8-206e	One-time (1989)
Report on Post Construction Permanent Financing Pilot Program	8-216c	One-time (1995)
Task Force on Building Accessibility Report	8-218h	Annual
Evaluation of Connecticut Housing Partnership Program	8-336f	Annual
Assistance to Tenant Management Organizations Pilot Program Evaluation	8-367a	One-time (1989)
Report on Residential Sewage Disposal System Repair Program	8-418	One-time (1990)
Report on Consolidated Housing Construction, Acquisition, and Related Rehabilitation Program	8-438	One-time (1995)
Reports from Housing Authorities to DECD	8-68d	Annual
Source of Data: Department Economic and Community Development		

APPENDIX H
Connecticut PHMAP Scores

APPENDIX H

PHMAP Scores for Connecticut Public Housing Agencies As of June 1997			
High	**Standard**	**Troubled**	**Not Available**
Ansonia Bristol East Hartford Naugatuck New Canaan Norwich Putnam Seymour Torrington West Hartford West Haven Winchester	Bridgeport Danbury Glastonbury Hartford Manchester Meriden Middletown Milford New Britain New Haven Norwalk Portland Rockville Stamford Stratford Waterbury Willimantic Windsor Locks	New London	Brooklyn Canton City of Hartford Derby DOH DSS East Haven Enfield Fairfield Farmington Greenwich Hamden Killingly Mansfield Mashantucket Newington Plainfield South Windsor Wallingford Wethersfield Windsor
Source: HUD (agency webpage)			

APPENDIX I
Agencies Responses:
Department of Social Services
Department of Economic and Community Development

Connecticut Department of Social Services
Replacing welfare with work.

February 9, 1998

Michael L. Nauer, Director
Legislative Program Review
and Investigations Committee
State Capitol - Room 506
Hartford, CT 06106-1591

Dear Mr. Nauer:

Enclosed please find this Department's response to the findings of the Legislative Program Review and Investigations Committee concerning the Section 8 and Rental Assistance Programs in its report on Major Publicly Assisted Housing Programs.

In many cases the Department agrees with the findings, appreciates the constructive nature of the comments offered, and has initiated corrective action. In cases where Department staff disagree with the Committee's finding, we offer an analysis in support of our view.

If you have any questions concerning this Department's response, please do not hesitate to contact Mr. Joseph A. Freyre at 424-5872.

Sincerely,

Joyce A. Thomas

Joyce A. Thomas
Commissioner

Call us at 1-800-392-2122 if you have an employment position to fill.
25 Sigourney Street, Hartford, Connecticut 06106-5033

RESPONSE TO THE DRAFT REPORT OF THE LEGISLATIVE PROGRAM REVIEW AND INVESTIGATIONS COMMITTEE'S FINDINGS CONCERNING THE STATE-ADMINISTERED SECTION 8 AND RENTAL ASSISTANCE PROGRAMS

KEY FINDINGS

RAP CERTIFICATES

The Department of Social Services (DSS) agrees with the Committee's recommendation that it retain its current number of RAP Certificates.

UTILIZATION

DSS carefully monitors its Section 8 utilization rates. In its report, the Legislative Program Review and Investigations Committee indicated that DSS had expressed its concerns to the Connecticut Association for Community Action (CAFCA), the Department's Section 8 agent, about the agent's 86% utilization rate falling significantly short of the 95% mandated by HUD. The relatively low occupancy rate has been a source of concern for this Department in the administration of a program that provides the maximum of housing opportunities available through its resources to Connecticut's low-income population. Developing a waiting list that integrates statewide and regional operating systems between DSS and CAFCA's five subcontractor agencies, combined with obtaining HUD approval, contributed to the delay in certifying new applicants. CAFCA, however, has operated the Section 8 program for eighteen months. The Department believes CAFCA has had sufficient time to achieve a satisfactory occupancy rate. As the Committee noted, DSS has expressed its concerns in writing to CAFCA.

Moreover, please note that the Committee's recommendation to provide additional financial resources to ensure a 95% occupancy rate is not feasible at this time because the Section 8 Program is a fixed-rate program whose agent receives its contract as a result of a competitive bidding process. The Department cannot increase the rate to address the issue without inviting legal action from the bidders who did not receive the Section 8 contract. It will, however, consider the efficacy of a higher rate when it reviews the RAP/Section 8 RFP planned for 1998.

The Department will continue to monitor its agents to ensure that they achieve acceptable utilization rates according to HUD guidelines.

DISCONTINUING FEDERAL PREFERENCES

The Committee appeared to make contradictory statements concerning the eligibility requirements for the Section 8 program. On page 27, the report states, "Eligibility for housing is primarily based on household income." The opinions expressed on the subsequent page, however, indicate that the Committee perceives the Preferences in this Department's Section 8 Administrative Plan as the key criteria for admission, as well as an obstacle to other needy applicants.

DSS never intended to restrict its Section 8 housing opportunities to people who qualified for Federal Preferences. It intended to give recipients priority selection, ensuring that the people most in need of housing assistance would receive it first. The preferences in the DSS Administrative Plan were never intended to exclude people who were income-eligible but did not qualify for a preference. When CAFCA raised a question concerning the interpretation of the relevant passage in the DSS Section 8 Administrative Plan, the Department modified the wording to eliminate any ambiguity. The revised passage indicates clearly that people who qualify for preferences will receive priority consideration, but that all people who meet the income eligibility requirements may participate in the program. At this time, however, the Department prefers to keep the Federal Preferences as a means of ensuring that the people most in need receive priority consideration.

After recommending that the Department rescind the Preferences currently in effect, the Committee recommended that DSS add a local Preference which would assist people who are participating in job training programs and leaving State TANF assistance. While the recommendation is admirable, it is not consistent with the Section 8 program's goal of providing "safe, decent sanitary housing" to those most in need of it. Moreover, giving rental subsidies to families coming off assistance appears to contradict the goal of achieving self-sufficiency because it adds to or replaces an existing subsidy. However, the State-funded Rental Assistance Program, which does not use Preferences to establish the order of tenant selection, now contains a Time-Limited RAP component which addresses the Committee's recommendation. Since the Time-Limited RAP appears to address the Committee's recommendation, the Department chooses not to establish a similar Preference which contradicts the mandates of HUD's Section 8 Certificate and Voucher Program.

The Department's staff, however, seizes every opportunity to apply for Special Needs programs that increase the number of subsidies available for individuals and families with special needs. In June 1997, the Family Services Division applied to HUD for Operation Mainstream, a program which would provide up to 100 certificates for disabled Connecticut residents. The application was not chosen during HUD's lottery selection process. The Division, however, applied for HUD's Family Unification Program and received 100 certificates to assist families who need housing subsidies to maintain stable environments for children at risk.

CHAPTER FIVE FINDINGS

INCOME VERIFICATIONS

In its report, the Legislative Program Review and Investigations Committee identified income verification as a problem and explored several means of improving the accuracy of verification.

At this time, DSS-funded housing agents conduct income verifications in much the manner that welfare departments and other service agencies conduct them. DSS housing agents contact Temporary Assistance to Needy Families (TANF) staff regularly for award verification, and contact employers when participants or applicants say they are or were employed. Applicants or participants may also bring in pay stubs documenting their earnings during their last four weeks of employment. The DSS agents, in effect, are already following the Committee's recommendation.

Admittedly, determining annual income on the basis of one month's income is an imperfect mechanism, even though it serves as the eligibility criteria for other DSS programs, such as the Connecticut Energy Assistance Program (CEAP) and the State-Assisted Fuel Assistance Program (SAFA). To the best of our knowledge, DSS and its Section 8 and RAP agents have not contacted the Department of Labor for Income Verifications for program participants or applicants. We agree with the Committee's assessment that the process would be too cumbersome for DOL to implement.

Although DSS has the capability of providing client wage records to the housing agents, as the Committee recommended on page 7 of its report, DSS staff responsible for the TANF program prepare the wage records on a quarterly basis. As such, the verifications would not necessarily be current. The Family Services Division does not have the staff resources to document wage verifications for RAP and Section 8 applicants and participants. If the Division did have the capability, its efforts would duplicate, in may cases, the efforts of the Department's TANF staff.

Given the imperfect mechanisms that exist and the difficulty of implementing more accurate ones, the Department believes the most effective and enforceable means of ensuring accurate reporting of income is to inform program applicants and participants of the importance of reporting their income and notifying DSS housing agents when their income changes, and informing them of the penalties for fraud or misrepresentation in relation to income.

INSPECTIONS

DSS monitors report on the timeliness of Section 8 and RAP agents' Housing Quality Standards (HQS) inspections in the course of performing their quality control functions. The DSS monitors' findings have documented a number of instances in which the RAP and Section 8 agents have not conducted annual HQS inspections.

DSS has expressed its concerns about the timeliness of HQS inspections in a letter to CAFCA, the Department's Section 8 agent. DSS advised CAFCA to reinspect units at the time of recertification, a practice which would ensure annual inspections. CAFCA has taken the position that since HUD doesn't require reinspections at the time of recertification, it does not have to comply with the Department's recommendation, even though page 49 of this Department's Administrative Plan requires it. In turn, CAFCA has criticized the Department for arbitrary monitoring even though DSS monitors select the units to be inspected by choosing names at random from CAFCA's monthly recertification list. While we feel the Administrative Plan addresses the issue, we will modify the wording to state that recertifications and HQS inspections will coincide with the anniversary date of the Housing Assistance Payments (HAP) Contract.

The Department intends to continue its efforts to bring its agents into compliance with the program requirement that all subsidized units be inspected annually. While preparing their findings reports, DSS housing monitors have noted the degree to which its agents are not in compliance, and have shared the information with DSS supervisors and managers, in effect tracking HQS compliance through an informal mechanism documented by staff reports maintained in the Family Service Division's files.

Through the desk audits conducted by its housing staff, DSS is aware that many RAP and Section 8 units fail their first inspection. The Department, however, regards the situation as a byproduct of Federal Housing Quality Standards. Although a significant number of units fail HQS inspection for relatively minor reasons that would not prevent an unsubsidized family from renting the unit, the Department must adhere to Federal HQS standards.

Despite the required agency briefing on what to look for in an apartment, many RAP and Section 8 participants choose units with serious problems. Given portability policy, the Department and its agents can do little to change the choices of units the tenants make. Families may choose an apartment with serious problems because they want to maintain the continuity of their children's education, because they lack the transportation essential to moving out of the neighborhood, or simply because they feel most comfortable in the neighborhood.

The staff of the Department's Family Services Division will work with its RAP and Section 8 agents to develop a more formal method of tracking units and landlords for repeated failure to meet Housing Quality Standards inspections, in keeping with the Committee's recommendation. Although discussion with the respective agents may modify the Department's proposed approach, the Department will recommend that its agents maintain one copy of the HQS Inspection form in the client's file and another in a tracking file. The tracking file would contain:

1) A copy of the HQS Inspection form.
2) The location of the unit.
3) The name of the landlord.
4) The date of inspection.
5) The inspection results.
6) Corrective measures needed.
7) Reinspection date.
8) Reinspection results.
9) Sanctions, if any, against landlords.
10) Initial Inspection Failures

The list would enable DSS and its agents to track landlords whose units have a history of safety problems and inspection failures.

RENT REASONABLENESS

The Legislative Program Review and Investigations Committee could not find Rent Reasonableness comparisons in the RAP files they reviewed because the regulations for the Rental Assistance Program do not require them. The rent standard for RAP-assisted units is the 1990 Fair Market Rent (FMR). According to DSS monitors, RAP staff negotiate rent levels with landlords, e.g., suggesting the tenant pay for certain utilities normally paid by the landlord to lower the unit's rent so that it does not exceed the 1990 Fair Market Rent.

As a matter of practice, this Department's Section 8 agents determine rent reasonableness by comparing the apartment under consideration with newspaper ads for units comparable in size, structure and location. Despite its potential for inconsistencies, the procedure remains the most viable, given the resources available.

The Department will comply with the Committee's recommendation to incorporate Rent Reasonableness into the Rental Assistance Program, since the Department intends to create a greater degree of uniformity between the RAP and Section 8 Programs. With regard to establishing a more precise standard for rent reasonableness, the Department views the following as the most viable alternatives:

1) DECD, as the lead State agency for housing, will conduct a statewide Rent Reasonableness study which DSS will apply to its RAP and Section 8 programs.
2) DECD or DSS will hire a consultant to conduct the study.
3) DSS will make the study a requirement for the agent chosen in the forthcoming RFP for the two programs.

FAMILY OBLIGATIONS

Although Family Obligations were not included in the original RAP Program Procedures Manual, the Department has included them in the revised regulations currently under review at the Attorney General's office, as part of its effort to develop a degree of uniformity between Section 8 and RAP. If approved, the Department will monitor its agents aggressively to ensure compliance.

ANTI-DRUG CLAUSE IN RAP

Although the anti-drug and criminal activity clause recommended by the Committee on page 58 of its report would bring RAP guidelines closer to uniformity with Section 8, the question of terminating people for alleged drug use or alleged criminal activity raises questions concerning a person's right to due process and the legal consequences and costs of a law suit for violating due process. Although C.G.S 8-45a allows Housing Authorities to consider "criminal record of applicant or proposed occupant," the Department will seek an interpretation from the State Attorney General before it sets any regulations more specific than the existing Statute.

SCREENING PROCESS

The Committee's recommendation that DSS and its RAP and Section 8 agents establish a comprehensive screening process for applicants is not feasible, given the funding levels of the programs.

Moreover, the recommendation raises a question of discrimination. It implies that subsidized families will conduct themselves less responsibly than unsubsidized families. Implementing the recommendation could cause Legal Services organizations to challenge the policy in court.

The proposed screening process also removes responsibility for tenant selection from the landlord. DSS maintains that landlords, as business people, must assume some responsibility for tenant suitability.

Under new Section 8 regulations, DSS agents can terminate tenants with repeated violations of Family Obligations such as damaging property and failing to pay rent.

LANDLORD RESPONSIBILITIES

The Committee's recommendation that DSS RAP and Section 8 agents notify landlords of their responsibility to screen tenants is already in place. Its recommendation, however, appears to contradict the recommendation to establish a comprehensive screening process for applicants, which was discussed in the preceding section.

Section 8 and RAP regulations require that this Department's agents inform new landlords of their responsibilities. Despite the requirement, a number of landlords blame the Department and its agents for the conduct of the tenants whom the landlords selected to occupy their rental property. To alleviate the problem, DSS will instruct our agents to prepare a briefing brochure which ensures that landlords understand which responsibilities are theirs and which are the program operator's.

CURRENT STANDING OF LANDLORDS

Although the Committee's recommendation that DSS and its housing agents verify the standing of Section 8 and RAP landlords with municipal Housing Code Enforcement units and Tax Collectors is desirable, it is not feasible, given the current funding level and staffing of this Department's housing unit and agents.

We will consider requiring prospective landlords to sign a form saying they do not have a history of code violations or tax arrearage. If the Department decides to use the form, the agent will place one copy of the form in the client file and another in its tracking file.

DSS CURRENT MONITORING EFFORT

At the time the Committee issued its report, Department staff had begun an in-depth Management Review of the Section 8 program. The review examines:

---waiting list management

---occupancy records

---ten percent exception rent authority and rent reasonableness

---lease-up procedures

---reexamination of assisted families

---accurate HAP payments to owners

---informal hearing procedures

---Family Self-Sufficiency contract and escrow accounts

Department staff informed the Committee of the Management Review. The Committee, however, did not mention the review in its report. The Management Review has covered three of CAFCA's six Section 8 contractors since implementing the review in December.

With regard to the issue of DSS staff conducting Housing Quality Inspections and desk audits, the Department believes they should be continued. HUD requires that the Housing Authority (DSS or its agent) reinspect a minimum of 5% of its units every quarter. Monitoring by DSS staff ensures objective reporting on quality control issues. A DSS subcontractor would have a vested interest in issuing positive findings to this Department. Having the proverbial "fox guarding the henhouse" is not, in our opinion, effective streamlining of the monitoring process. Moreover, if the subcontractor's supervisory staff were to monitor its inspections, DSS staff would still have to monitor the agent, to make certain that the subcontractor's monitors were providing accurate quality control.

In addition to monitoring its agents' HQS inspections, DSS staff conducts desk audits of client files, in keeping with HUD requirements. The desk audits have identified significant errors in the amounts of payments, as well as noting that agents' inspections and recertifications were less than timely on a number of occasions.

The Department will continue to conduct desk reviews. Family Services staff is currently developing a monitoring instrument that will provide more comprehensive information on housing trends, duration of tenant subsidies and other related matters, in keeping with the Committee's recommendations.

The degree to which DSS modifies its monitoring to track the data suggested by the Legislative Program Review and Investigations Committee will depend on the number of staff available to carry out the increased workload. Staff currently assigned to Section 8 and RAP also work in other areas, e.g., developing policy and spending plans, and serving as liaison to other programs within the Family Services Division. Moreover, the Department's RAP and Section 8 contractors would insist that they are understaffed and cannot do the extra monitoring. At this time, the funding limitations on both housing subsidy programs cause staffing shortages which prevent this Department from receiving timely responses to its findings.

FAMILY SELF-SUFFICIENCY

DSS awarded the contract administration of the Section 8 program to CAFCA because its member agencies possess the social service delivery capabilities required for successful implementation of the Family Self-Sufficiency (FSS) program. Although the program might appear to be unnecessary to the Legislative Program Review and Investigations Committee, it is mandated by HUD as part of the Section 8 program. Although DSS agrees that a Family Self-Sufficiency component would not enhance the Rental Assistance Program, it recognizes the program's potential for providing a focus and a direction which would enhance the participants' choice of services provided and utilized as a means to achieving economic independence and related personal goals, namely, job training and education.

TIME LIMITS

Although the Legislative Program Review Committee has recommended providing housing subsidies for families leaving TANF, the Department questions the appropriateness of providing housing subsidies to families who are expected to become financially self-sufficient within a specific time period. The recommendation appears to contradict the intent of welfare reform. The State legislature, however, has authorized funding for the Time-Limited Rental Assistance Program, for the purpose of assisting families leaving TANF. The program was implemented in November, 1997. The Department recognizes that a segment of the population, namely, elderly or disabled individuals and families, may require long-term subsidies to ensure their survival.

HEARINGS

In many instances, DSS housing agents issue termination notices as a means of obtaining information from clients who do not respond to routine requests for information such as Birth Certificates or Social Security numbers. While the program requires the tenant to provide the information, termination is a punishment inappropriate to the offense in most cases. Consequently, many hearing officers overturn the terminations.

DSS will instruct its agents to keep more detailed information on Hearings and investigate methods of documenting the hearings. It will aggressively monitor its RAP and Section 8 agents to ensure compliance with the Committee's recommendation.

COMPUTERIZATION

The Department's experience with former and current housing agents have convinced the Department that it should own the software used to operate the Section 8 and RAP programs. CAFCA has told DSS staff that an improved software package would cost approximately $20,000. In reviewing the situation, the Department will also consider purchasing the hardware required to operate the RAP and Section 8 programs.

State of Connecticut
Department of Economic
and Community Development
505 Hudson Street
Hartford, CT 06106

February 10, 1998

Mr. Michael Nauer
Director
Legislative Program Review and
Investigations Committee
State Capitol, Room 505
Hartford, CT 06106

Dear Mr. Nauer,

I am in receipt of your letter of January 30, 1998 regarding the Legislative Program Review and Investigations Committee's final report on publicly assisted housing programs. I thank you for the opportunity to respond.

So as not to overburden your staff with a point by point analysis of your report, my remarks will focus on what my staff and I feel to be the most significant issues. They include: planning, process and products, oversight and administration, administrative oversight fees and fair housing marketing plans.

The department is in agreement that our statutory planning mandates need to be revised. Our long term goal should be to set specific goals, outline strategies to achieve those goals and identify other resources to help achieve those goals. We will be working with the Connecticut Housing Finance Authority and other housing related agencies to implement these recommendations. However, we request that the submission date of the five year state housing plan that the department would be required to submit to the legislature be changed to January 2000 so as to be coterminous with our next federal plan required by the U.S. Department of Housing and Community Development.

Your committee staff recommendation that requires the department to undertake a new research effort by gathering private sector rental research data is not feasible in our opinion. Establishing an inventory of affordable private rental housing implies the identification of specific units as we currently do for the Affordable Housing Appeals List. In order to compile an inventory, we would need to gather information about actual rental costs and the income of tenants. There is no reason for either landlords or tenants to provide us with this information, and the DECD would have no power to compel them.

With regard to oversight and administration, we agree that funding should not be granted to a housing sponsor that is not current with the filing of management plans. However, we disagree with the recommendation that we do less frequent audits. The purpose of an audit is to provide the DECD and the sponsor with assurance that the financial statements submitted are fairly stated, the assets safeguarded, and to report any non-compliance with laws and regulations. The timeline of this information is of the utmost importance to us. In addition during the three-year interval a sponsor can undergo many personnel changes, records can be lost or misplaced, or just not available. A three-year requirement would mean a potential wait of up to 4 years to obtain audited information. Even HUD emphasizes the need for frequent audits of its programs. We do support the modification of Section 7-392(d). In addition, DECD is working with our housing sponsors in drafting regulations for a State Housing Management Assessment Program (SHMAP) and expect it to be implemented by January 1, 1999.

Administrative oversight fees have been a part of the operating cost of state assisted housing since 1951. DECD needs approximately $1.8M from fees to support the staff directly and indirectly involved in the statutory and regulatory oversight of state assisted housing. It has been the legislative intent since 1951, that these costs, like the administrative costs of the sponsors be paid by the tenants. Unlike most HUD and all CHFA programs, all DECD financed housing developments are funded by grants, below market loans, deferred loans or combinations thereof.

The department agrees that monitoring and analysis by the DECD to determine the state's affirmative fair housing activities should be intensified and that a report on the results should be issued by January 2002.

The agency will look at the possibility of reallocating staff so as not to require the hiring of an additional staff person.

The committee should also be aware that the department's adjusted budget for FY98-99 includes $500,000 for grant-in-aid to housing authorities and non-profit corporations to hire resident service coordinators to assist residents in elderly housing units to maintain an independent living status.

Again, thank you for the opportunity to respond. I look forward to working with you in the future.

Sincerely,

James F. Abromaitis
Commissioner