



**Berkeley Housing Authority**

1936 University Avenue, Suite 150, Berkeley, CA 94704  
Telephone: (510) 981- 5470 Fax: (510) 981- 5480

Item 5A  
OLD BUSINESS

*Office of the Executive Director*

TO: Honorable Chairperson and  
Members of the Berkeley Housing Authority Board

FROM: William E. Wilkins, Executive Director  
Jon Gresley, Facilitator

SUBJECT: Summary of Berkeley Housing Authority Board Strategic Planning Retreat

**SUMMARY OF BERKELEY HOUSING AUTHORITY**  
**BOARD STRATEGIC PLANNING RETREAT**

**MAY 19, 2018**

**FACILITATOR:** Jon Gresley

**Background:**

The Berkeley Housing Authority Board of Commissioners met on May 19, 2018 from 9:00am to 12:15pm. The purposes of the meeting, as outlined to the facilitator, were derived from the following:

- A. The Berkeley Housing Authority is reliant on HUD funding for the Section 8 Voucher Program as its sole revenue source, and thus needs to re-engineer its financial resources.
- B. In order to complete an assessment of its current operations and determine the best future for BHA operations, the Board of Commissioners will participate in a Strategic Planning Session/Board Retreat with the contractor serving as facilitator.
- C. BHA ultimately seeks to determine the best long-term options for the preservation of Section 8 rental assistance for low, very-low and extremely-low income households in the City of Berkeley.

Further, from discussions between the Board Chair, the Executive Director and the facilitator, a goal was added to consider this fundamental question: "Given the expected funds to be realized over the coming years from the disposition of seventy-five (75) units of public housing, how can these proceeds be best utilized to serve low-income members of the community of Berkeley?"

All members of the Board of Commissioners were present along with Executive Director and the facilitator.

This report summarizes the major topics of discussion and the actions proposed and broadly agreed upon by the Board as guidance for Board Members and the Executive Director.

## **MAJOR TOPICS OF DISCUSSION AND PROPOSED ACTIONS**

Board Chair Carole Norris provided preliminary remarks to suggest a starting point for the conversation. She referred to her discussions with the Executive Director and their joint desire to focus a discussion of the Board on taking concrete steps to move the previously adopted strategic agenda of the Authority.

Jon Gresley, followed the Chair's comments with a brief self introduction and thanked the Board for their accepting their role of Stewardship and Volunteerism. He shared a quote from John Wooden.

“Do not let what you cannot do interfere with what you can do.”

He then invited a spirited discussion by pointing out that we each have a unique perspective and therefore may not always agree. He shared another quote from John Wooden.

“Whatever you do in life, surround yourself with smart people who'll argue with you.”

The discussion began with Executive Director William Wilkins providing a summary description of the BHA's public housing disposition proceeds.

The BHA currently has approximately \$4.2 million in reserves from sales proceeds, with an expectation of another \$7.9 million being received by 2033, which could accumulate over 15 years to a total of \$12.1 million. The US Department of Housing and Urban Development (HUD) has authorized the BHA to utilize up to \$2.7 million for operations. Further, HUD has authorized disposition proceeds above this amount to be used for development activities related to the provision of housing for low-income persons who otherwise would qualify for public housing. Of the \$2.7 million, \$700,000 has been used to support BHA operations. It is estimated that the authorized disposition proceeds will be exhausted by 2022/2023, and the balance of the RHCP (State) funds supporting BHA operations through 2026.

The discussion then turned to creating a list of other, alternative uses for the total potential disposition proceeds to benefit the Berkeley community.

## **POTENTIAL USES OF DISPOSITION PROCEEDS**

Three primary potential uses were identified:

- Development of affordable housing  
( new construction and acquisition/rehabilitation)
- Augmentation of the Section 8 program
- Provision of increased service delivery to Section 8 participants

Given the acknowledged lack of specific guidance from the HUD Special Applications Center (SAC), it was agreed to take each potential area and develop a list of questions that would need to be answered in order to design a strategy to obtain HUD guidance and (ultimately) approval necessary to carry out a strategy or strategies.

## **DEVELOPMENT OF AFFORDABLE HOUSING**

Regarding development activities, the group identified the following fundamental questions that will need to be answered:

- What are the cash projections for the disposition proceeds?
- What criteria will be used for the types of projects to be developed?
- What constraints on development will be imposed by the HUD Special Applications Center (SAC)?
- What resources will be needed to support development activity?
  - Identify procurement needs for consultants and advisors.
- Who are to be the beneficiaries of any development activity?

### **Follow-up action:**

- The **Executive Director** will prepare a cash projection of the disposition proceeds expected to be received.
- The **Executive Director** will explore with HUD representatives, and others, the criteria required by the HUD SAC for the approval of development activity.
- The **Executive Director** will develop a plan with timelines for exploring the other questions, including any recommendation for the Board to consider policy and budget implications.

The discussion then turned to addressing the question of what role BHA might play in development and what BHA has to offer. The group acknowledged that there are many successful local affordable housing developers. To date, other than seeking support from BHA in the form of Project Based Section 8 Vouchers (PBVs), local developers have not proposed a role for working with BHA. The facilitator then shared descriptions of development activities he had experienced where housing authorities participate in development by purchasing and owning the underlying land as well as contributing PBVs. In these examples, the housing authority entered into the development as a limited partner with ownership of the land and with several other important features:

- The ownership of the land remained with the authority assuring affordability of the development in perpetuity.

- The authority received a portion of the developer fee (specific to each deal).
- The authority contributed project based vouchers to assist the competitive scoring of the tax credit application and to broaden the target income range of the occupants.
- The authority assumed some of the risk associated with the development.

It was agreed that BHA may offer two important contributions to development activity:

1. Project-Based Section 8 vouchers
2. Financial investment that could included:
  - a. Predevelopment expenses
  - b. Development expenses
  - c. Land acquisition

At this point, the Board reviewed some recent experience with expiring PBVs. The discussion acknowledged that to be able to offer PBVs to new developments, the BHA would need to recapture expiring PBVs from projects that currently have PBV allocations. The Board identified the need to review the impact of either recapturing or renewing PBVs to project sponsors at their 15-year expiration.

**Follow-up action:**

The **Board** will place on a future meeting agenda a review of the impact of either recapturing or renewing PBVs to project sponsors at their 15-year expiration.

The **Executive Director** will prepare an analysis of current PBV allocations with a description of the properties and a projection of their impact should they be recaptured or renewed.

**AUGMENTATION OF SECTION 8**

The board next turned to consider the question of what might be possible using the disposition proceeds for augmenting the Section 8 program. Members of the board identified four questions related to the opportunity:

- How many current Section 8 participants are paying more than 30% of their adjusted income for rent?
- Would HUD permit the use of disposition proceeds to be used to augment subsidy to current participants?
- Given the current shortfall in federal funding of Section 8, will HUD allow BHA to use disposition proceeds to off-set the shortfall? i.e. would HUD permit disposition proceeds to increase the BHA's Section 8 utilization rate?
- In any expansion of Section 8, or augmentation of Section 8, who would be included in the target population?

**Follow-up action:**

- A **Board subcommittee** of Commissioners Damion McNeil and Chris Schildt, was formed with the assignment of developing a recommendation for the board's consideration regarding what population(s) would be targeted to benefit from an augmented Section 8.
- The **Executive Director** will prepare a report of the number of Section 8 participants paying in excess of 30% of adjusted income and will assess the viability of any policy for using funds to offset participant costs to bring them to the 30% level.
- The **Executive Director** will explore with HUD representatives whether the HUD SAC would approve any augmentation of Section 8 using disposition proceeds.

## **EXPANDING SERVICES**

The board referred the question of using disposition proceeds for an expansion of services to current participants to the subcommittee formed above.

### **Follow-up action:**

- The **Board subcommittee** formed above will develop a recommendation for the board's consideration regarding funding of expanded services to current Section 8 clients.
- The **Executive Director** will explore with HUD representatives whether the HUD SAC would approve any funding of services to current Section 8 clients using disposition proceeds.

## **BERKELEY HOUSING AUTHORITY'S SECTION 8 OPERATIONS** **FUTURE OPTIONS:**

The group reviewed an initial group of potential options for the future of BHA Section 8 operations:

- Continue operations as they are.
- "Tuck-in" to the City of Berkeley.
- Enter into a cooperation agreement with the City of Berkeley
- Receive a subsidy from the City of Berkeley
- Have the Section 8 program absorbed by the Housing Authority of Alameda County.
- Contract out portions of operations
- Skinny down, gain efficiencies

Discussion identified the two options of a cooperation agreement with the City of Berkeley and receiving a subsidy from the City of Berkeley as one and the same. "Tucking-in" with the City of Berkeley was clarified to mean returning to be a part of the City of Berkeley. None of the options as clarified gained universal support.

The Board then reviewed a list of the ways that members of the Board felt the City of Berkeley could assist the BHA:

- Provide either free or economical office space so that BHA would save rent.

- Provide financial management services.
- Provide human resourced management and/or other administrative services.

A common feeling expressed by members of the Board was that, while some representatives of the City of Berkeley expressed support for the BHA, no real enthusiasm or support had been shown for any of the options that required City of Berkeley to expend resources. Further no concrete steps had been offered or taken by the City of Berkeley to assist with operating expenses to date.

One suggestion was that the BHA Section 8 operations continue as they are for at least another year and the Board then revisit these issues.

The facilitator suggested that the BHA might have a stronger offering to the City of Berkeley if it could identify an alternate strategy or strategies for investing the disposition proceeds such as those earlier discussed. It was suggested that the BHA pursue the several questions identified earlier in the meeting to inform a strategy of development and/or enhanced Section 8 in order to demonstrate the value to the community of using proceeds in other ways than underwriting the operating loss of the Section 8 program. It was also pointed out that the BHA might combine portions of other options above to demonstrate progress in addressing the need to reduce the operating deficit. For example, there might be some discrete items that could be contracted out to save costs. Other savings might be accomplished by “skinnying down.”

At this point, Executive Director Wilkins suggested that some savings might be achieved by adopting a different approach to adjusting the Section 8 Payment Standard.

**Follow-up action:**

- The **Executive Director** will flesh-out and present to an up-coming meeting of the Board of Commissioners his ideas on options for adjusting the Section Payment Standard.
- The **Executive Director** will examine potential areas of operating expense savings and present any that appear feasible for the Board’s consideration.

The allotted time having been consumed for discussion, the Board did a quick review of follow-up items and made the following summary list for the conclusion of the meeting.

**Follow-up action:**

- The **Executive Director** will contact the HUD SAC and HUD San Francisco Regional Office to explore the various options discussed during the meeting that require guidance and ultimately approval from HUD for use of disposition proceeds.
- The **Executive Director** will brief the Berkeley City Manager on the results of the Board retreat and on options being explored.
- The **Board sub-committee** will meet and prepare policy recommendations related to those matters referred to the sub-committee.

- The **Board** will include a “standing” report on it regular meeting agendas to receive and consider reports and suggestions for policy and strategy resulting from these inquiries/assignments.