



Berkeley Housing Authority

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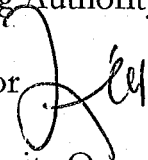
Office of the Executive Director

Item 5

MEMORANDUM

Date: October 22, 2015

To: Honorable Chairperson Norris and
Members of the Berkeley Housing Authority Board

From: Tia M. Ingram, Executive Director 

Subject: Status of Berkeley Housing Authority Operations

This report summarizes the most significant activities, challenges and successes of the Authority in the reporting period:

HUD REPORTING/COMPLIANCE

There are three major indicators monitored each month: annual recertification of continued eligibility to receive rental assistance; annual inspection of the rental/assisted unit to ensure compliance with minimum Housing Quality Standards; and program utilization.

Staff has performed well (on average between 95 and 100%) on recertifications and unit inspections. The concern is program utilization, which as of October 1st is 1,696 units (87.65% of ACC units), significantly below the minimum 95% required to avoid sanctions under SEMAP. We are able to avoid sanctions because our rental subsidy expenditure (HAP) is greater than 95% of annual budget authority. Still, we are concerned that we could be assisting an additional 239 families, and we are forfeiting administrative fee that could be earned each month if the 239 unused vouchers were servicing eligible households.

ADMINISTRATION

HUD. Many of the issues impacting the rental housing market are regional, and require a regional response. Thus, for the past several months a subset of the Executive Directors' Association (Executive Directors from the Housing Authorities of Alameda City, Alameda County, Berkeley, Contra Costa County, Livermore, Oakland and Richmond) have been meeting and discussing regional or coordinated responses.

1. Fair Market Rents/Payment Standards. HUD has published *proposed* Fair Market Rents (FMRs) for 2016. Much to our surprise, the rates were lowered, not increased. We are working with several agencies and elected officials to challenge the formula/methodology used to determine the FMR.

- In addition to submitting comments during the comment period, and letters to HUD Secretary Julian Castro (PHAs: Alameda City, Alameda County, Berkeley, Oakland; Alameda County Housing Agency; Senator Loni Hancock; Oakland Council President Lynette Gibson McElhaney; East Bay Community Law Center; Bay Area Legal Aid; David Levin (formerly with Bay Area Legal Aid, Richmond)—copies available upon request—our consortium has contracted for a market rent survey.
- We intend to share the findings of the current/projected market rent survey with HUD – in support of request for a new FMR for our region. This will require that BHA pay its proportional share of the cost (each PHAs portion of cost for the study based on program size).
- On October 19th Executive Directors from Berkeley, Alameda County, Alameda City, and Oakland participated in a conference call with Congresswoman Barbara Lee and Secretary Castro.

We will not act on the 2016 FMRs (and adjust our payment standard) until the earlier of publication of the final FMRs or relief from Secretary Castro.

2. Admin Fee Proration. Executive Directors in Alameda and Contra Costa counties have collectively expressed outrage at the fact that HUD continues to demand performance, but refuses to fully fund administration. We have not 100% admin fee in several years; in 2013 the rate dropped to a low of 69% before starting to rebound. On October 14, 2015 we received very good news that proration has increased to 81%. At full lease-up (1,935 units) and 81% proration, BHA would generate an additional \$19,900 in admin fee earnings. We will continue to fight to have HUD restore admin fee to 100% so that we can properly staff our authorities, perform all required operations, and remain responsive to the needs of our clients (landlords and families). Increased fee is particularly critical as considerable staff time is required to counsel participants (families and owners) during this housing crisis.

3. Use of Proceeds. The FY 2015-16 budget included a deficit of \$587,444 in the Section 8 program; to close the deficit, we proposed utilizing the reserve, and requesting HUD approval to use \$252,000 from disposition proceeds. On September 28 we received the official approval letter from HUD. We will be seeking two modifications to the approval:

- a. The approval needs to be revised to reflect that funds are needed for FY 15-16, not FY16-17; and
- b. The amount requested needs to be increased to address modification necessitated by GASB 68 (see Finance Report); transition cost associated with the Executive Director position; and adjustments to earned admin fee projections.

We have alerted HUD staff in the area office, but will not submit the formal request until the Board approves a revised FY 15-16 budget, and our true needs are known.

4. Disposition proceeds. Cash proceeds to cover operating deficits in the S8 program were one of the major considerations of the disposition project. On September 25 staff, along with Finance Chair Agostino and consultant Eric Novak, met with Scott Richer to review:

- a. Current project budget and distribution of remaining proceeds to BHA;
- b. 2016 operating budget;
- c. Distributions of 2015 cash flow from the “waterfall”; and
- d. Creating an annual schedule for review of the operating budget (in or about November) and review of the cash flow proceeds (in or about April after the audit is completed).

Per the Amendment to the Disposition and Development Loan Agreement (DDLA), 100% of the savings from environmental remediation and marketing contingency were to be refunded to BHA; all other savings were to be split 50/50. Related proposed a merging of the savings, and a 75/25 split. Our consultant advised acceptance noting that BHA will receive more of the cost savings now, Related will get more of the 2015 residual cash flow (which will be distributed in early 2016 to pay down the remainder of its deferred developer fee), and BHA will begin receiving a portion of the residual cash flow after the remaining deferred developer fee is paid.

OPERATIONS

1. PBV Wait List

The Alameda City Housing Authority (AHA) mailed, on BHA’s behalf, approximately 1,800 potentially eligible large (5 or more member) households from AHA’s 2015 wait list; 530 responded reporting 5-or more household members. A lottery will be held in the next two weeks to determine the wait list position; all of the applicants that reported an appropriate sized household will be placed on the list. NOTE: final eligibility will not be

determined (household size confirmed) until there is a vacancy in one of the Berkeley 75 4-bedroom units, and the applicant reaches the top of the list. Thanks to support and assistance of our sister agency, Alameda City Housing Authority, and BHA's admin staff, the entire project was completed under \$1,500, and we have a robust pool of applicants for Berkeley 75.

2. Expansion of Affordable Housing

BMR Units. For the past year or more staff (and Chairperson Norris) have engaged others around the issue of encouraging owners of the 300 Below Market Rate (BMR) units to consider renting to an extremely-low income family with S8 rental assistance. I am happy to share an invitation from the Housing Advisory Commission (HAC) to discuss this important topic. Staff is preparing a written report, and Chairperson Norris and our Executive Director will attend the December 3rd meeting.

Owner Incentives. Staff continues to explore incentives to encouraging owner participation. Issues that are gaining a lot of traction include: (a) greater controls/monitoring (and intervention by BHA) of tenant behavior, (b) some form of relief from business license fees, and (c) compensation for damages/unpaid rent at the end of an assisted tenancy.

An incentive, unique to our affordable housing developers, is utilization of BHAs wait list to fill all vacancies in the property. Such a plan eliminates the need to manage a wait list, and increases cash flow for the property, while continuing to house extremely-low income households. This is particularly helpful to scattered site unit projects.

Project Based Vouchers. Staff has proposed a round of award of project based vouchers. This will not result in any immediate increase in supply, but will further the creation of new units.

3. Family Self Sufficiency

As you may recall, BHA has a pre-2007 contractual obligation to administer a Family Self Sufficiency (FSS) Program. HUD recognized the transition to independence from the City would be staff intensive, and granted a waiver, deferring implementation (reactivation) of the program to spring of 2016.

The FSS Program will help 37 (the required number as determined by HUD) self-identified current Section 8 Program Participants achieve their goals of financial independence from welfare, and some from Section 8 rental assistance. These goals are achieved through education and job training resources, coaching, and intense case management activities. The individual goals will vary from family to family, but generally, at the end of the 5 years of planned participation, the family will have achieved (a) educational goals (i.e. GED, trade certification, or other college degree), (b) independence from welfare, and (c) have sufficient earned income to cover living expenses.

During the 5-year program, increases in family rent (resulting from increases in earned income) are deposited into an escrow account, to be released to the family upon graduation.

Prior to implementation of the FSS Program, the following steps need to be taken:

- a. Staff is convening the FSS Program Coordinating Committee (PCC), members of the workforce development, education, and advocacy fields, such as Berkeley City College, Berkeley Adult School, One Stop Shop, Rubicon Programs, and East Bay Community Law Center, as well as a current Section 8 Program Participant [PCC has met once, will meet again in November and possibly December];
- b. The PCC must review, and comment on the Action Plan, which is the guiding FSS program document, much like the Administrative Plan for the Section 8 Program, spelling out how the program will operate and rules for participation [the draft Action Plan will be disseminated to the PCC prior to the November meeting];
- c. The Action Plan, as affirmed by the PCC will be provided to the Board for action [likely in Jan. or Feb. 2016];
- d. The Board-approved Action Plan will be forwarded to the HUD Regional Office (SF) for its approval [likely March 2016];
- e. Staff will be trained in the FSS module in Elite (our current database/software) [to be scheduled];
- f. Executive Director will determine the staffing structure of the FSS program [to be determined].

Three staff members have been trained in the FSS Program, on case management and program design; staff are very eager to implement the program, which provides a sense not only of self-sufficiency for the families living in subsidized housing, but also self-empowerment to our future FSS Participants.

4. Available Unit Listing/Voucher Success Rate

The drought of affordable rental units available to Voucher holders continues, as is evident by the listings of Bay Area housing authorities, Oakland being the exception (taken from the Oct 19th listing):

	0 (Studio)	1 BRs	2 BRs	3 BRs	4 BRs
Berkeley	0	2	2	0	0
Alameda City	0	0	0	0	0
Alameda County	0	0	2	1	1
Oakland	8	17	41	23	4

The current success rate – rate to which a family with a voucher finds a unit, and goes under lease is 24%.

In addition, there is very troubling information about the loss of units previously available to families with S8 vouchers. Over the past 18 months:

- 96 contracts have been terminated;
- 74 of those units were not re-rented to another family with S8 assistance; and
- 52 of the units (approximately ½) are in a multi-unit building (where we expect a similar response should another assisted tenancy terminate).

a. Strawberry Creek Lodge. I am pleased to report 42 seniors at the property are receiving a form of S8 rental assistance: 5 with S8 tenant based voucher assistance; 21 with S8 project based voucher assistance (including 9 that formerly had “tenant protection assistance”); and 16 with S8 tenant protection voucher assistance. Those with TPV assistance are not eligible for the deductions and allowance afforded those with the other forms of assistance.

5. Intersection of S8 and Rent Control. Units rented under a S8 Housing Assistance Payment (HAP) contract are exempt from registration and payment of fees required under Rent Control, provided the rent charged does not exceed BHA’s Payment Standard. We share this information with owners when they request an increase in rent that exceeds PS; most revise the request to PS, and thus avoid Rent Control. This past month we had an owner refuse to modify the request, and thus we have 5 contracts (all same owner) where:

- a. The Rent Board establishes the contract rent (not BHA);
- b. The owner must comply with conditions in the BHA HAP contract and register the unit (and pay fees) to the Rent Board; and
- c. The family continues to receive the protections of the S8 program, and under the Rent Control ordinance.

Managing the monthly rental subsidy will require an over-ride in our software to properly calculate the BHA and family rent portions. It is too soon to see how this unique situation will play out. We are providing written notice to the sitting tenants, advising their expanded rights/protections.

6. File Configuration Project. Unlike SEMAP that measures outputs, the annual audit provides a valuable independent review of staff performance. This year the Auditors noted a number of files that did not include either the rental lease or the HAP contract; both are required to support payment of the rental subsidy. The problem was restricted to long-term program participants – where a 2nd or in some cases a 3rd volume file has been created. The error most likely occurred when a subsequent file (volume) was created, and the

lease and/or contract was not transferred from the preceding file. Receiving our explanation, the Auditors reviewed additional files, and confirmed the problem was not evident. Acting upon this new information we have revised our “file” procedures. Effective immediately, for all new contracts we create an electronic copy of the lease and contract and attach them in Elite; we are utilizing support staff (and later students) to copy and attach the documents for all existing contracts.

CONTACT PERSON

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