



**Berkeley Housing Authority**

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


*Office of the Executive Director*

Item 5C

NEW BUSINESS

March 12, 2015

To: Honorable Chairperson and  
Members of the Berkeley Housing Authority

From: Tia M. Ingram, Executive Director 

Subject: Creation of Berkeley Housing Authority Non-Profit Affiliate

**RECOMMENDATIONS**

1. Authorize staff to proceed with creating a Nonprofit Affiliate
2. Approve a structure for the Board of Directors
3. Approve a name for the organization

**BACKGROUND**

Administrative Fees and Operating Subsidy have long been the primary revenue source for the Housing Choice Voucher Program (S8), and Low income Public Housing, respectfully. Facing years of inadequate funding for the two programs, mounting unfunded obligations for deferred maintenance (of the public housing units), and interest in taking on development roles, Public Housing Authorities across the country have established Non-Profit Affiliates. These nonprofits allow the PHA to participate in various opportunities, with any revenues generated not subject to HUD control. Additionally, once its tax exempt status is obtained, the nonprofit could seek donations which would qualify as charitable contributions to its donors.

**STATUS**

The process for establishing a nonprofit is straight forward, and the costs are minimal (estimated less than \$5,000 for fees, including legal). The most time consuming part of the process is obtaining nonprofit, 501(c)(3) tax exempt status from the Internal Revenue Service (IRS). This process can take up to a year.

This item is limited to creation of the nonprofit which involves drafting articles of incorporation, and bylaws. In order to accomplish this, the Board will first need to determine the purpose of the nonprofit and the composition of its board of directors. For staff to initiate the process to create a non-profit, the Board needs to act on the following:

1. Authorize Expenditure. The Fiscal Year 15 budget does not provide for creation of a non-profit. Thus while the anticipated cost of creating the non-profit (and obtaining the tax exempt status) is less than \$5,000, and significantly below the Executive Director's threshold for requiring Board approval, the action is significant, and staff wants full recognition of the action, and associated expenditure from the Board.
2. Purpose of the Nonprofit. Staff proposes that the non-profit broadly define its mission to engage in activities to: (a) create and preserve housing to serve extremely-low, low- and moderate income households; and (b) provide services to help families achieve financial self-sufficiency and end their reliance on federal rent subsidies.
3. Board Structure. There are a variety of options that can be used to structure the Board. Most PHAs use a combination of Board members and staff. Some have the entire Board serve as the board of the nonprofit affiliate. Staff considered the following options, before deciding upon option (a) below:
  - a. Board Chair, Executive Director, and one Commissioner
  - b. Board Chair, Executive Director, member of the Finance Committee
  - c. Board Chair, Executive Director, Berkeley City Council member
  - d. Board Chair, Executive Director, BHA Finance Manager, two Commissioners
  - e. Full Commission
4. Board Appointment/Terms. This will be largely determined based upon the Board composition. If necessary, staff proposes that the BHA Board retain authority to receive nominations, and appoint a commissioner to the open seat by a simple majority vote. A commissioner could serve so long as she or he is a member of the BHA Board, or may be assigned terms, but will continue to be BHA Board members. This issue will be more fully developed in the articles and bylaws.
5. Name. The non-profit should have a name that distinguishes it from Berkeley Housing Authority (BHA), yet reflect the mission and an affiliation with the Authority. Staff proposes the Board consider:
  - a. "Berkeley Affordable Housing" (BAH); and
  - b. "Berkeley Housing Partners" (BHP).

If the Commission adopts the staff recommendations, we will work with legal counsel to draft articles of incorporation and bylaws.

#### FINANCIAL IMPLICATIONS

\$5,000, the estimated cost for legal services, and related filing fees.

#### CONTACT PERSON

Tia Ingram, Executive Director (510) 981-5471  
Jesy Yturralde, Finance Manager (510) 981-5488

Attachment 1: Resolution

BERKELEY HOUSING AUTHORITY  
RESOLUTION NO. 15-\_\_\_\_\_

WHEREAS, Berkeley Housing Authority is a Section 8 only Authority; and

WHEREAS, proration of federal funds and diminishing rental housing stock in the City of Berkeley have, and continue to cause a structural deficit in the Section 8 Voucher Program; and

WHEREAS, without additional funding mechanisms, the viability of the Berkeley Housing Authority is currently projected at 5 – 9 years from now; and

WHEREAS, housing authorities across the country have utilized the opportunity to embark on income generating projects in partnership with developers or on their own, by forming non-profit affiliates; and

WHEREAS, housing authorities across the country have embarked on partnership development projects utilizing either internal or external expertise, or combination of both; and

WHEREAS, BHA will operate the Family Self-Sufficiency Program, beginning in 2016, and a non-profit affiliate will provide an opportunity to receive cash and in kind donations for programming to help our clients in the process of gaining education and job training skills leading to self-sufficiency; and

WHEREAS, the purpose of the non-profit affiliate will be to (a) create and preserve housing to serve extremely-low, low- and moderate income households; and (b) provide services to help families achieve financial self-sufficiency and end their reliance on federal rent subsidies; and

WHEREAS, the formation of a non-profit affiliate will require the determination of its own Board of Directors which may be comprised of members of the current Berkeley Housing Authority Board of Commissioners and staff; and

WHEREAS, the non-profit affiliate for BHA will be named during the March 12, 2015 Board meeting of the Berkeley Housing Authority; and

WHEREAS, articles of incorporation and bylaws will be drafted by legal counsel and brought to the full BHA Board prior to the first non-profit affiliate Board meeting.

NOW, THEREFORE, be it resolved that the Executive Director is authorized to proceed with creating a nonprofit affiliate of the Berkeley Housing Authority.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on March 12, 2015 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest: \_\_\_\_\_  
Tia M. Ingram, Secretary