



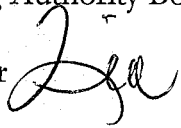
Berkeley Housing Authority

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Office of the Executive Director

Item 6D
NEW BUSINESS
October 22, 2015

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

From: Tia M. Ingram, Executive Director 

Subject: Authorization to Solicit Requests for Award of Project Based Vouchers

RECOMMENDATION

Authorize staff to solicit proposals for award of Project Based Vouchers to aid in the creation of 25 affordable rental housing units:

- 10 units to underwrite affordability of an approved project to families at 30% to 50% Area Median Income (5 year term); and
- 15 units to address a project with a financing gap (15 year term).

BACKGROUND

The Berkeley Housing Authority (BHA) last awarded Section 8 Project Based Vouchers in April 2011. In the intervening period staff and the Board have engaged in discussions about the Project Based Voucher Program, including study sessions/workshops on October 27, 2012, November 8, 2012, and May 14, 2015.

Most of the new housing development in Berkeley is being done by private for-profit developers. These for-profit developers are also entering into partnerships with cash strapped entities, such as housing authorities through an instrumentality, that provide them further influence in the rental housing supply.

Recent housing developments with Below Market Rents are redefining "affordable." One such project is the newly constructed "Stranda Apartments" (MLK and Dwight). The developer advertises the luxury units at \$2,995 for a 1-bedroom apartment and \$3,795 for a 2-bedroom. BHA's 2015 1-bedroom Payment Standard is \$1,386 (soon to be \$1,358), and our 2-bedroom Payment Standard is \$1,743 (soon to be \$1,718), rendering these units outside the range of a family with a "golden," Section 8 Voucher. The Stranda is, however, providing 3 units at "Below Market Rent", \$1,361 for a 1-bedroom unit, \$1,607 for a 2-bedroom and 3-bedroom unit. The income limits for these units are no more than \$55,200 for the 1 Bedroom unit and

\$66,240 for the 2- and 3-bedroom units (these income limits are above BHA's annual income limits of \$37,200 for a 2 person household and \$41,850 for a 3 person household).

Historically we enjoyed a mix of affordable rental housing providers, ranging from small "mom-and-pop" landlords, to affordable housing developers as well as a small number of multi-unit property owners. We are combatting a jobs-housing crisis not like anything seen in recent years. Long-term landlords are leaving the Section 8 program in search of market rents that are easily \$400-\$500 over BHA's 2015 Payment Standard (the 2016 Payment Standard will likely be even lower based on HUD's proposed Fair Market Rents).

Our current leasing rate (program utilization) is 87.90% in units, and families awarded S8 vouchers from the wait list are experiencing a dismal 25.75% success rate in our jurisdiction.

The surest, and perhaps fastest way to increase the long-term supply of affordable rental housing units is to create a structure that supports (encourages) owners with Below Market Rate units to house families with Section 8 Vouchers. We are working with City staff on this issue. In a recent email Marian Wolfe, Chair, Housing Advisory Commission, indicated a willingness to have BHA attend a meeting (November 5th or December 3rd 2015) and participate in a discussion about the pros and cons of encouraging the utilization of Section 8 rental assistance to increase the affordability of BMR units.

The next best option, while takes more time to bring a unit into service, but provides a longer term guarantee of availability, is to use Project Based vouchers to help projects move forward. Some projects have obtained all the required approvals and are ready to begin construction, or are far along enough in the process that construction is likely to occur in the next 12-18 months.

The Administrative Plan provides two methods for award of Project Based Vouchers: response to a BHA issued Request for Proposals or utilization of a competitive process by a local jurisdiction (i.e. City of Berkeley). There are two important considerations:

- a. The project cannot have included any consideration of project based vouchers; and
- b. The project based vouchers must be awarded before the start of any construction.

STATUS

There is an immediate and urgent need to take all prudent actions to increase the supply of affordable rental units available to families with Section 8 assistance, in this case, families coming from the Project-based voucher waitlist, and those with Section 8 Vouchers (utilization of a Tenant-based voucher is possible in units where Project-based assistance is not applied).

There are projects in the City's Housing Trust Fund pipeline that could provide suitable housing opportunities for our population of voucher holders. These projects include:

- a. 1 and 2 bedroom, accessible or adaptable units;
- b. Are not restricted to seniors;
- c. Are located in areas adjacent to public transit; and
- d. Are in south or west Berkeley where parking is more readily available (and affordable) to residents [parking at Berkeley Central is \$150 per month in addition to rent].

We are proposing two contract terms because we are mindful that a project needs a longer term (15 year) commitment to leverage financing (i.e. tax credit competition); a project with financing in place (has cleared the tax credit process) can utilize the additional funding, but the longer term contract is not as crucial (5 years). The concept of the shorter-term contract was vetted briefly with our non-profit affordable housing partners, who thought the concept had merit, and was worth advancing as a trial.

For BHA, the long-term goal is to participate to a larger extent, in the cash flow created in part by the existing of a PBV award; thus, we are limiting the number of PBVs awarded until all appropriate provisions are in place.

As part of the application process BHA will require a non-refundable application fee (if approved by the Board); as part of the scoring criteria, BHA will give consideration to a project's willingness to utilize BHA's S8 Tenant-based Voucher wait list for leasing units that do not have Project Based assistance.

RATIONALE FOR RECOMMENDATION

At this time staff is confident that the limited award of 25 project based vouchers will provide an increase in the supply of units available to families coming off of the Project-based waitlist as well as those with S8 vouchers, and upon full lease-up, generate approximately \$25,000 annually in earned Administrative Fee.

The capacity to award Project Based Vouchers remains a function of annual budget authority. The recommended awards are within the existing cap (based upon our current payment standard of 110% of the 2015 FMR).

BERKELEY HOUSING AUTHORITY
RESOLUTION NO. 15-_____

AUTHORIZING SOLICITATION OF PROPOSALS FOR AWARD OF 10 PROJECT BASED VOUCHERS WITH A MAXIMUM TERM OF 5 YEARS, AND AWARD OF 15 PROJECT BASED VOUCHERS FOR A MAXIMUM TERM OF 15 YEARS

WHEREAS, the City of Berkeley issued a Request for Proposals for projects desiring a Housing Trust Fund allocation in January 2015; and

WHEREAS, the four proposals are ranked and categorized for First Round or Alternative Round funding; and

WHEREAS, the City has narrowed the field of applications to two projects, that are advancing forward to construction; and continuing to work with the third project; and

WHEREAS, the supply of rental units within the current Payment Standard is very limited; and

WHEREAS, extremely-low income households are experiencing a 25.75% success rate in securing affordable housing in Berkeley, even with the assistance of a Section 8 voucher and the associated rental subsidy guarantee; and

WHEREAS, BHA recognizes the need to award Project Based Vouchers before the start of any construction or rehabilitation efforts; and

WHEREAS, BHA recognizes the competitive nature of the Tax Credit Allocation process; and

WHEREAS, staff has determined the capacity to award an additional 25 project based vouchers without exceeding annual budget authority; and

WHEREAS, federal regulations and BHA's Administrative Plan allow for restricting applications to projects that have successfully competed in a public process, such as the City's Housing Trust Fund allocation process; and

WHEREAS, BHA will collect a non-refundable application fee to help defray the cost of soliciting, analyzing and approving an award of Project Based vouchers;

NOW THEREFORE, BE IT RESOLVED, that the Executive Director is hereby authorized to solicit applications from projects for award of up to 10 project based vouchers with a maximum term of 5 years.

FURTHER RESOLVED, that the Executive Director is authorized to solicit applications from projects for award of up to 15 project based vouchers with a maximum term of 15 years.

The foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on October 22, 2015 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest: _____
Tia M. Ingram, Secretary