




Berkeley Housing Authority

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Office of the Executive Director

Item No. 6D
NEW BUSINESS
February 13, 2014

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

From:  Tia M. Ingram, Executive Director

Subject: Extension of the performance date for execution of the AHAP for the award of 23 Project Based Vouchers for Strawberry Creek Lodge 90 days, from February 14, 2014 to May 15, 2014

RECOMMENDATION

Authorize a 90-day extension of the date to execute an Agreement to enter a Housing Assistance Payment Contract (AHAP) for the 23 Project Based Vouchers awarded to Strawberry Creek Lodge (SCL) from February 14, 2014 to May 15, 2014

BACKGROUND

Strawberry Creek Lodge (SCL) is a 150 unit (120 studios and 30 one-bedrooms) senior residential community. SCL is one of very few senior housing developments that offers dining services; the property hosts a dinner service allowing residents to purchase a hot, home cooked meal five nights each week.

The Board has been made aware of the long awaited rehabilitation project at Strawberry Creek Lodge over the past four years from project managers and residents. Project managers have sought award of project based vouchers (as security for construction financing) and residents have clamored for immediate implementation of voucher assistance to assist them in meeting their current rental obligations.

DISCUSSION

Financing for the rehabilitation project now includes 23 project based vouchers from BHA, and 34 enhanced tenant protection vouchers from HUD.

23 Project Based Vouchers

BHA issued a Request for Proposal (RFP) in March 2011 with a goal of awarding project based vouchers, in exchange for increasing the supply of affordable units with substantial rehabilitation for the 1,500 households on the Project-based S8 wait list.

- March 2011: SCL submitted an application for 23 project based vouchers: 17-studio units and 6-one bedroom units in the senior development;

- April 2011: The project was awarded 23 Project Based vouchers; the award included a condition that the project execute an Agreement to enter a Housing Assistance Payment (AHAP) contract by June 30, 2012
(Approving the allocation of 23 project based vouchers to Strawberry Creek Lodge, upon satisfactory completion of all HUD requirements and approvals, including subsidy layering and environmental review, and provided that full funding for rehabilitation is secured by June 30, 2012, and...);
- June 2012: The project failed to advance to an executed AHAP by June 30, 2012 as called for in the awarding resolution; the award expired.
- February 2013: Acknowledging that the project manager may have overlooked the June 30, 2012 performance deadline, and the absence of a reminder from BHA staff, in February 2013, the Board re-affirmed the award of 23 project based vouchers, with considerable discussion – and a clearly worded requirement that
“this allocation will terminate and be of no further force or effect if the Owner has not satisfied all HUD and Authority requirements for entry into an AHAP for the Project, executed an AHAP and begun construction by February 14, 2014...”.
- January 2014: The project manager advises that a 30-day extension is required for the execution of the AHAP due to the fact that there are outstanding items with funding that need another 30 days to be resolved including (a) official HUD notice of award of 53 project-based voucher contract; (b) exact seismic upgrade requirements; and (c) comment submission for the Limited Partnership Agreement.
- February 2014: Susan Friedland, SAHA Executive Director, modified the request for a 30-day extension, to a request for a 90-day extension to sign the AHAP and begin construction (rehab). We confirmed that all other conditions of the anticipated AHAP (including concluding construction by August 15, 2015) remain the same.

Status

The project has encumbered 23 project based vouchers for approximately 3 years without execution of an AHAP, and without any assistance to the low-income elderly residents in occupancy; construction is estimated to take an additional 9 months [staff has not been advised of any increase in the construction schedule. BHA is foregoing earned administrative fee of \$69 per voucher, each month the vouchers are not in service (conservative estimate of \$38,088 in loss revenue calendar year 2012 and 2013).

Staff has been in communication with various members of the SCL team about the project based vouchers. A meeting was convened on January 22, attended by BHA staff and SCL project manager and a member of the SCL Board. Staff stressed the importance of this project moving forward without further delays. Given the work the project managers have invested in the project, the agreement to use the project based vouchers for 1-bedroom units to the greatest extent possible, and the 23 households who have awaiting the much needed rent relief they will receive from the project based voucher, staff recommends granting an extension to March 17, 2014 to execute the AHAP.

Tenant Protection Vouchers

There was minimal communication between the project manager and BHA staff from March 2013, until September 2013 – when we were advised by project manager that the project had applied for (in June), and received an allocation of 34 Tenant Protection Vouchers from HUD (these vouchers are in addition to the 23 project based vouchers awarded by BHA). The

application to HUD required SCL to identify each household paying more than 30%, 35% and 40% of it's income toward rent, and thus at risk after the 202 project subsidy expiration.

If HUD offers BHA an amended Annual Contributions Contract (adding the additional 34 Tenant Protection Vouchers), that will increase the maximum size of the project based program by 6 units (regretably, we were advised by the project manager that the award of 34 Tenant Protection vouchers has been/will be reduced to 30, because occupants of four of the units identified for assistance have either passed away or moved off-site).

Staff and representatives of the project (and members of City staff) have engaged in considerable discussions about the project's request to administer the 34 Tenant Protection Vouchers as "project based" and staff's consistent message (with HUD concurrence), that we will administer the vouchers as "tenant based" assistance. Consistent with previous board policy discussions, staff has repeatedly advised project owners/managers and City officials, that BHA is preserving the limited capacity to project base to 1, 2 and 3 bedroom projects designated for families and disabled; and studio, 1 and 2 bedroom units designated for emancipated youth, and families, and has made clear our objection to project base any more vouchers to senior projects and in particular, studio units for senior and disabled households.

Status

The 34 (30) Tenant Protection Vouchers newly awarded to BHA, expressly for this project, are within the discretion of the Executive Director to administer as "tenant based" or "project based" without a new invitation/solicitation process. Recognizing the challenge in securing financing to fund the rehabilitation efforts, and consistent with the representation the project manager gave BHA – specifically that for every additional voucher project based, the unit will undergo comprehensive interior rehabilitation – staff, upon receipt of an executed ACC with HUD, will project base the number of vouchers equal to the increase in capacity in the project based program (that number is 6 based on an award of 30 vouchers—or 34 vouchers). The award is further conditioned on SCL agreeing, to the greatest extent possible, to applying the project based vouchers to one bedroom (not studio) units for both the original award of 23 PBVs and the new award of TPVs/Project-based. We are advised that out of the 30 one-bedroom units, only 3 are available to Project-base at this time, for the original 23 PBV award by BHA (the remaining were either awarded Tenant Protection Vouchers, covered by the direct-with HUD PB contract, or ineligible). In discussions with SCL, a commitment was made, upon 1 Bedroom unit turnover, to re-assign Project-based subsidy to the 1 Bedroom so that the count of 1 BR units with Project-based subsidy will grow over time.

Staff continues to encourage the project/property manager to submit the necessary "intake" paperwork for those who will reap the benefit of the Tenant Protection Voucher assistance, so that we can confirm eligibility – and begin providing rental assistance to the identified households (and generating administrative fee for BHA).

As required by HUD Notice 2013-08, we have provided written notice to the 32 current residents that SCL agents deemend ineligible to receive rental assistance via the Tenant Protection Vouchers, of their right to have BHA review the eligibility factors utilized by SCL.

FINANCIAL IMPLICATIONS

No impact from the extension of the AHAP for the 23 Project Based Vouchers

Earned Admin Fee of up to \$3,657 per month, once all 23 PBV and 30 Enhanced Vouchers are placed in service

CONTACT PERSON

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Rachel Gonzales-Levine, Management Analyst, 981-5485

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Attachments:

1. Resolution

BERKELEY HOUSING AUTHORITY
RESOLUTION NO. 14 – _____

EXTENDING THE PERFORMANCE DATE FOR EXECUTION OF THE AHAP FOR THE AWARD OF 23-PROJECT- BASED VOUCHERS FOR STRAWBERRY CREEK LODGE 30-DAYS, FROM FEBRUARY 14, 2014 TO MAY 15, 2014

WHEREAS, in March 2011, pursuant to the United States Department of Housing and Urban development (“HUD”) regulations at 24 Code of Federal Regulations Section 983.51 and the Authority’s Administrative Plan at Chapter 17-II.B., the Authority issued a Request for Proposals (“RFP”) for the award of Project-Based Vouchers (“PBVs”); and

WHEREAS, Strawberry Creek Lodge (the “Project”) submitted a proposal in response to the Authority’s RFP; and

WHEREAS, on April 28, 2011, the Authority awarded 23 PBVs for the Project, conditioned on the Project achieving certain milestones by specified dates which were not met; and

WHEREAS, the project agreed to assign the maximum number of PBV to the one-bedroom units and will re-assign Project-based subsidy to one-bedrooms as one-bedroom vacancies become available;

WHEREAS, on February 14, 2013, Authority staff recommended, and the Board concurred that the award of 23 Project-Based Vouchers be re-affirmed, conditioned upon compliance with all HUD and Authority requirements for the execution of an Agreement to Enter into a Housing Assistance Payments (“AHAP”) contract by February 14, 2014 and for entering into a Housing Assistance Payments (“HAP”) contract by August 15, 2015; and

WHEREAS, in December 2013, Strawberry Creek Lodge project staff requested a one-month extension for execution of AHAP to March 17, 2014 due to outstanding financing issues and delayed date of closing for the project; and

WHEREAS, in February 2014, Strawberry Creek Lodge project staff requested that the one-month extension for execution of the AHAP be amended to a three-month extension; and

WHEREAS, in September 2013 Strawberry Creek Lodge was awarded 34 Tenant Protection Vouchers by HUD for an expiring 202 contract; and

WHEREAS, the project owner has requested the enhanced vouchers be administered as project based, versus tenant based assistance; and

WHEREAS, BHA anticipates execution of a new Annual Contributions Contract with HUD recognizing the addition of up to 34 new vouchers that can be administered as “tenant based” or “project based;” and

WHEREAS, the increase of 34 vouchers increases the maximum size of BHA’s project based voucher program by 6 units; and

WHEREAS, the project manager has advised that the award has been reduced from 34 to 30 enhanced vouchers in response to four previously approved households either vacating or passing away; and

NOW THEREFORE, BE IT RESOLVED, that the Executive Director is hereby authorized to preserve the allocation of 23 PBV by extending the performance date for execution of the AHAP from February 14, 2014 to May 15, 2014;

FURTHER RESOLVED, that the Executive Director will monitor project compliance with the agreement to perform full interior rehabilitation of all of the units receiving project based assistance;

FURTHER RESOLVED, that the project will consent to a modification of the Master HAP and re-assign project based subsidy to one-bedroom units as one-bedroom vacancies become available by offering to move households living in studio-sized project based units to one-bedroom units;

FURTHER REVOLVED, that the allocation of 23 PBVs will terminate and be of no further force or effect if the Owner has not satisfied all HUD and Authority requirements for entry into an AHAP for the Project, executed an AHAP and begun construction by May 15, 2014;

FURTHER RESOLVED that the Executive Director will determine an appropriate number of the 34 enhanced tenant protection vouchers to project base, up to a maximum of 6, on the condition that the assistance is assigned to one-bedroom units, and that the unit interiors are rehabilitated.

The Foregoing Resolution was adopted by the Board of the Berkeley Housing Authority on February 13, 2014 by the following vote:

Ayes:

Noes:

Abstain:

Absent:

Attest: _____
Tia M. Ingram, Secretary