

A. MTW Plan

Introduction: Berkeley, California's Extreme Rental Market

Berkeley, California is in the middle of the San Francisco Bay Area, one of the most diverse communities in the US, geographically, socially, and culturally. However, the Bay Area is also one of the most expensive regions of the country, with extreme rent affordability challenges. Average median rent is \$2,150 for a 1 Bedroom unit; \$2,895 for a 2 Bedroom unit; \$4,200 for a 3 Bedroom unit; and \$5,998 for a 4 Bedroom unit (<https://www.zumper.com/rent-research/berkeley-ca>, 8/4/21)*.

[Oakland-Fremont Metro]	1 BR	2 BR	3 BR	4 BR
BHA's 2021 Payment Std	\$1,988	\$2,462	\$3,346	\$4,092
Current Av. Market Rents*	\$2,150	\$2,895	\$4,200	\$5,998

It is clear that we are not competitive in comparison to the rents commanded in the open market here. The vast majority of landlords make decisions regarding asking rents based on local market conditions, with a desire to run their business profitably.

Recognizing the negative impacts the skyrocketing market has had on BHA's ability to lease up clients in Berkeley, and thus negatively impacting our Administrative Fee earnings, for over a year BHA's staff and Board have been focused on how to incentivize landlords to partner with us to house our program participants. Being involved in Cohort 4 is a natural progression of the work to prioritize landlords, as we hope to be able to continue to build partnerships with the local landlords and property owners whereby BHA provides that welcoming opportunity to allow these business owners to make an affirmative decision to partner with BHA.

The Bay Area, and Berkeley, both offer well-paying jobs for those with college degrees, and many service-sector minimum wage jobs for those with little to no higher education; the

average annual salary for a high tech worker is \$250,000/year, while the minimum wage in Berkeley for a service job is \$16.32/hour, translating to \$33,945/year.

In a recent Mercury News article (2/23/19) entitled “Bay Area high-earners choice made for them — rent, not own,” appears the following quote: “Between 2007 and 2017, Berkeley, Fairfield and Richmond saw four times as many wealthy renters join their cities.” This is because, in May 2019 the median re-sale price for a Bay Area home hit a record \$935,000. In another Mercury News article (2/22/19) entitled “In some Bay Area cities, making \$200,000 a year means you’re middle class.” This figure seems extraordinary, given that the Area Median Income for an “extremely low income (up to 30% of AMI) family of 4 in Berkeley is \$41,100. That figure increases to \$68,500 for a “very low income” (up to 50% AMI).

A recent report “Out of Reach 2021” by the National Low Income Housing Coalition indicates that in Oakland and Fremont a low-wage worker would need to juggle three jobs to make rent and put food on the table. Berkeley is in the Oakland-Fremont HUD Metropolitan Fair Market Rent Area. Absent voucher subsidy, low wage income earners, the disabled, and elderly, have very little chance to afford a rental unit.

In California overall, a worker would need to earn \$39.03/hour in order to be able to afford a 2 bedroom rental home; or would need to work 112 hours per week at minimum wage to afford the 2 bedroom rent, or 89 hours/week to afford a 1 bedroom FMR rent (<https://reports.nlihc.org/oor/>).

Berkeley, and the Bay Area in general is also experiencing an unfortunate displacement of African American renters in Berkeley, also known as gentrification, with wealthier and often Caucasian residents moving in, with incomes that can cover higher market rents often commanded. From an Oct. 18, 2018 Mercury News article “Here’s how growing income disparity is changing the Bay Area:”

The rising cost of housing is driving low-income workers out of the Bay Area into cheaper, nearby communities, while higher income workers are migrating in. Researchers say high housing costs have hit minority communities, including black and Hispanic residents, hardest. "It has real implications on how inclusive and diverse the region can be," said co-author Elizabeth Kneebone, research director at UC Berkeley's Turner Center for Housing Innovation. "We're losing lower-income households and lower-income households of color."

1. Vision for BHA's MTW Program

BHA's vision as a participant in MTW Cohort 4 is, with the opportunity to implement fiscal, and programmatic flexibilities to be able to inspire landlords to give BHA a chance at building a fruitful partnership, allowing those landlords to be comfortable making a business decision to rent their units to BHA's low income program participants, and being provided with efficient and courteous customer service at all levels of the organization, all ultimately stemming the tide of displacement, homelessness, and ensuring that Berkeley will remain one of the most diverse communities in the nation, culturally and socio-economically, with BHA's vouchers being utilized to their fullest extent.

Challenges and Opportunities

During the height of BHA's ability to lease up, prior to the rental market spiraling out of reach for so many low-income households, our lease up rate was 99.96% (1,840 out of a total ACC of 1,841, in 2010). Our current lease up rate is 79%, (1,560 out of a total ACC of 1,975). This is a total attrition rate of units between 2010 (year) and 2020 (year) of 21%. Competing in the open market is our primary challenge, and one that incentivizing landlords, we believe, will move these figures in the right direction, ultimately our goal as a PHA. We are in business to house low income households; without landlords partnering with us, we cannot be successful.

The prospect of becoming an MTW designated agency brings important opportunities, most crucially to allow our housing authority, located in an extremely high cost area, which includes the extremely difficult rental market, **to increase our lease up rate**. Through regulatory and budgetary flexibility, ability to test out new ideas, and being able to proactively measure our

creative endeavors in incentivizing landlords to partner with BHA, we have the most important opportunity of all before us: improving our current 53% housing location success rate, and 79% voucher lease up rate.

Skills and Experience of Primary Staff

Every member of our 11-person staff is crucially important to the success of our endeavors to incentivize, recruit, and retain landlords, whether we receive MTW status or not. Our staff is comprised of:

- Receptionist
- Housing Choice Voucher Supervisor
- Three Housing Specialists
- In the Finance Department:
 - Finance Manager
 - Accountant
 - Finance Clerk
- Inspections Clerk
- Management Analyst (Acting) – also currently Exec. Assistant/FSS Coordinator
- Acting Executive Director.

Eight out of 11 staff have a long work history with BHA: the average tenure is 13 years for these 8 staffers. With over 13 years with BHA, and an MPA with a Public Policy focus, the Acting Executive Director is leading the MTW application effort including preparing for and presenting at the public meetings, application writing, soliciting input, communicating with the Board, and potential partners. Additional staff will be liaising with landlords, troubleshooting issues as they arise, and focused on providing a thorough landlord onboarding experience. Staff primarily in the Finance Department will be focused on reviewing applications and issuing funds, where approved, to issue financial incentives.

Statement of Fair Housing and Other Civil Rights Goals, Strategies, and Specific Actions

BHA certifies that it will carry out the MTW Program in conformity with:

- Title VI of the Civil Rights Act of 1964,
- The Fair Housing Act,
- Section 504 of the Rehabilitation Act of 1973,
- Title II of the Americans with Disabilities Act of 1990,

- Affirmatively Furthering Fair Housing (24 CFR 5.151, 903.7(o), and 903.15).

Furthermore, BHA will affirmatively further fair housing by examining our programs and proposed programs, identifying any impediments to fair housing choice within those programs, addressing those impediments in a reasonable fashion in view of the resources available and work with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require BHA's involvement and by maintaining records reflecting these analyses and actions.

Additionally, BHA will comply with: the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975; the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped; the requirements of section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135; acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable; and BHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).

2. Plan for Future Community/Resident Engagement

BHA already engages and will continue to engage assisted households in our low income and affordable housing programs, through opportunities to provide input, whether a RAB member or not, on proposed programs and plans. BHA does this through sending out newsletters to our clients, highlighting such opportunities. In regard to this MTW application, the solicitation for our program participants to provide input was sent via newsletter, notifying of the two public Zoom input meetings. Additionally, a special outreach was made specifically to our Resident Advisory

Board, by phone call and email which had already been convened for Annual Plan review; many of our RAB members were present at both MTW public meetings.

BHA has already started and will continue to engage the broader community and stakeholders, in the implementation and development of our local MTW program. Specifically, BHA has begun work to identify challenges and barriers to landlords' willingness to participate with BHA in housing our clients. We conducted a survey of the Berkeley Property Owners Association (BPOA) to get a baseline of the challenges cited by landlords (See Appendix). Interestingly the majority of responses included "unsure of where to begin." Part of our plans, whether we achieve MTW status or not, will be to make presentations to rental property owners in Berkeley so that we introduce ourselves, and explain the Section 8 Programs we operate, the benefits, and how to get involved. BHA has also presented at the local Gray Panthers Chapter (See Appendix). Staff continues to seek and welcome opportunities to communicate the important work we are doing in the community, including the impacts BHA makes in Berkeley.

3. PHA Operating and Inventory Information

BHA proudly operates the following HUD funded low-income housing programs:

- Housing Choice Voucher Program: 1,935 Vouchers. Currently serving 1,635 households; approximately 2,630 people.
- Project-based Section 8 Program: currently in contract or planning to be in contract for 495 Project-based units in 25 properties throughout Berkeley
- Mainstream Voucher Program: 91 Vouchers
- VASH Program: 40 Vouchers
- Emergency Housing Vouchers: 51 Vouchers
- Moderate Rehab/SRO: 98 units in 2 buildings.

These vouchers and units house those with the following demographics: 69% African American, 22% White, 7 % Hispanic, 2% Asian-Pacific Islander-Native Alaskan. The monthly average HAP subsidy paid on behalf of our participating households: \$1,682. Average client rent portion is \$487. Interestingly, the demographics of Berkeley at-large are very different from the statistics representing BHA's clients: 6% African American; 54% White; 12% Hispanic; 28% Asian-

Pacific Islander-Native Alaskan. The Estimated median household income in Berkeley in 2019 was \$95,360 (<https://www.city-data.com/city/Berkeley-California.html>); while the average income of our program participants is \$20,294.

Our clients are formerly homeless, elderly, disabled, working families, youth emancipated from the foster care system, people with HIV/AIDS, and immigrants. Units housing BHA's clients are scattered about the entire 10.5 square miles, with the majority of the units in west and south Berkeley, CA which tends to have fewer single-family homes and more multi-unit buildings. Many units are not accessible for those with physical disabilities.

As mentioned previously, gentrification/displacement is a major negative factor in Berkeley housing (and the wider Bay Area). In Berkeley, from a high of 23.5% in 1970, the African American population has decreased to approximately 7% currently (April 30, 2019 Berkeley City Council Meeting Report Item #22). BHA anticipates that the demographics of the households served will continue to exceed the total population of African Americans in Berkeley, as is the case currently. We expect that we will serve a wider number of homeless households, given that we have been awarded 91 Mainstream and 51 EHV's, and that several of our upcoming lease ups for Project-based properties have homelessness set asides/requirements. It is likely that the next time we open up the Tenant-based waitlist, a reflection of the immigration patterns to northern California will occur, most recently we saw a trend of people from Central America and the Middle East.

In terms of housing stock, BHA is a Section 8 only housing authority, with a robust Project-based Voucher Program, currently allocated or utilizing 26% of our ACC for PBV units. BHA anticipates using the MTW flexibility to exceed 30% of our ACC for PBV development, including the potential to allocate PBVs to BHA's sister agency, an affordable housing development non-profit, called Affordable Housing Berkeley, Inc.

Challenges in Leasing HCV Units

BHA's biggest challenge in leasing HCV units is the extremely high cost rental market in Berkeley. Being able to implement Payment Standards of 120% FMR will help greatly, should BHA be selected as an agency for MTW Cohort #4. Another MTW flexibility that will assist in increasing our competitiveness will be the ability to allocate PBVs above the 30% current maximum. Given the long-term nature of PBV master HAP contracts, this is an attractive tool for housing authorities to protect against extreme market fluctuations.

Examples of BHA's Innovation and Creativity

BHA has already recognized the importance of focusing on landlords, given that we have seen such drastic fluctuations during turns in the rental market that make it near impossible for us to compete for empty units. Thus, we embarked on a journey to identify what we could do to inspire landlords to partner with us. One result of our innovative program planning has been supported by the Office of Mayor Jesse Arreguin. With his help, BHA has been allocated \$150,000 to utilize for a unit turnover program. It has been a successful tool in our toolbox for incentivizing landlords.

We also have engaged in collaborations with local homelessness, mental health, women's shelters, and other NGO advocacy organizations as well as the VA, as strong partnerships with these organizations are crucial in our goal of leasing up the Mainstream, VASH, and EHV's. BHA values these partnerships and understands the importance of thorough program planning, maintaining communication including the need to meet regularly with our partners, and troubleshooting challenges together.

4. Plan for Local MTW Program: Cost Effectiveness, Self-sufficiency and Housing Choice

BHA seeks to implement MTW program activities that incentivize landlords to participate in our program by providing rental units, as well as provide the opportunity to expand on our Project-based program. We will embark on activities to meet these goals because of the extreme

challenges our housing authority has to remain competitive in the rental market in Berkeley. The statutory objectives of the MTW program, cost effectiveness, self-sufficiency, and housing choice will be obtained through BHA's participation in the MTW Cohort #4 by incentivizing landlords to participate in our program by providing expanded options for housing our clients:

- We will see an increase in effective use of HAP and administrative funds, in that it will allow maximization of our lease up utilization rates; ultimately the most important objective of any PHA is to house as many low-income households as possible.
- Providing a place to call home for more families, will provide the safety net that so many low-income households need to springboard towards reaching for educational and job training opportunities that lead to self-sufficiency.
- The fewer landlords working with BHA, the fewer households we can serve; more satisfied and incentivized landlords means an increase in number of households served, providing housing choice for voucher holders throughout our community. In other words, without willing landlords, there is no housing choice. Additionally, an expansion of the Project-based developments will ensure guaranteed housing options for up to 40 years, in units that will be protected from market fluctuations.

5. Proposed Use of MTW Funds

As a Section 8 only housing authority, BHA requests fungibility in the use of its HAP and Administrative Fee allocation. The flexibility in the use of MTW funds for normal HAP expenditures, expenses related to MTW Cohort #4 activities identified in Section 2 of the application, and cost of operating and administering the Section 8 program will greatly support BHA's goal in expanding landlord participation in the Section 8 program and housing more low-income households in Berkeley.

6. Evidence of Significant Partnerships

The most important partnerships in our MTW endeavors will be the Berkeley Property Owners Association (whom we have already surveyed to find out their challenges and knowledge of BHA, as well as solicited ideas for improvement); and our currently participating landlords. Additional partners will be local non-profit housing advocacy organizations that assist our new voucher holders to identify units in which to utilize their newly issued vouchers. They will, in essence, like BHA staff, be ambassadors for BHA, attempting to persuade landlords that our voucher holders,

especially those coming out of homelessness, will be supported throughout their tenancy. BHA has already established partnerships with many organizations and agencies throughout our collaborations to lease up EHV's, Mainstream Vouchers, and VASH vouchers, including with:

- Bay Area Community Services
- Berkeley Food and Housing Project
- Abode Services
- US Department of Veterans Affairs
- City of Berkeley, Office of the Mayor
- City of Berkeley Housing and Community Services Department

BHA intends to leverage funding through opportunities to apply for additional sets of special purpose vouchers; and likely by partnering with some of the organizations listed above which might also receive new funding as the State of California issues funding opportunities focused on the homelessness crisis in our community.

B. Landlord Incentive Activities Information

1. Landlord Needs Assessment

When the rental market is strong, which has been the case just prior to and immediately after the Great Recession, we have seen a pattern whereby landlords choose to forego participating with us to rent their vacant units, simply because they can command higher rents than our Payment Standards. Twice, now, over the past decade, BHA has partnered with our local PHA's in our County (Alameda County) and the other County (Contra Costa), which comprise the Oakland-Fremont Metro FMR Area, to conduct a statistical survey on the rental market, to provide data to HUD showing that our FMRs should be increased. During the Covid-19 Pandemic, staff thought that the rental market would drop, making BHA much more competitive, however, landlords were not flocking to us. Rather, we gained only an additional 32 new units since March 2020. Our assumptions were incorrect, as market rents are already starting to increase.

Many of the landlords that participate in our programs are “mom and pop” landlords, owning only one to several units; others are non-profit developers, in the Project-based program; and we have a number of institutional for-profit owners, through the City of Berkeley’s Density Bonus/Below Market Rent program. However, without the City’s set-aside requirements, our program participants likely would not have the ability to rent units in these newer, luxury buildings.

As mentioned previously, BHA has already expended resources and considerable effort to explore our challenges with landlord participation. In our January 2021 survey of Berkeley Property Owners Association, we asked respondents to cite reasons why they did not participate (respondents could select more than one option). Of the 46 responses received:

- 22 (48%) indicated “Concerns about unit damage”
- 13 (28%) indicated “Payment Standard too low”
- 9 (20%) cited “Dislike inspection requirement”
- 27 (58%) were either “unsure” as to why they have not participated with BHA; or open to the idea but unsure where to begin; or indicated “No voucher holders inquired about renting my unit.”
- 21 (45%) cited “Other” reasons (see attachment in Appendix for more details).

The primary strength of our HCV program is the safety net of a voucher whereby clients’ rent portion is re-calculated when there is income decrease or job loss—this was wholly apparent during the pandemic: since March 2020, 139 interim adjustments were processed, with an average increase of \$581 per household. Another strength is our small staff and the ability to handle tasks efficiently. The primary, glaring weakness, a theme throughout this MTW application, is our inability to be competitive in the open market. The high rents are not only a reflection of the ability of higher income earners to pay rents commanded, but also simply the cost of doing business as a landlord, who must pay for repairs, maintenance, and in many cases who choose to hire property managers.

2. MTW Cohort #4 Activities

If selected, BHA will implement the following two activities from the Cohort #4 MTW Activities

List:

- **2.b. Payment Standards – Fair Market Rents (FMR):** The PHA may establish payment standards at 120% of the FMR.
- **4.c. Other Landlord Incentives:** for landlords without any HCV tenants, the PHA may provide up to one month contract rent (signing bonus).

BHA believes that in exceedingly high rental markets, 2.b. will be extremely successful and we are likely to increase the number of lease ups when vacancies occur. Staff is aware that landlords are operating businesses and deciding to lease a unit to an HCV household often is based on the amount of profit attainable, in order to be able to cover the expenses of maintenance on a unit.

We are curious to see how many landlords we can attract who have no voucher holders in any of their other units, providing us with the opportunity to test the signing bonus incentive.

3. Other Landlord Incentives and Initiatives

BHA will request the following agency-specific waivers related to attracting landlords:

- **Unit Cleaning Fee—Death of Sole Remaining Resident:** BHA will pay one-month HAP for the month following the month of death of the sole remaining resident for cleaning a unit, or allowing the family members of the deceased, to remove belongings, provided that the landlord leases up another household utilizing a voucher for the unit upon turnover.
- **Disabled Unit Modifications:** BHA will provide grants to landlords, up to \$500 to allow for modifications to a unit to allow physically disabled households to safely live in units. Costs could include lowering countertops, installing grab bars, etc.

BHA will request the following agency-specific waivers to improve the PBV & FSS Programs:

- **Increase PBV Program Cap:** rather than up to 30% of units, increase to a figure above 30%, such as perhaps 35 or 40% of HAP Budget/Voucher allocation, provided there are supporting HAP funds available in the HAP budget.
- **Acquisition without HUD Approval:** to make more efficient the process by which BHA and/or AHB, our non-profit affiliate, may purchase a property for acquisition/ rehab. or land for new construction.
- **Cap on Number of FSS Program Participants to 27:** because BHA has never been able to qualify for NOFA funding for FSS Coordinator, we will cap the number of FSS participants. We have 24 FSS participants currently enrolled, with 3 graduates.

NOTE: Appendices to follow, post Public Hearing/BHA Board meetings in September, 2021