


Office of the City Manager

June 19, 2013

To: Honorable Mayor and Members of the City Council
From: Christine Daniel, City Manager 
Subject: Report from the Berkeley Housing Authority

At the 3 x 3 committee meeting of May 23, 2013, a written update from the Berkeley Housing Authority was included in the agenda packet. Councilmember Arreguin requested that this update be shared with the full Council; please see the attachment.

Thank you.

Attachment

cc: William Rogers, Deputy City Manager
Mark Numainville, City Clerk
Ann-Marie Hogan, City Auditor
Pamela Embry, Public Information Officer



Berkeley Housing Authority

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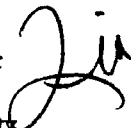
Office of the Executive Director

MEMORANDUM

Date: May 23, 2013

To: Honorable Chairperson Norris and Commissioners Cox and Moody
Berkeley Housing Authority Board

Honorable Mayor Tom Bates and City Council Members Arreguin and Moore
City of Berkeley

From: Tia M. Ingram, Executive Director 

Subject: Update-Berkeley Housing Authority

The Berkeley Housing Authority-City of Berkeley 3x3 Committee last met in April 2012. While there is much that could be reported, this update will focus largely on the two most significant issues BHA faces: (1) BHA's Disposition Project and (2) the Federal Sequester, with brief mention of other items.

BHA's DISPOSITION PROJECT

1. Current Efforts

BHA	Related
Facilitating relocation of households eligible for 1 or 2 bedroom assistance*	Physical Needs Assessment to define scope of work required
Working with HUD to revise/amend/finalize details in the formal project approval	Developing construction/rehabilitation plans, obtaining cost estimates
Finalizing agreements/executing new ground leases	Securing financing (Tax Credit application scheduled for July 2013)
Securing vacant properties to protect remaining residents and prevent (discourage) vandalism	
Continuing to service current residents	
*Mandatory relocation benefits (cash payments) are processed for households eligible for 3 or 4 bedroom assistance that opt to move off site	

2. Relocation Efforts

Households	S8 eligible, 3 and 4 bedroom households	S8 eligible, 1 and 2 bedroom households	Non-S8 eligible households (annual income over 80% AMI)
Inception	31	33	1
Moves (thru May 15 th)	7	15	1
In Tenancy	22	17*	0
*4 of these households have executed an agreement to remain on site in one of the post-rehabilitation, 2-bedroom units			

Although we had hoped most residents will relocate to units in the City of Berkeley, "choice" (including the ability to transfer assistance to any City with a S8 program) is a significant aspect of the Section 8 Program. Thus far 2 households have relocated to a single family home in Berkeley, and 20 have relocated to other jurisdictions where they were able to rent single family homes, apartments with amenities not typically found in Berkeley (i.e. swimming pools), or units with more bedrooms than what appears on the voucher because rents demanded are lower. Note:

- A. 2 households moved to Single Family Homes in the jurisdiction of the Contra Costa County Housing Authority;
- B. 2 households moved to single family homes in the jurisdiction of the Richmond Housing Authority;
- C. 1 households moved to single family homes in the jurisdiction of the Alameda County Housing Authority;
- D. 1 household moved to a single family home in the jurisdiction of the Solano County Housing Authority
- E. 2 households moved to a single family home in the jurisdiction of the Oakland Housing Authority; and
- F. 2 households moved to a single family home in the City of Berkeley

3. Public Housing-NonAssisted Housing-S8PB Assistance

The 75 units will go through a three phase transition. During each phase, all households will have protection against an increase in rent, above 30% of monthly adjusted income.

- A. Public Housing. Until the transfer of title is completed (and the units removed from the HUD system) the units remain "Public Housing", and subject to all the Public Housing Program and/or Rental Housing Construction Program (RHCP) rules. Households pay 30% of adjusted income for rent; receive an allowance for tenant paid utilities; and BHA will continue to manage and provide maintenance services.
- B. Non-Assisted, affordable rental units. Immediately following the transfer of ownership, the units will not be subject to any form of assistance. Residents will execute a lease with Related allowing them to continue paying 30% of income for rent; receive an allowance for tenant paid utilities; and Related will manage the units and provide maintenance services [at any time during this phase, income eligible households may move off site with S8 rental assistance]
- C. S8 Project Based Assistance. Following completion of the rehabilitation (which may be done in phases (by location)), BHA and Related will execute a Master Housing Assistance Payment (HAP) Contract. S8 eligible households will execute a new *assisted* lease with Related, and be formally admitted to the S8 Project Based program.

4. Project Milestones

The first two milestones in the project occurred in December 2009 when BHA submitted the Inventory Removal Application, and in December 2010, when HUD approved the application.

- ✓ July 2013 Related to submit an application for 4% Tax Credits;
- ✓ July 2013 Complete the relocation of households not eligible to remain on site with Project Based Assistance (households requiring a 1 or 2 bedroom unit, or households with annual income over 80% AMI (60% AMI for tax credit purposes).
- ✓ Sept 2013 Award of Tax Credits
- ✓ Dec 2013 Transfer of title; removal of units from Public Housing inventory
- ✓ Jan 2014 Beginning of 6 month rehabilitation phase
- ✓ July 2014 Grand Opening – new development (does it have a name?)

FEDERAL SEQUESTER

On March 1, 2013, the much dreaded Federal Sequester became a reality, with an anticipated life of 10 years of funding reductions. The impact on BHA is the loss of over \$1.7 million in annual funding for rental subsidy payments; the inability to continue utilizing all 1,866 vouchers allocated to assist eligible families (*at the current benefit level*), and a reduction of approximately \$386,000 in administrative fee earnings.

HUD and BHA remain committed to the goal of minimizing the need for involuntary termination of S8 Vouchers. To avoid or at least minimize the need for such action, BHA has taken the following actions:

- A. Notified the applicants in the final stages of being determined eligible to receive a Section 8 Voucher (approximately 200 households), that processing of their application has been suspended until further notice;
- B. Informed the households that received a new S8 Voucher on April 12th (14 households) that (per HUD Notice dated April 26, 2013) their voucher has been suspended until further notice, and we will not honor a Request for Tenancy Approval (RTA);
- C. Suspended indefinitely, all plans for future awards of Project Based Vouchers

We are closely monitoring any changes in funding, and tracking efforts undertaken by other Public Housing Authorities for strategies that may be effective in Berkeley.

OTHER

1. Section 8 Management Assessment Program (SEMAP) Certification. I am pleased to report that for the period ending June 30, 2012, BHA scored 90 or better, receiving a certification of “High Performer” – for the 3rd consecutive year in the S8 Voucher Program.
2. Public Housing Assessment System (PHAS) Certification. For the PHAS assessment for the period ending June 30, 2011 - BHA scored “standard” in all categories, except “physical condition – where we scored “substandard physical”. The units were deemed safe, decent and sanitary – but the properties scored “substandard” because BHA has not undertaken modernization activities. We met with HUD SF staff and explained why it was not a good use of public funds to undertake modernization activities given the pending consummation of the transfer of title – and the anticipated comprehensive rehabilitation. We also shared our commitment to continuing to provide regular and timely maintenance to remaining residents,

and to securing vacant units to protect our neighbors and preserve the real estate. It has been generally agreed that our approach is appropriate, and HUD is not requiring that we execute a new Memorandum of Understanding (MOU).

3. Section 8 Program – Owner Retention. The success of the S8 program is in large part, determined by the willingness of landlords to rent units to households with S8 rental assistance, thus “owner retention” is a priority for staff.

- A. **Rental Market.** Market rents in the City of Berkeley have risen significantly over the past year, with increasing competition for units throughout the City. BHA is requesting reconsideration of the 2012 Fair Market Rents published by HUD – that report a reduction in rental rates.
- B. **Payment Standard.** HUD rules allow BHA to establish the Payment Standard between 90 and 110% of Fair Market Rent (FMR); 120% with prior HUD approval. BHA’s payment standard is currently set at 110%, and in many instances, is below rent being demanded for modest units.
- C. **Unit Listing Service.** BHA maintains a “Rental Listing” service free to owners and participants. The typical number of units on the weekly report has diminished significantly:

Bedroom Size	April 26, 2012	April 18, 2013
0 Studio	2	3
1 Bedroom	5	10
2 Bedrooms	18	1
3 Bedrooms	6	1
Total Units	31	15

- D. **Incentives for Owner Participation.**

- ✓ Exempt from registration and payment of fees – Rent Board;
- ✓ Large share of rent guaranteed, and paid on the first of each month;
- ✓ Another set of eyes – monitoring condition of unit;
- ✓ Owner full authority to screen and select responsible tenants and collect security deposit, request rent increase annually;
- ✓ Ability to help a good/responsible family – who simply lacks the financial resources for quality housing – speaks to those who are inclined to want to help others less fortunate than they, provide an opportunity for safe, decent housing to families struggling to better their family’s chances – the theory of the “public good” rather than “the bottom line”;
- ✓ Ability to (a) monitor lease as with any other tenancy (T must obtain LL & HA permission prior to allowing any others added to lease, enforce lease and act upon violations of lease); (b) terminate tenancy/evict for lease violations just as with any other non-assisted tenancy (often times, the fear of also losing the S8 assistance – is an incentive for a family to voluntarily vacate – saving the owner the time and

expense of an eviction) – note that BHA has direct access to BPD and brings families in for hearings where merited; and

- ✓ Some rental income protection – while a lawful eviction is taking place (in many cases BHA can continue making the monthly payment – while an owner is processing the eviction, or make a retroactive payment at the end of the process).

One long-held incentive to voluntary participation – the ability to “opt-out” of the Housing Assistance Payment (HAP) contract - is no longer applicable. Under current HUD regulations an owner may request that we terminate the HAP for an assisted tenancy, after the assisted lease has been properly terminated (in accordance with the Good Cause for Eviction provisions). This rule does not prevent an owner from terminating a tenancy; rather, it affords assisted households the same protections that are afforded non-assisted rental tenancies.

FUTURE OF BHA

We remain committed to the long-term sustainability of a local, Berkeley Housing Authority. We have implemented a variety of cost saving measures (as identified in the Quadel report), and we continue to explore options for further reductions including but not limited to:

- ✓ Negotiations with SEIU Local 1021 and Local One to reduce or contain staff cost (our largest expense);
- ✓ Negotiations with the City for rental space at 1947 Center St (our second largest expense);
- ✓ Exploring one time investments in technology improvements that will lead to greater efficiencies, heightened customer service, and reduced costs.

We feel strongly that the interest of extremely low-income of residents of the City of Berkeley are best served by a local, single jurisdiction, Berkeley Housing Authority. The voucher allocation and associated \$20 million in annual rental subsidy payments are critical to maintaining diversity in the local population, and the development and preservation of affordable housing (i.e. the S8 Project Based program).

Utilizing what we anticipate in initial proceeds, and subsequent residual payments associated with the “dispo” project, we believe BHA will remain a viable entity for the next 8-10 years.