HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
AGENDA OF THE REGULAR BOARD MEETING
August 28, 2019
11:30 a.m.
TO BE HELD AT:
HOUSING AUTHORITY OFFICES
2160 41st Avenue, Capitola, CA 95010

1. Roll Call

2. Consideration of Late Additions and Changes to the Agenda

3. Consent Agenda

A. <u>Minutes of the Regular Meeting held June 26, 2019</u>

Motion to Approve as Submitted

B. <u>Minutes of the Special Meeting July 29, 2019</u>

Motion to Approve as Submitted

C. <u>Opportunity for Commissioner Attendance at NAHRO Certified Housing Authority Commissioner Training</u>

Motion to Approve Commissioner Attendance at NAHRO Certified Housing Authority Commissioner Training

D. <u>Section 8 Management Assessment Program (SEMAP)</u>

Motion to Adopt <u>Resolution No. 2019-10</u>: Section 8 Management Assessment Program (SEMAP) Certifications for FY 2018/2019 for the Housing Authority of the County of Santa Cruz

E. <u>Renewal Application for HUD Shelter Plus Care Consolidated Program Grant</u>

Motion to Adopt Resolution No. 2019-11: Resolution Authorizing the Submittal of Renewal Grant Applications, the Execution of Renewal Grant Agreements and Any Amendments Thereto, and Any Other Documents Necessary to Secure U.S. Department of Housing and Urban Development (HUD) Shelter Plus Care Consolidated Program Grant

F. <u>Registration of Interest HUD-VASH Program Vouchers</u>

Motion to Adopt Resolution No. 2019-12: Resolution Retroactively Authorizing Submission of a Registration of Interest to the U.S. Department of Housing and Urban Development (HUD) under the Veterans Affairs Supportive Housing (VASH) Program

G. <u>Application for Mainstream Vouchers for Non-Elderly Disabled (MSNED) Households</u>

Motion to Adopt Resolution No. 2019-13: Resolution Authorizing Submission of an Application to HUD and Authorizing Execution of an ACC for up to 50 Vouchers Under the HCV Program to Provide Rental Assistance for Families with Non-elderly Persons with Disabilities (Mainstream Voucher Program)

H. Renewal Application for HUD Youth Homeless Demonstration Program

Motion to Adopt Resolution No. 2019-14 Grant Applications, the Execution of Renewal Grant Agreements and Any Amendments Thereto, and Any Other Documents Necessary to Secure U.S. Department of Housing and Urban Development (HUD) Youth Homeless Demonstration Program Grant

I. 5 Year Agency Plan

Receive Report

4. Oral Communications (All oral communications must be directed to an item not listed on this agenda and must be within the jurisdiction of the Board. Presentations must not exceed three minutes in length. The Board will not take action or respond immediately to any Oral Communication presented, but may choose to follow up at a later time or schedule item for a subsequent agenda. The Board may limit the total amount of time allowed for oral communication). Anyone addressing the Board of Commissioners is asked to complete a card and leave it with the Board secretary so that their names may be accurately recorded in the Minutes.

5. Unfinished Business

6. New Business

A. Election of Officers

The Board of Commissioners of the Housing Authority of the County of Santa Cruz to Elect their Chairperson and Vice-Chairperson.

B. Repositioning Low-Income Public Housing Units through Section 22 Streamlined Voluntary Conversion

Motion to Authorize Agency Staff to Begin Process of Repositioning Low-Income Public Housing units through Section 22 Streamlined Voluntary Conversion to Tenant Protection Voucher Units

C. Brommer Street Transitional Housing Program

Motion to Authorize Agency Staff Not To Apply for Renewal Funding Through HUD Continuum of Care Program; Authorize Agency Staff to Transition Program to Section 8 Voucher Units While Continuing to Serve Homeless Families and Maintaining Partnership with County Human Services Department

7. Written Correspondence

8. Report of Executive Director

9. Reports from Board Members
(Board members may report on meetings attended, if any, or other items of interest.)

10. Closed Session

(The Board will recess to discuss those items listed, if any.)

11. Report on Closed Session

12. Adjournment

*The Housing Authority complies with the Americans with Disabilities Act. If you are a person with disabilities and you require special assistance in order to participate, please contact the Board secretary at 831-454-9455, ext. 201 at least 72 hours in advance of the meeting in order to make arrangements. Persons with disabilities may request a copy of the agenda in an alternative format.
Spanish language translation is available on an as needed basis. Please make arrangements 72 hours in advance by contacting the Housing Authority at 831-454-9455, ext. 280.
Agendas can be obtained from the Housing Authority of the County of Santa Cruz Administration Department.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE REGULAR MEETING JUNE 26, 2019 AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

AGENDA ITEM NO. 1 Roll Call

Chairperson Brunner called the meeting to order at 11:39 a.m. Members present Commissioners Berg, Brunner, Eligio, Garcia, Pomerantz and Schmale

Members Absent

Commissioners Schiffrin (excused)

Staff Present

Jennifer Panetta, Aaron Pomeroy and Courtney Byrd of the Housing Authority

AGENDA ITEM NO. 2 Consideration of Late Additions or Changes to the Agenda

None.

AGENDA ITEM NO. 3 Consent Agenda

Chairperson Brunner asked for a motion to approve the Consent Agenda.

Commissioner Berg moved for approval of the Consent Agenda with spelling a correction; Commissioner Schmale seconded the motion and it was passed by the following vote:

AYES: Commissioners Berg, Brunner, Eligio, Garcia, Pomerantz and Schmale
NOES: None
ABSENT: Commissioners Schiffrin
ABSTAIN: None

Agenda Item 3A. Approval of the Minutes of the Regular Meeting held May 22, 2019 with a spelling correction

Agenda Item 3B. Approval of the Cancellation of the July 24, 2019 Regular Meeting

Agenda Item 3C. Adopted Resolution No. 2019-06: Approval of Fiscal Year 2019-20 Budget for U.S. Department of Agriculture, Rural Development, Farm Labor Housing at 127-193 East Front Street, Watsonville, CA ("Casa Pajaro") and Resolution No. 2019-07: Approval of Fiscal Year 2018-19 Budget for U.S. Department of Agriculture, Rural Development, Farm Labor Housing at 101 Tierra Alta Drive, Watsonville, CA ("Tierra Alta")

Finance Director Pomeroy exited the meeting at 11:45 a.m. with thanks from Secretary Panetta and the Board of Commissioners.

AGENDA ITEM NO. 4 Oral Communications

One person addressed the Board.

Ms. Ludmila Boiko addressed the Board of Commissioners regarding her daughter. Staff will contact her after the meeting.

AGENDA ITEM NO. 5 Unfinished Business
None.

AGENDA ITEM NO. 6A Housing Choice Voucher Administrative Plan Update

Secretary Panetta informed the Board that the Housing Choice Voucher Administrative Plan includes information about waiting list procedures for the Section 8 Housing Choice Voucher and Project Based Voucher Programs. The proposed updates before the Board do not constitute significant changes or substantial deviations to the Plan. A discussion followed.

Commissioner Garcia moved for approval of the updates to the Housing Choice Voucher Administrative Plan as presented; Commissioner Berg seconded the motion and it was passed by the following vote:

AYES:	Commissioners Berg, Brunner, Eligio, Garcia, Pomerantz and Schmale
NOES:	None
ABSENT:	Commissioners Schiffrin
ABSTAIN:	None

AGENDA ITEM NO. 6B Repositioning Low Income Public Housing Units

Secretary Panetta informed the Board that historically, the capital needs of the nation's public housing stock have outpaced federal funding for capital repairs, resulting in an increasing backlog of capital needs, currently estimated to exceed $26 billion. Many PHAs are unable to preserve the quality their units, and deplorable conditions in some public housing developments have made national headlines. In recent years, HUD has encouraged PHAs to reposition their public housing stock. Until recently, the repositioning options available have not been advantageous to our Agency. However, new repositioning options look promising, and are currently being explored by staff. Staff is motivated to complete this analysis and bring a recommendation to the Board quickly. A discussion followed.

AGENDA ITEM NO. 7 Written Correspondence

Secretary Panetta brought the Boards attention to a letter she wrote to HUD opposing the proposed regulatory changes in Docket No: FR-6124-P-01; Housing And Community Development Act of 1980.

AGENDA ITEM NO. 8 Report of Executive Director

Executive Director Panetta informed the Board that as of May 14, 2019, the Housing Authority of the County of Santa Cruz is now recognized as a Santa Cruz County Green Business.

Executive Director Panetta updated the Board on the Housing Authority's current software conversion.

Executive Director Panetta gave the Board a legislative update. Commissioner Garcia made a motion for the Board of Commissioners Chairperson to send a letter to our local state representatives in support of SB 329 which would prohibit landlords from discrimination against Housing Choice Voucher holders. Commissioner Eligio seconded the motion. Motion passed unanimously.

AGENDA ITEM NO. 9 Reports from Board Members

Commissioner Garcia reported that the City Council of Watsonville recently passed a resolution declaring its support of Senate Bill SB 5 entitled Affordable Housing and Community Development Investment Program.

Commissioner Garcia informed the Board that the Santa Cruz affordable housing commission continues to meet to work on affordable housing issues.

The Board of Commissioners entered closed session at 12:56 p.m.

AGENDA ITEM NO. 10 Closed Session

A. Executive Director Employee Evaluation and Contract Renewal

The Board of Commissioner exited closed session at 1:12 p.m.

AGENDA ITEM NO.11 Report on Closed Session

The Board of Commissioners gave the Executive Director an Employee Evaluation and approved the renewal of the Executive Director's contract.

AGENDA ITEM NO. 12 Adjournment

The Board of Commissioners meeting was adjourned at 1:40 p.m.

I hereby certify that these minutes were approved by the Housing Authority of the County of Santa Cruz, on the Twenty Eighth Day of August, 2019.

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Chairperson of the Authority

ATTEST: ____________________

Secretary

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, MINUTES OF THE SPECIAL MEETING JULY 29, 2019 AT THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, 2160 41ST AVENUE, CAPITOLA, CA 95010

AGENDA ITEM NO. 1 Roll Call

Vice Chairperson Schiffrin called the meeting to order at 2:01p.m Members present at Housing Authority site; Commissioner Eligio, Garcia and Schmale. Members in attendance via teleconference:

- Commissioner Berg
- Commissioner Pomerantz
- Commissioner Schiffrin

Members Absent

Commissioner Brunner (excused)

Staff Present

Jennifer Panetta, Aaron Pomeroy and Courtney Byrd of the Housing Authority

AGENDA ITEM NO. 2 Consideration of Late Additions or Changes to the Agenda

None.

AGENDA ITEM NO. 3 Oral Communications

None.

AGENDA ITEM NO. 4 Buena Vista Migrant Center Operations Contract for FY2019-2021

Secretary Panetta and Finance Director Pomeroy explained to the Commissioners that this is the Operation and Maintenance Contract for the 2019-2020 and 2020-2021 fiscal years for the Buena Vista Migrant Center. The biennial contract for FY2019-2021 includes an increase in funding of $100,748, or 13%, compared to the biennial contract for FY2017-2019. The contract covers anticipated operating and maintenance expenses, salary and benefits for onsite Housing Authority staff, and administrative support funding which serves as a management fee to cover indirect personnel costs and overhead.
A discussion followed.

Commissioner Berg moved to adopt Resolution No. 2019-08; Commissioner Eligio seconded the motion and it was passed by the following vote:

AYES: Commissioners Berg, Eligio, Garcia, Pomerantz, Schiffrin and Schmale
NOES: None
ABSENT: Commissioner Brunner
ABSTAIN: None

Finance Director Pomeroy exited the meeting at 2:15 p.m. with thanks from the Board.

AGENDA ITEM NO. 5 Additional Staff Holiday for 2019

Secretary Panetta informed the Board that over the course of the past year, the Housing Authority has accomplished several major achievements through the extraordinary work of staff. In July 2018, the

Agency moved to our new mid-County location in Capitola, a Section 8 waiting list opening after a nearly ten-year closure and entering into a contract with a new software vendor. Management would like to thank and reward all staff for their extremely hard work and positivity over the course of this uncharacteristically challenging year by granting one additional paid holiday, to be used in 2019. A discussion followed. Commissioner Schiffrin would like the resolution to be amended from:

“The Housing Authority of the County of Santa Cruz hereby grants, on a one-time basis, one eight (8) hour holiday (prorated for part-time employees) to all employees who were employed on July 1, 2019. This holiday shall be taken on December 26th, 2019, during the agency closure when staff would have ordinarily been required to use a vacation day, except for employees who terminate their employment prior to that date, who may take the holiday as a floating holiday as described in the Personnel Policies.”

To: “The Housing Authority of the County of Santa Cruz hereby grants, on a one-time basis, one eight (8) hour holiday (prorated for part-time employees) to all employees who were employed on July 1, 2019. This holiday must be used by December 31, 2019.”

Commissioner Pomerantz moved to adopt Resolution 2019-09 as amended; Commissioner Garcia seconded the motion and it was passed by the following vote:

AYES:	Commissioners Berg, Eligio, Garcia, Pomerantz, Schiffrin and Schmale
NOES:	None
ABSENT:	Commissioner Brunner
ABSTAIN:	None

AGENDA ITEM NO. 6 Adjournment

The Board of Commissioners meeting was adjourned at 2:23 p.m.

I hereby certify that these minutes were approved by the Housing Authority of the County of Santa Cruz, on the Twenty Eighth day of August, 2019.

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Chairperson of the Authority

ATTEST: ____________________

Secretary

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 3C

FROM: Executive Director

SUBJECT: Opportunity for Commissioner Attendance at NAHRO Certified Housing Authority Commissioner Training

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RECOMMENDATION: Approval of Commissioner Attendance at NAHRO Certified Housing Authority Commissioner Training

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BACKGROUND SUMMARY:

Housing Authority Bylaws state that: “Reimbursable attendance at a seminar, conference, workshop or similar event directly related to Housing Authorities, by a Commissioner of the Board, shall first be approved by a majority vote of a quorum of the Board.”

The 2019 National Association of Housing and Redevelopment Officials (NAHRO) National Conference and Exhibition will take place in San Antonio, Texas from October 10^{th} through October 12^{th}. The conference is expected to include a NAHRO certified Housing Authority Commissioner Training, titled “Commissioner Fundamentals” and “Ethics for Commissioners”. Staff recommends approval for up to two Commissioners to attend the training, if Commissioners are interested and available to attend.

RECOMMENDATION: Approval of Commissioner Attendance at NAHRO Certified Housing Authority Commissioner Training

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 ITEM NUMBER: 3D

FROM: Executive Director

SUBJECT: Section 8 Management Assessment Program (SEMAP)

RECOMMENDATION: Adopt **Resolution No. 2019-10**: Section 8 Management Assessment Program (SEMAP) Certifications for FY 2018/2019 for the Housing Authority of the County of Santa Cruz

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BACKGROUND SUMMARY:

SEMAP is the management assessment system that HUD uses annually to measure the performance of all housing agencies that administer the Section 8 Housing Choice Voucher programs.

SEMAP consists of 14 key indicators of Housing Authority performance. Seven indicators are self-audited and will be verified by our Independent Auditor. The other seven indicators are measured by HUD via data submitted to HUD electronically throughout the year. Each indicator is a measure of our degree of compliance with the rules for operating the Housing Choice Voucher Program.

We have responded to each indicator based on our own audit of each indicator and based on data made available by HUD. Based on this internal analysis, we expect that our Agency will be designated as a "High Performer". Additionally, while a score of only 90% is needed to obtain "High Performer" status, this year our agency anticipates a perfect SEMAP score of 100% as detailed in the attached documentation.

Upon approval by the Board, our certification will be electronically submitted to HUD. Staff will provide the Board with an update once a final SEMAP score is issued by HUD.

RECOMMENDATION: Adopt **Resolution No. 2019-10**: Section 8 Management Assessment Program (SEMAP) Certifications for FY 2018/2019 for the Housing Authority of the County of Santa Cruz.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

BEFORE THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 2019-10

On the Motion of Commissioner:
Duly seconded by Commissioner:
The Following Resolution is Adopted:

RESOLUTION APPROVING THE SUBMISSION OF THE SECTION 8 MANAGEMENT ASSESSMENT PROGRAM (SEMAP) CERTIFICATION

WHEREAS, The United States Department of Housing and Urban Development (HUD) has implemented an assessment program entitled Section 8 Management Assessment Program (SEMAP) for the purpose of assessing whether the Section 8 tenant-based assistance programs operate to help eligible families afford decent rental units at the correct subsidy cost; and

WHEREAS, SEMAP establishes an objective system for HUD to measure Housing Authority performance in key Section 8 program areas to enable HUD to ensure program integrity and accountability; and

WHEREAS, SEMAP provides procedures for HUD to identify Housing Authority management capabilities and deficiencies in order to target monitoring and program assistance more effectively; and

WHEREAS, Housing Authorities can use the SEMAP performance analysis to assess and improve their own program operations; and

WHEREAS, the Housing Authority administers a Section 8 tenant-based assistance program; and

WHEREAS, the Housing Authority has audited its files in light of the performance indicators contained in the Section 8 Management Assessment Program;

NOW, THEREFORE, BE IT RESOLVED by the Housing Authority of the County of Santa Cruz that according to the responses under the Section 8 Management Assessment Program (SEMAP) for the Housing Authority’s fiscal year 2018/2019, there is no evidence to indicate seriously deficient performance that casts doubt on the Housing Authority’s capacity to administer Section 8 rental assistance in accordance with Federal law and regulations.

PASSED AND ADOPTED by the Commissioners of the Housing Authority of the County of Santa Cruz, State of California, this Twenty Eighth day of August 28, 2019 by the following vote:

YES:
NOES:
ABSENT:

Chairperson of the Authority

ATTEST:

Secretary of the Authority

SEMAP SCORES - HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ
FY 2018/2019

INDICATOR	SCORING METHOD	HA SCORE	POINTS POSS	COMMENTS
Selection from Waiting List (The HA's QC samples indicate at least 98% of families were selected from the wait list in accordance w/HA's policies.)	self audit	15	15	
Reasonable Rent (HA has & implements reasonable written method to determine rent is reasonable for all leased units.)	self audit	20	20	
Determination of Adjusted Income (HA QC samples shows that at admission and reexamination, HA properly determined income.)	self audit	20	20	
Utility Allowance (HA maintains up-to-date utility allowance sched.)	self audit	5	5	
HQS Quality Control Inspections (HA supervisor reinspected sample of units for compliance.)	self audit	5	5	
HQS Enforcement (HA QC samples of failed inspections shows that deficiencies were corrected in the required time frames or rents were abated.)	self audit	10	10	
Expanding Housing Opportunities (HA has written policy to encourage participation by owners of units outside areas of poverty or minority concentration.)	self audit	5	5	
FMR Limit/Payment Standards (Ensures Payments standards are correctly calculated and administered.)	HUD Data	5	5	
Annual Reexaminations (HA completes reexam for each family at least every 12 months.)	HUD Data	10	10	
Correct Tenant Rent Calculations (HA correctly calcuates rents.)	HUD Data	5	5	
Pre-Contract HQS Inspections (Each newly leased unit passed inspection before beginning date of lease and HAP contract.)	HUD Data	5	5	
Annual HQS Inspections (HA inspects each unit under contract annually.)	HUD Data	10	10	
Lease Up (HA executes contracts for eligible families for the number of units under budget for at least 1 year.)	HUD Data	20	20	
FSS (The HA has enrolled families in FSS as required.)	HUD Data	10	10	
	Total	**145**	**145**	

Overall Percentage **100.00%** High Performer

Overall SEMAP Scoring	90% +	High Performer
	60-89%	Standard Performer
	<60%	Troubled Performer

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 3E

FROM: Executive Director

SUBJECT: Renewal Application for HUD Shelter Plus Care Consolidated Program Grant

RECOMMENDATION: Adopt **Resolution No. 2019-11**: Resolution Authorizing the Submittal of Renewal Grant Applications, the Execution of Renewal Grant Agreements and Any Amendments Thereto, and Any Other Documents Necessary to Secure U.S. Department of Housing and Urban Development (HUD) Shelter Plus Care Consolidated Program Grant

BACKGROUND SUMMARY:

In 2003, the Housing Authority partnered with the Homeless Persons Health Project (HPHP) and the County Continuum of Care Committee to secure a grant for the County's first Shelter Plus Care Program (S+C). This program is designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities who are living in places not intended for human habitation. The program primarily funds housing assistance, with supportive services mostly funded by other sources. Permanent Supportive Housing is the best solution for the hard-to-reach homeless population with disabilities.

The original S+C grant term was 5 years, and each subsequent renewal is for one year. For fiscal year 2017, the Housing Authority was awarded a new expansion grant, titled New Beginnings, to serve nine more hard-to-reach homeless people with disabilities. Last year, the Housing Authority consolidated the S+C and the New Beginnings grants. This consolidation, titled SPC Consolidated program, subsidized a total of 40 households.

The Housing Authority plans to apply for another year renewal grant. If the SPC Consolidated renewal application is funded, HPHP will assist tenants in the leasing of assisted units, and provide supportive services to help residents be successful in their new tenancy. The Housing Authority will determine eligibility, conduct inspections, pay rental assistance (the tenants pay 30% of their income), and carry out reporting, accounting, and other administrative tasks.

RECOMMENDATION: Adopt **Resolution No. 2019-11**: Resolution Authorizing the Submittal of Renewal Grant Applications, the Execution of Renewal Grant Agreements and Any Amendments Thereto, and Any Other Documents Necessary to Secure U.S. Department of Housing and Urban Development (HUD) Shelter Plus Care Consolidated Program Grant

BEFORE THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 2019-11

On the motion of Commissioner
Duly seconded by Commissioner

The following resolution is adopted:

RESOLUTION AUTHORIZING THE SUBMITTAL OF RENEWAL GRANT APPLICATIONS, THE EXECUTION OF RENEWAL GRANT AGREEMENTS AND ANY AMENDMENTS THERETO, AND ANY OTHER DOCUMENTS NECESSARY TO SECURE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) SHELTER PLUS CARE CONSOLIDATED PROGRAM GRANT

WHEREAS, the Housing Authority of the County of Santa Cruz (hereinafter referred to as "Applicant") is a public entity established under the laws of California and empowered to own property, borrow money, and give security for loans; and

WHEREAS, the Department of Housing and Urban Development (referred to as "HUD") is authorized to make grants under the Shelter Plus Care program to providing housing and supportive services to homeless persons and families to move to self sufficiency and permanent housing; including opportunity for renewal grants; and

WHEREAS, the Applicant wishes to obtain from HUD renewal grants for the implementation of such a program to continue to serve the chronically homeless.

NOW, THEREFORE, BE IT RESOLVED THAT

1. The applicant shall submit to HUD applications for renewal grant for $747,994 to renew the Shelter Plus Care Consolidated program grant.

2. If the renewal grant application is approved, the Applicant is hereby authorized to enter into a grant agreement with HUD for the purposes set forth in the grant application and approved by HUD. The applicant also may execute security and other instructions necessary or required by HUD to evidence and secure the grant.

3. The Applicant is further authorized to request amendments, and to execute any and all documents required by HUD to evidence and secure these amendments.

4. The Applicant authorizes the Executive Director to execute in the name of the Applicant, the grant application and the grant agreement, and security and other

instruments necessary or required by HUD for the making and security of the grant, and any amendments thereto.

PASSED AND ADOPTED by the Commissioners of the Housing Authority of the County of Santa Cruz, State of California, this twenty-second day of August, 28, 2019 by the following vote:

AYES:

NOES:

ABSENT:

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Chairperson of the Authority

ATTEST:

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Secretary of the Authority

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 3F

FROM: Executive Director

SUBJECT: Registration of Interest HUD-VASH Program Vouchers

RECOMMENDATION: **Adopt Resolution No. 2019-12**: Resolution Retroactively Authorizing Submission of a Registration of Interest to the U.S. Department of Housing and Urban Development (HUD) under the Veterans Affairs Supportive Housing (VASH) Program

BACKGROUND SUMMARY:

The Department of Housing and Urban Development (HUD) and the Veterans Administration (VA) have partnered together to create a program for homeless veterans that combines HUD Housing Choice Voucher rental assistance with case management and clinical services provided by the Department of Veterans Affairs at its medical centers and in the community.

Funding for this program is limited to housing authorities that partner with "eligible Veterans Affairs Medical Centers (VAMCs) or other entities as designated by the VA". On July 5, 2019, HUD published a PIH Notice: Registration of Interest for HUD-VASH Vouchers that invited PHAs to register an interest to partner with the Veterans Administration to administer additional VASH vouchers. Registration requires a letter of support from the regional VA. On July 31, 2019 the Housing Authority received the VA letter of support. The registration due date was August 19.2019, prior to the regular August board meeting. Based on the Board's historical support of the HUD-VASH program, the Housing Authority has submitted a Registration of Interest for additional vouchers. When a PHA registers interest, they do not know if they will be awarded HUD-VASH vouchers, nor how many vouchers may be awarded. The Housing Authority of the County of Santa Cruz currently has 352 HUD-VASH vouchers to house homeless Veterans.

RECOMMENDATION: **Adopt Resolution No. 2019-12**: Resolution Retroactively Authorizing Submission of a Registration of Interest to the U.S. Department of Housing and Urban Development (HUD) under the Veterans Affairs Supportive Housing (VASH) Program

BEFORE THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 2019-12

On the motion of Commissioner
Duly seconded by Commissioner
The Following Resolution is Adopted:

RESOLUTION RETROACTIVELY AUTHORIZING SUBMISSION OF A REGISTRATION OF INTEREST TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) FOR ADDITIONAL HOUSING CHOICE VOUCHERS UNDER THE VETERANS AFFAIRS SUPPORTIVE HOUSING (VASH) PROGRAM

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) has invited the Housing Authority to register interest for additional Veterans Affairs Supportive Housing (VASH) vouchers in the County of Santa Cruz; and

WHEREAS, there is an urgent need in the County for more vouchers of every kind; and

WHEREAS, the Housing Authority of the County of Santa Cruz is the designated Public Housing Agency (PHA) for said County.

NOW, THEREFORE, BE IT RESOLVED that the Executive Director of the Housing Authority of the County of Santa Cruz is retroactively authorized to submit a registration of interest to HUD for additional vouchers under the VASH Program.

PASSED AND ADOPTED by the Commissioners of the Housing Authority of the County of Santa Cruz, State of California, this Twenty Eighth of August, 2019 by the following vote:

AYES:

NOES:

ABSENT:

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Chairperson of the Authority

ATTEST:

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Secretary of the Authority

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 3G

FROM: Executive Director

SUBJECT: Application for Mainstream Vouchers for Non-Elderly Disabled (MSNED) Households

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RECOMMENDATION: Adopt **Resolution No. 2019-13**: Resolution Authorizing Submission of an Application to the U.S. Department of Housing and Urban Development (HUD) and Authorizing Execution of an Annual Contributions Contract (ACC) for up to 50 Vouchers Under the Housing Choice Voucher Program to Provide Rental Assistance for Families with Non-elderly Persons with Disabilities (Mainstream Voucher Program)

BACKGROUND SUMMARY:

The Department of Housing and Urban Development (HUD) has made another round of funding available for Section 811 Housing Choice Vouchers (known as Mainstream Vouchers) to assist non-elderly persons with disabilities, through the Consolidated Appropriations Act of 2018. The Notification of Funding Availability (NOFA) provides additional points for Public Housing Authorities (PHA) that target funds to assist non-elderly persons with disabilities who are transitioning out of institutions, at serious risk of institutionalization, currently experiencing homelessness, previously experienced homelessness and currently a client in a permanent supportive housing or rapid rehousing project or at risk of experiencing homeless.

The Housing Authority was awarded 50 MSNED vouchers last year. This application is for up to 50 additional Mainstream vouchers.

RECOMMENDATION: Adopt **Resolution No. 2019-13**: Resolution Authorizing Submission of an Application to HUD and Authorizing Execution of an ACC for up to 50 Vouchers Under the HCV Program to Provide Rental Assistance for Families with Non-elderly Persons with Disabilities (Mainstream Voucher Program)

BEFORE THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 2019-13

On the motion of Commissioner
Duly seconded by Commissioner
The Following Resolution is Adopted:

RESOLUTION AUTHORIZING SUBMISSION OF AN APPLICATION TO THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) AND AUTHORIZING EXECUTION OF AN ANNUAL CONTRIBUTIONS CONTRACT (ACC) FOR UP TO 50 VOUCHERS UNDER THE HOUSING CHOICE VOUCHER PROGRAM TO PROVIDE RENTAL ASSISTANCE TO NON-ELDERLY DISABLED FAMILIES UNDER THE MAINSTREAM VOUCHER PROGRAM

WHEREAS, the U.S. Department of Housing and Urban Development (HUD) has issued the Notice of Funding Opportunity (NOFA) FR-6300-N-43 for 2018 Mainstream Voucher Program for Public Housing Authorities to apply for vouchers to assist non-elderly persons with disabilities; and

WHEREAS, there is an urgent need in the County for more vouchers of every kind; and

WHEREAS, there is an urgent need in the County for more units to specifically assist persons with disabilities; and

WHEREAS, the Housing Authority of the County of Santa Cruz is the designated Public Housing Agency (PHA) for said County.

NOW, THEREFORE, BE IT RESOLVED that the Executive Director of the Housing Authority of the County of Santa Cruz is authorized to submit an application to HUD for up to 50 mainstream non-elderly persons with disabilities program vouchers.

PASSED AND ADOPTED by the Commissioners of the Housing Authority of the County of Santa Cruz, State of California, this Twenty-Eighth day of August, 2019 by the following vote:

AYES:

NOES:

ABSENT:

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Chairperson of the Authority

ATTEST:

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Secretary of the Authority

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019

ITEM NUMBER: 3H

FROM: Executive Director

SUBJECT: Renewal Application for HUD Youth Homeless Demonstration Program

RECOMMENDATION: Adopt **Resolution No. 2019-14**: Resolution Authorizing the Submittal of Renewal Grant Applications, the Execution of Renewal Grant Agreements and Any Amendments Thereto, and Any Other Documents Necessary to Secure U.S. Department of Housing and Urban Development (HUD) Youth Homeless Demonstration Program Grant

BACKGROUND SUMMARY:

The US Dept. of Housing and Urban Development (HUD) awarded the Housing Authority of the County of Santa Cruz a Youth Homeless Demonstration Program (YHDP) grant to provide permanent supportive housing (PSH) for young adults, age 18-24, who are homeless and have disabilities. This PSH program, titled New Roots, is similar to the Shelter Plus Care PSH Program that the Housing Authority has provided for over a decade. The Housing Authority provides housing assistance while subcontracting with Encompass Community Services to provide supportive services essential for homeless young adults to gain and retain stable housing. This initial HUD New Roots grant was for two years with the possibility of one-year renewals. The Housing Authority is prepared to apply for a one-year renewal.

RECOMMENDATION: Adopt **Resolution No. 2019-14**: Resolution Authorizing the Submittal of Renewal Grant Applications, the Execution of Renewal Grant Agreements and Any Amendments Thereto, and Any Other Documents Necessary to Secure U.S. Department of Housing and Urban Development (HUD) Youth Homeless Demonstration Program Grant

BEFORE THE HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ, STATE OF CALIFORNIA

RESOLUTION NO. 2019-14

On the motion of Commissioner
Duly seconded by Commissioner

The following resolution is adopted:

RESOLUTION AUTHORIZING THE SUBMITTAL OF RENEWAL GRANT APPLICATIONS, THE EXECUTION OF RENEWAL GRANT AGREEMENTS AND ANY AMENDMENTS THERETO, AND ANY OTHER DOCUMENTS NECESSARY TO SECURE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD) YOUTH HOMELESS DEMONSTRATION PROGRAM GRANT

WHEREAS, the Housing Authority of the County of Santa Cruz (hereinafter referred to as "Applicant") is a public entity established under the laws of California and empowered to own property, borrow money, and give security for loans; and

WHEREAS, the Department of Housing and Urban Development (referred to as "HUD") is authorized to make grants under the Youth Homeless Demonstration Program (YHDP) to providing housing and supportive services to homeless young adults to move to self-sufficiency; including opportunity for renewal grants; and

WHEREAS, the Applicant wishes to obtain from HUD a renewal grant for the implementation of such a program to continue to serve homeless young adults with disabilities.

NOW, THEREFORE, BE IT RESOLVED THAT

1. The applicant shall submit to HUD an application for a one-year renewal grant for $136,365 to renew the YHDP grant titled New Roots.

2. If the renewal grant application is approved, the Applicant is hereby authorized to enter into a grant agreement with HUD for the purposes set forth in the grant application and approved by HUD. The applicant also may execute security and other instructions necessary or required by HUD to evidence and secure the grant.

3. The Applicant is further authorized to request amendments, and to execute any and all documents required by HUD to evidence and secure these amendments.

4. The Applicant authorizes the Executive Director to execute in the name of the Applicant, the grant application and the grant agreement, and security and other

instruments necessary or required by HUD for the making and security of the grant, and any amendments thereto.

PASSED AND ADOPTED by the Commissioners of the Housing Authority of the County of Santa Cruz, State of California, this twenty-second day of August, 28, 2019 by the following vote:

AYES:

NOES:

ABSENT:

____
Chairperson of the Authority

ATTEST:

____
Secretary of the Authority

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019

ITEM NUMBER: 3I

FROM: Executive Director

SUBJECT: 5 Year Agency Plan

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

The United States Department of Housing and Urban Development (HUD) requires that housing authorities prepare annual Agency Plans. Additionally, every five years all housing authorities are required to submit a more comprehensive Five Year Agency Plan. The Housing Authority of the County of Santa Cruz will be preparing this Five Year Plan over the coming months, in preparation to finalize the plan in March 2020, and submit the plan to HUD by April 15, 2020. Last year, a Commissioner recommended that our Agency engage in some strategic planning. At the time, it was recommended that this planning be integrated into the development of the upcoming 5 Year Agency Plan.

In addition to all of the standard elements of the Annual Agency Plan, which most current Board members may be familiar with, the Five Year Plan includes additional elements, including the following items.

1. Mission Statement
2. Progress Made on Goals From Previous 5 Year Agency Plan
3. Criteria for Defining Significant Amendment or Substantial Deviation from Agency Plan
4. Agency Goals and Objectives for Upcoming 5 Year Agency Plan

Over the coming months, Housing Authority staff will begin discussions with the Board regarding these items, with the goal that all of the items listed above will be finalized prior to January 2020. Items 1 through 3 will be presented to the Board at the September meeting, leaving time at the October and December meetings to discuss Agency Goals and Objectives.

The remainder of the Agency Plan elements will follow the typical timeline, with a draft presented to the Resident Advisory Board in January 2020, a draft presented to the Board of Commissioners, along with a discussion of all modifications in February 2020, and a public hearing and final vote to approve the draft in March 2020.

RECOMMENDATION: Receive Report

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019

ITEM NUMBER: 6A

FROM: Executive Director

SUBJECT: Election of Officers

RECOMMENDATION: The Board of Commissioners of the Housing Authority of the County of Santa Cruz to Elect their Chairperson and Vice-Chairperson.

BACKGROUND SUMMARY:

Each August, the Board of Commissioners elects or re-elects a Chairperson and Vice-Chairperson for the next twelve months. There is no term limit for Board Officers.

RECOMMENDATION: The Board of Commissioners of the Housing Authority of the County of Santa Cruz to Elect their Chairperson and Vice-Chairperson.

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 6B

FROM: Executive Director

SUBJECT: Repositioning Low-Income Public Housing Units through Section 22 Streamlined Voluntary Conversion

RECOMMENDATION: Authorize Agency Staff to Begin Process of Repositioning Low-Income Public Housing units through Section 22 Streamlined Voluntary Conversion to Tenant Protection Voucher Units

BACKGROUND SUMMARY:

As the Board has recently discussed, the capital needs of the nation's public housing stock have outpaced federal funding for capital repairs, resulting in an increasing backlog of capital needs, currently estimated to exceed $26 billion. Many PHAs are unable to preserve the quality of their units, and deplorable conditions in some public housing developments have made national headlines. In recent years, HUD has strongly encouraged PHAs to reposition their public housing stock, allowing communities to develop locally appropriate strategies to preserve affordable housing. Until recently, the repositioning options available have not been advantageous to our Agency. However, on March 21, 2019 HUD issued PIH Notice 2019-05: Section 22 Streamlined Voluntary Conversions of Last Remaining Projects of Small Public Housing Agencies. This notice announces a new repositioning option for PHAs, like ours, with fewer than 250 public housing units.

In an effort to encourage PHAs to explore repositioning options, HUD has provided a limited amount of free technical assistance to eligible PHAs. Our Agency has been in conversation with the HUD field office, as well as a HUD funded consultant (The Communities Group or TCG), who collected information about our Agency, our housing stock, and local market factors. TCG provided the Housing Authority, and HUD, an Asset Repositioning Assessment (see attached). The analysis provided by TCG shows that a Section 22 Streamlined Voluntary Conversion (SVC) utilizing Tenant Protection Vouchers (TPV) would be significantly more favorable to LIPH residents, and to the Agency, than keeping the units in the LIPH program, or by repositioning through other available options such as Rental Assistance Demonstration (RAD). Although this analysis is consistent with information received from HUD, and is consistent with staff analysis, in order to have a greater degree of confidence in the recommendation, staff obtained a separate independent analysis by an industry leading financial consulting firm (BDO) with experience in repositioning of public housing. The results of the independent analysis were nearly identical to the analysis provided by TCG, within a margin of 1%.

Summary of Section 22 Streamlined Voluntary Conversion (SVC)

HUD is authorized under Section 22 of the Housing Act of 1937 to allow PHAs to convert public housing into tenant-based assistance. Historically, Section 22 conversions have been limited to instances where the PHA can demonstrate that 1) conversion is not more expensive to HUD than public housing, 2) conversion benefits the residents, the PHA, and the community and 3) conversion has no adverse effect on the availability of affordable housing in the community. Under new guidance issued in March 2019, HUD has waived the requirement for PHAs with less than 250 public housing units to demonstrate that conversion to tenant-based assistance is not more expensive to HUD.

With a Section 22 SVC, the Housing Authority would transfer ownership of the properties to a wholly owned affiliated entity, where the Housing Authority would continue to control and manage the properties. (More information and Board Action regarding the wholly owned affiliated entity will take place at a subsequent Board meeting, including information and recommendation from legal counsel). If the SVC is approved by HUD, the Housing Authority would receive 234 additional Tenant Protection Vouchers. The current residents of the converted units (LIPH tenants) would receive those vouchers. Residents would have the right to remain in their unit, paying the same level of rent which is already based on 30% of income. Additionally, residents would have the freedom of mobility, and would have the ability to transfer their rental assistance anywhere in the private market, with a regular Housing Choice Voucher. Upon turnover, the units would be available to voucher holders. Since the LIPH program would be merged into the Section 8 program, the applicants remaining on the LIPH waiting list would be added to the Section 8 waiting list. The former LIPH units would have a preference for applicants who had been on the LIPH waiting list. Essentially, the community would exchange 234 “public housing” units for 234 portable vouchers and 234 units that are exclusively available to voucher holders. This voluntary conversion would remove <u>all</u> public housing units from our public housing program, closing out our public housing program. Market rents would be charged (capped at rent reasonableness), and while the tenants would continue to pay an affordable rent (capped at 30% income) the affiliated entity would receive the HAP payment, and the PHA would receive the administrative fees.

Financial Impact of Section 22 Streamlined Voluntary Conversion

The Housing Authority currently receives $618,365 in capital fund subsidy, along with 589,646 in operating subsidy, and an estimated $1,661,765 in rental income for a total of $2,869,776 in annual revenue. The attached analysis shows that Section 22 SVC would generate approximately $7.4 million in rental income the first year, in addition to over $250,000 in administrative fee revenue. Section 22 SVC generates nearly $4.5 million in additional revenue annually, and nearly $89 million in additional revenue over a 20-year period. Based on this rent analysis, Section 22 SVC is *significantly* more financially advantageous to the Agency. Our PHA would not have been eligible for Section 22 conversion prior to HUD’s most recent guidance removing the requirement to demonstrate that the conversion does not increase HUDs costs. Essentially, while HUD’s recent guidance cuts HUDs costs at a national level, PHAs with small public housing programs in high FMR areas like ours are outliers, and there are significant financial benefits associated with conversion.

The primary drawback or disadvantage associated with Section 22 SVC is that unexpended capital funds and reserves would be recaptured by HUD. Our agency has been efficient with the use of our capital funds and our units are in good condition. Therefore, we have significant reserves that could be subject to recapture. However, we may be able to accelerate some improvements to utilize more of our existing reserves. Also, even if all existing reserves were lost, with the significant increase in revenue, we would replenish those reserves over the course of approximately two years. Over a longer time horizon, the Agency anticipates our revenue would more than cover future capital needs, and additional rental revenue would be unrestricted, meaning it would not be limited to being used at the existing sites. Potentially, the Agency could use excess revenue to improve the existing housing stock (such as adding community rooms), increase density at existing sites (adding more units), or even funding the development of additional affordable housing construction.

Programmatic Impact of Section 22 Streamlined Voluntary Conversion (SVC)

Programmatically, Section 22 SVC retains every residents' right to remain in their existing units, and continuing to pay 30% of their income in rent. However, while existing public housing residents do not have mobility options and must remain in a public housing unit to receive assistance, with a Tenant Protection Voucher all eligible residents would have the ability to transfer their assistance into the private rental market with a regular Section 8 voucher. Existing residents would need to have their eligibility redetermined at the time of conversion and must be income eligible for a voucher (under 80% AMI). Based on current data, we anticipate all residents would be income eligible to receive assistance. If a resident were to be determined over-income, the Housing Authority would provide relocation assistance.

Administrative Impact of Section 22 Streamlined Voluntary Conversion (SVC)

The process of preparing an application for Section 22 SVC is lengthy and time consuming, impacting administrative and program staff at all levels of the Agency. However, once the conversion was completed, there would many administrative efficiencies associated with closing out the Low Income Public Housing Program, including elimination of the Public Housing Assessment System (PHAS) and elimination of scores of LIPH specific policy documents, internal procedures, and forms. After conversation is complete, all federally assisted program participants would be in the Section 8 voucher program, resulting in greater internal consistency and less confusion for staff and residents.

Process, Timeline, and Next Steps

Application for conversion under Section 22 SVC includes the following elements:

- <u>Updated PHA Agency Plan</u> – The Agency Plan document would need to be updated to include the proposed conversion. This change would be considered a "significant amendment", which would trigger the requirement to convene the Resident Advisory Board and a 45-day public review period leading up to a public hearing. *This step is anticipated to be the most time-consuming step, as a result of the public review period. With the Board's approval, staff will begin this step immediately, with a goal of holding the public hearing and approving the Agency Plan change at the regular October meeting.*

- <u>Resident Outreach and Feedback</u> – In addition to the participation of the Resident Advisory Board, during the 45-day public comment period staff would conduct resident outreach and solicit resident feedback. Staff would send a draft conversion plan to all current LIPH residents and would invite residents to attend meetings to learn more about the plan. Meetings, and materials, would be available in English and Spanish. Resident feedback, and a description of actions taken by the PHA as a result of resident feedback would be provided to the Board. Additionally, residents would be invited to address the Board directly by attending the public hearing at the October meeting.

- Local Government Review – Agency staff would reach out to staff at each jurisdiction to provide information about the proposed conversion, and to request certification that the conversion is consistent with the consolidated plan.

- Future Use – The conversion plan would include a description of the planned future use for all assets (real property) that comprise the units proposed for conversion. This plan would outline the intention to transfer ownership of the units to an affiliated entity for the purpose of continuing to provide affordable rental housing to low income families in perpetuity, to provide Tenant Protection Vouchers to all current tenants, and to offer all eligible tenants the right to remain and the option to move with continued assistance through the Section 8 voucher program.

- Environmental Requirements – The conversion plan would document that the proposed activity is exempt or categorically excluded from environmental review requirements.

- Impact Analysis – The conversion plan would include a brief narrative describing the likely impact of the conversion on the neighborhoods(s) in which the housing is located. Since the units will be housing the same families and same target population, no neighborhood impact is anticipated.

- Relocation Activities – The conversion plan will provide information on relocation activities. Since all the units will remain in service, with no demolition or rehabilitation, and all units will be offered to existing households, no relocation activities are anticipated. However, in the unlikely event that any existing households are above the income eligibility requirement, relocation assistance provided to such families will be described.

Once the Agency Plan change has been approved, and the above conversion plan elements have been completed, the Board may consider approval of an Application for Section 22 Streamlined Voluntary Conversion. At the earliest, this application would be presented to the Board at the October regular meeting and submitted to HUD immediately thereafter. HUD's review and approval process is anticipated to take several months.

Although HUD is motivated to reposition public housing units, new Tenant Protection Vouchers are limited, and generally offered on a first come, first served basis. The sooner we submit the application, the more likely we are to receive a timely approval and an award of additional vouchers.

RECOMMENDATION: Authorize Agency Staff to Begin Process of Repositioning Low-Income Public Housing units through Section 22 Streamlined Voluntary Conversion to Tenant Protection Voucher Units

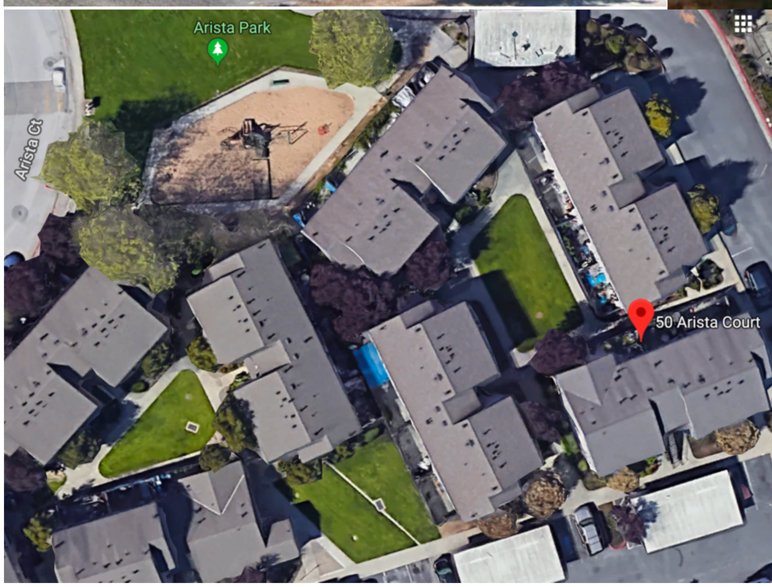
HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

Santa Cruz County Housing Authority

Asset Repositioning Assessment

June 2019

Prepared by
The Communities Group



The Santa Cruz County Housing Authority operates in two distinct market areas within the County: Santa Cruz in the North (upper photos), and Watsonville in the South (aerial photo).

The Santa Cruz County Housing Authority
Asset Repositioning Assessment

D R A F T 6/30/19

I. Introduction

In March, 2019, HUD's Office of Public and Indian Housing contracted with Enterprise Community Partners to provide short-term technical assistance to small Public Housing Authorities in assessing their options available to reposition their public housing properties (Funder Agreement C-15-TA-MD-0009). Enterprise has subcontracted with The Communities Group (TCG) to assess the options for repositioning the properties of the Santa Cruz County Housing Authority (Authority, or PHA). The authority provided information on its public housing properties, which allowed TCG to draft an analysis for discussion on a kick-off call, which was attended by PHA staff, HUD Field Office Staff, and a representative of HUD's Special Application Center (SAC). Based on the initial analysis, the discussion on the kick-off call, and subsequent analysis, TCG prepared this (draft) report for review and further discussion. This report will be finalized after additional discussions and analysis.

II. Reason for Analysis

The public housing stock nationwide is aging and has capital needs that exceed resources being provided by Congress. This has resulted in gradual decay and leads to the loss of affordable housing units serving those in greatest need. In the last study undertaken by HUD to examine the backlog of capital projects, total unmet needs exceeded $26 Billion dollars ($22,000 per unit). The Santa Cruz County PHA's real estate portfolio follows the same trend. The units were constructed between 1983 and 1996. The buildings include a mix of duplexes, townhomes in 3- to 6-unit buildings, and some single-story units.

At the same time capital needs increase nationwide, the trend has been that Congress has reduced funds to address the growing backlog — 29% over a recent ten-year period[1]. Without change, the valuable resource of deep-subsidy public housing will continue to deteriorate or be lost.

Public housing has its origin in the 1937 *National Housing Act*, which was a response to the Great Depression. The initial model for development of affordable housing, which was also used to address the tenements that had arisen during the depression, was a public sector model—creation of local agencies, supported by federal governmental funds for development. Over 1.2 million units of public housing were developed, and by the 1980s, 80% of the current housing stock had been built. The Section 8 program was originated in 1974, and shifted government-supported affordable housing development to a private-sector approach, with private firms and non-profits developing and managing the housing, and the government providing operating subsidies to assist those with very low incomes to pay only a percentage of their adjusted income (currently 30%).

Public Housing was originally conceived as temporary housing. The federal government provided funding for site acquisition and development. The local government (through a Cooperation Agreement) set up a local housing authority to operate the housing. The tax jurisdiction provided for a Payment in Lieu of Taxes (PILOT) instead of regular property taxes, in order to reduce the operating costs and the tenants needed to pay sufficient rent to cover the operating costs. The *National Housing Act* was amended in 1969 to limit rent payments to 25% of adjusted income under what is known as the *Brooke Amendment*. As a result, HUD needed Congressional funding for both operating subsidy and capital subsidy. HUD approves the operating budget of PHAs, and these subsidies have not been sufficient to allow a PHA to establish and fund reserves for replacement, leaving only the capital fund subsidy as the main resource for addressing capital needs.

As public housing has aged, sites and facilities have become obsolete and less adequate for today's needs, HUD has developed a number of initiatives to address this problem.

[1] The past two years have seen an increase in capital fund grants to PHAs, but this is an anomaly, and will likely be curtailed as Congress addresses substantial budget deficits.

The following are the main HUD resources currently available to public housing authorities for capital improvements or redevelopment of their public housing developments. They are discussed in more depth later, specifically as they relate to Santa Cruz County's portfolio.

Capital Fund Subsidy: all PHAs annually receive capital fund subsidy based on a formula, determined by age, size and the type of building. Nationwide, a PHA receives about $1,700 per unit per year for a typical family development. High performing PHAs receive an additional 10% of these funds. Santa Cruz County is currently receiving $2,630 per unit per year in capital fund subsidy.

Capital Fund Financing Program: This program (CFFP) allows a PHA to borrow against its future stream of capital funds in order to undertake capital improvements. The debt is secured by the capital fund grants, and not by the properties themselves. Maximum loan term is 15 years, and the debt service is capped at 33% of the annual allocation of capital funding. HUD later developed an Operating Fund Financing Program as well.

HOPE VI/Choice Neighborhood Initiative (CNI): In 1990, Congress began implementing a series of programs under the title: *Housing Opportunities for People Everywhere* (HOPE), with the last of those programs, added in 1993, being HOPE VI, which was a competitive grant program for the redevelopment of severely distressed public housing, in distressed neighborhoods. Through HOPE VI, about 130,000 units were demolished, with around 63,000 units of replacement public housing being developed in their place, along with a considerable number of additional affordable units. This program was supported by $6.2 billion in capital fund grants. In 2011, this program was replaced by the *Choice Neighborhood Initiative* competitive grant program, with grants currently available up to $30 million. Typically, only 5 or 6 grants are made annually, which results in a very competitive and expensive application process. In 2019, only 3 grants were awarded.

Special Applications Center Section 18 Demolition and Disposition Authorizations: This HUD Center receives applications from PHAs to either demolish or dispose of public housing assets. For demolition approval, the PHA must document that the immediate capital needs equal or exceed 57.14% of HUD's permitted total development cost for new public housing for family developments or 62.5% of the permitted total development cost for "elevator buildings." This is a high barrier of entry, since HUD only wants to permit the most distressed properties to be removed from the public housing inventory. For properties having this level of capital needs, demolition or disposition approval makes Section 8 Tenant Protection Vouchers (TPV) available, which are a valuable resource. These are "new vouchers", and for agencies with their own Housing Choice Voucher program, they are added to the vouchers already in that program. These TPVs can be project-based, in support of preservation or redevelopment.

Rental Assistance Demonstration Program (RAD): In 2012, Congress authorized a demonstration program to permit conversion of public housing to a modified project-based Section 8 program. Although the program allows converting public housing to Section 8, it does not provide new funding. The RAD program Section 8 vouchers are limited to the funding at the time of the conversion. The initial 60,000 units authorized for this demonstration has now grown to 455,000 units through the *Consolidated Omnibus Appropriations Bill of 2018*. The *Act* also extended the last day for submitting RAD applications from 9/30/2020 to 9/30/24. A new RAD Notice was released July 2nd, 2018. This Notice modifies a number of the program requirements. A fuller revised RAD notice is anticipated to be released prior to the end of July of this year (2019). HUD has also recently modified both RAD and Section 18 programs to help make them work better to address the needs of PHA properties. Virtually all public housing authorities and their properties are eligible for the RAD program, which to date (June 2019) has Closed on 114,456 units in 1,045 projects. Of these, about 15% have been projects of small PHAs: 14,438 units in 161 projects.

Mixed Finance: Since 1998, with the *Quality Housing and Workforce Responsibility Act* (QHWRA), housing authorities have been able to mix public housing subsidies with private resources such as debt, bonds, and tax credits. In general, this is called "Mixed-Finance." This was done initially to support the HOPE VI program, allowing HOPE VI projects to leverage public resources with private sector resources.

Streamlined Voluntary Conversion: In March, 2019, HUD Notice 2019-05 modified the Voluntary Conversion program (Section 22) to waive the cost test showing that converting to Section 8 would not have an added cost to the Federal government, allowing PHAs with 250 or fewer units to convert their public housing program to Section 8, receiving Tenant Protection Vouchers (TPVs) to be offered to the resident households; this modified Voluntary Conversion program is referred to as "Streamlined Voluntary Conversion". These households can voluntarily agree to allow the PHA to project-based these vouchers to support preservation or redevelopment.

In addition to these HUD initiatives, private resources are available to be leveraged to support preservation and redevelopment. The main sources include:

Debt: Under HOPE VI/CNI, RAD, Mixed-Finance, Section 18 and Section 22, Replacement or Disposition redevelopment, debt can be secured by the public housing (or former public housing) assets. It can be conventional debt, bond financing, or FHA-insured debt, supported by Net Operating Income (revenues less expenses and contributions to reserves).

Low-Income Housing Tax Credits (LIHTC): This is a Federal tax credit that is administered through each State's Housing Financing Agency. The 9% program is highly competitive since it provides a very deep tax subsidy that can cover 80% or more of the cost of developing or substantially rehabilitating affordable housing. The 4% program is marginally competitive and an application needs to meet a threshold score that virtually all projects achieve. The 4% program generates less than half of the 9% program in terms of tax credits sold to investors for project equity.

Other Resources: There are numerous other resources that can support preservation or redevelopment of older public housing, including, for example: State tax credits; historic tax credits; grants and low-cost loans, such as from the Federal Home Loan Bank's Affordable Housing Program; local CDBG and HOME funds; and deferred developer fees.

III. Method for Repositioning Analysis

Fundamentally, PHAs have a binary choice: Maintain public housing under a "business as usual" model, or convert from public housing (Section 9) to Section 8. Nearly all of the repositioning options involve converting to a form of Section 8. RAD is a "no new funding" program, under which the existing public housing subsidy is converted to a modified Section 8 model, which usually has contract rents lower than the traditional Section 8 program. There are markets, however, where RAD could have rents higher than the traditional Section 8 program—this is not the case for Santa Cruz County, however. Section 18 and Section 22 (Streamlined Voluntary Conversion) repositioning options have contract rents tied to 110% of Fair Market Rents, rather than rents based on current level of public housing subsidy.

As a result, the first step in the analysis is to compare the levels of rent under a) current public housing (Section 9) funding; b) RAD PBV and RAD PBRA; and c) "conventional" Section 8. The chart on the following page shows the comparison for Santa Cruz County, separated between North County and South County and the detailed calculations are provided in the attachments. Current public housing funding is $1,022 PUM (per unit per month). RAD permits converting to Section 8 through project-based vouchers (PBV), or through project-based rental assistance (PBRA). Each of these alternatives has different caps spelled out in the RAD Notice. Under RAD PBV, the rents are initially set at the *lowest of*: current funding; or 110% of FMRs less utility allowance; or Rent Reasonableness. Under RAD PBRA, the rents are initially set at the lower of: a) current funding; or, b) 120% of FMRs less utility allowances (which in some situations can be increased to as high as 150% of FMRs). As shown on the chart below, for Santa Cruz County, the RAD PBV and RAD PBRA rents are the same for each unit size.

When converting to Section 8 through either the Section 18 or Streamlined Voluntary Conversion (Section 22) options, the rent is capped at the lower of a) 110% of FMRs less utility allowances; or b) Rent Reasonable levels[2]. For Santa Cruz County, the average Section 8 rent for North County is $2,734 PUM, which is 182% higher than the RAD rent

[2] These numbers are determined by the authority through a comparability analysis. When PHAs are administering Section 8 units on a project related to the authority, a third-party analysis is required. HQS inspections will also need to be performed by a third-party, rather than the authority itself.

levels. For South County, the average Section 8 rent is $2,540, which is 137% higher than the RAD rent levels. Blended, the average Section 8 rent is $2,624 per unit per month. Combined, this results in over $89 million in increased rent through TPV/Section 18/Section 22 above RAD rent level over a 20-year period.

In effect, then, this should focus Santa Cruz County' repositioning strategies on Section 18 and Section 22, rather than RAD. See attachments for detailed calculation of rent levels.

PH Repositioning Options

PHA: CA072	**Santa Cruz County, Santa Cruz, CA**			
PH Units		234		
PH Projects		13		
Section 8 HCV Program		5,047	Vouchers	
Partner PHA for HCV			N/A	
Scattered Sites		No	Non-Contiguous, buildings </= 4 units; with operational challenges	
Average Rents			*First Year Gross Potential Rent*	
	RAD PBV	$ 1,022	$	2,869,776
	RAD PBRA	$ 1,022	$	2,869,776
	Sections 18/22	$ 2,624	$	7,368,192

Program Resources	Eligibility	Feasibility	Notes
RAD	Yes		
Non-Financial		No	Depends on capital needs. Significant soft funding would likely be needed.
Debt Only		No	Depends on capital needs. Significant soft funding would likely be needed.
4% Rehab		Yes	Maximum Feasible Hard Cost </= $60K (North), $79K (South)
Rehab 75% RAD/25% TPV		Yes	Requires Hard Cost Rehab >/= 60% of HCC -- Supports $164K (North); $157K (South)
Transfer of Assistance		Yes	
Streamlined RAD	No		Total ACC Units </= 50 units; no rehab or construction; total exit from PH
SECTION 22: SVC	Yes		Receive & Offer TPVs to tenants, need waivers to project-base (HCV/PBVs); if project-based, supports $399,400 (North), and $363,500 per unit (South)
SECTION 18			
Demolition	TBD	TBD	Need Obsolescence Analysis; Backlog >/= 57.14% of TDC; 62.5% for Elevator
Disposition	TBD	TBD	Need Obsolescence Analysis; Backlog >/= 57.14% of TDC; 62.5% for Elevator
Scattered Sites to TPVs	TBD	TBD	Need to review site map(s); Physical Obsolescence Study not required
RAD 75/25	Yes	Yes	See TCG analysis for details
SECTION 32 Ownership	Yes		
PRIVATE Sales by PHA/Other	Yes		Vacate with TPVs, then Sell privately
Strategies Discussed to Date:	No demolition or new construction.		
	Straight conversion; schedule upgrades later as needed.		
	No Scattered sites.		
	Not interested in selling units; maintain their level of deep subsidy rental.		
	Properties in good condition; good locations.		

Given that RAD rents are significantly lower than Sections 18/22 rents, the RAD repositioning options will be mentioned only briefly in this report, although the annexes to this report include detailed analysis of RAD results. The balance of this report reviews the above options in more detail.

The RAD program has a requirement that the PHA obtain an independent third-party capital needs assessment (CNA) covering a 20-year period using a life cycle analysis[3]. To

[3] Life-Cycle means that if specific capital elements have a life-cycle shorter than 20 years, it may possibly need to be replaced more than once in the analysis period. For example, if a hot water

be approved for conversion to RAD (modified) Section 8, the PHA needs to submit to HUD a financing plan that demonstrates that over the 20-year period, the PHA can address all the required capital upgrades identified in the CNA. This can be done in a number of different ways, mainly identified as: non-financial; debt-only; debt with tax credits; or transfer of assistance. Where a PHA has had such a study done, our analysis uses the results of that study to analyze feasibility. In the case of Santa Cruz County, where a study has not been done as of this time, we calculate the maximum level of capital needs that can be addressed through a rehab, using both debt and 4% tax credits (which are non-competitive). Our analysis shows that for Santa Cruz County the hard construction cost level of $70,750 per unit (uninflated) is supported through a RAD conversion, utilizing debt and 4% equity.

In addition to the capital needs analysis, the financial analysis needs to look at the current operating costs and performance indicators, and project what financial resources could be generated under various assumptions in regard to the options available to housing authorities for redevelopment, preservation, replacement or disposition of public housing properties. The resources include both HUD resources (such as the Capital Fund Financing Program, RAD, Section 18 Tenant Protection Vouchers), and potentially private sector resources, such as conventional debt, and Low-Income Housing Tax Credits.

The third major factor for the analysis is the programmatic and regulatory opportunities and restrictions related to HUD's various programs, which are also outlined in the next section.

The Tables below show the results for the RAD options for both North County and South County in terms of hard cost budget supported by each option, assuming hard cost capital needs of $55,000[4] per unit for North County, and $70,000 per unit for South County, and also shows the total benefits to the PHA, for comparative purposes. The Surplus/(Deficit) reflects whether the development budget results in a gap or a surplus in terms of resources, prior to adding any soft funds (e.g., PHA's capital funds/reserves, AHP, CDBG).

North County

Conversion Approach	*Surplus/ Deficit*	*Result*	*Benefits To PHA*	*Per Unit Hard Budget*
Non-Financial	$ (1,504,333)	**Needs Additional Soft Funds to work as Non-Financial**	$ 5,161,667	$ -
Debt Only	$ (2,353,913)	**Debt Only RAD Conversion Needs Soft Funding**	$ 3,770,662	$ 28,250
RAD Rehab 4%	$ 94,988	**Project is Feasible as RAD 4%**	$ 7,722,570	$ 59,900
RAD Rehab/New 75/25 Blend	$ 31,763	**Hard Cost Budget Exceeds 60% HCC**	$ 21,478,851	$ 164,000

heater has a 12-year life cycle and it was installed 10 years ago, it will need to be replaced in two years and again in year 14 (at an inflated cost).

[4] If the PHA has recent capital needs studies, we use those numbers in these studies. If such data is not available, we "back into" what each project can cover based on net operating income under various assumptions.

South County

Conversion Approach	Surplus/ Deficit	Result	Benefits To PHA	Per Unit Hard Budget
Non-Financial	$ (1,344,955)	**Needs Additional Soft Funds to work as Non-Financial**	$ 9,827,045	$ -
Debt Only	$ (2,451,082)	**Debt Only RAD Conversion Needs Soft Funding**	$ 7,797,036	$ 40,900
RAD Rehab 4%	$ 280,936	**Project is Feasible as RAD 4%**	$ 13,470,808	$ 79,000
RAD Rehab/New 75/25 Blend	$ 26,650	**Hard Cost Budget Exceeds 60% HCC**	$ 27,043,772	$ 157,000

The next tables add the results for a Rehab repositioning using Sections 18/22 rents either through Section 18 Disposition or Section 22 Streamlined Voluntary Conversion. As can be seen, the rental revenues and projected operating costs support a hard cost construction budget of $399,400 per unit for North County, and $363,500 for South County, with balanced development budgets. For North County, the total benefits to the authority under this approach is $62.6 million, which is comprised of hard construction costs supported, 20-year contributions to reserves, and a reasonable share of developer fee and 20-year cash flow. If the PHA or an affiliate can act as its own developer, the full balance of the developer fee and 20-year cash flow would be added to this. For South County, the total benefits to the authority under this approach is $52.2 million. Combined, the benefit is $114 million.

North County

Conversion Approach	Surplus/ Deficit	Result	Benefits To PHA	Per Unit Hard Budget
Non-Financial	$ (1,504,333)	**Needs Additional Soft Funds to work as Non-Financial**	$ 5,161,667	$ -
Debt Only	$ (2,353,913)	**Debt Only RAD Conversion Needs Soft Funding**	$ 3,770,662	$ 28,250
RAD Rehab 4%	$ 94,988	**Project is Feasible as RAD 4%**	$ 7,722,570	$ 59,900
RAD Rehab/New 75/25 Blend	$ 31,763	**Hard Cost Budget Exceeds 60% HCC**	$ 21,478,851	$ 164,000
Section 18/22 TPVs as PBV	$ 25,872	**Project covers 20-year Capital Needs**	$ 52,290,187	$ 399,400

South County

Conversion Approach	Surplus/ Deficit	Result	Benefits To PHA	Per Unit Hard Budget
Non-Financial	$ (1,344,955)	**Needs Additional Soft Funds to work as Non-Financial**	$ 9,827,045	$ -
Debt Only	$ (2,451,082)	**Debt Only RAD Conversion Needs Soft Funding**	$ 7,797,036	$ 40,900
RAD Rehab 4%	$ 280,936	**Project is Feasible as RAD 4%**	$ 13,470,808	$ 79,000
RAD Rehab/New 75/25 Blend	$ 26,650	**Hard Cost Budget Exceeds 60% HCC**	$ 27,043,772	$ 157,000
Section 18/22 TPVs as PBV	$ 18,004	**Project covers 20-year Capital Needs**	$ 62,633,409	$ 363,500

IV. Santa Cruz County Portfolio Assessment

The tools available to PHA to redevelop the existing current housing stock include the following programs and resources listed in the order from best to least financially advantageous (includes support for capital improvements and cash flow).

A. Choice Neighborhood Initiative (CNI)

The *Choice Neighborhood Initiative* (CNI) program provides up to $30 million in grant funds and includes Tenant Protection Vouchers (TPV) for all occupied units. It is also compatible with the *Rental Assistance Demonstration* (RAD) program. CNI is only available for certain development sites meeting the following threshold criteria: 1) certified as severely distressed and 2) located in a severely distressed neighborhood. These are determined by poverty rate and either long-term vacancy or a high rate of Part I Violent Crimes in the appropriate local precinct. This is a highly competitive program with a rigorous scoring system; it also requires firm financial leverage of at least $3 to $1 to be competitive. Mounting a competitive application is time-consuming and expensive. TCG's opinion is that neither of PHA's properties would be eligible or competitive for this option.

B. Section 18 Demolition or Disposition with Tenant Protection Vouchers

Overall, this is the second-best resource available in terms of financial resources available. HUD's Public and Indian Housing's (PIH) Special Application Center processes applications for demolition and/or disposition of public housing assets. With some exceptions, projects need to meet an Obsolescence Test in order to qualify for Demolition or Disposition approval. The test formula for non-elevator project sites is the backlog of capital needs[5] must equal or exceed 57.14% of HUD's Total Development Replacement Cost (TDC) and for elevator properties it must equal or exceed 62.5%. These are high barriers to meet the program requirements. For Santa Cruz County's properties, TDC is estimated at $331,574 per unit for North County and $351,439 for South County, and 57.14% of that is $189,462 (North County) and $200,812 (South County). Tenant Protection Vouchers (TPV) for all occupied units can be issued under a separate application process. TPVs have the same rental rates as the PHA's Housing Choice Voucher Payment standard (as % of Fair Market Value) which are higher than the RAD Contract Rents.

Under a recent revision to the Section 18 Notice (PIH 2018-04, March 2018), Scattered Site units are eligible to convert to TPVs (which can subsequently be project-based) without needing to meet the obsolescence test. Scattered site is defined as units in buildings of 4 or fewer units that are non-contiguous. TPVs are available for all units occupied within the past 24 months. From a preliminary review of this PHA's properties, it does not appear that Santa Cruz County has units that would meet this definition.

A second option under the revised Section 18 Notice is where a comprehensive rehabilitation is being undertaken through the RAD program, and the hard cost budget exceeds 60% of HUD's HCC number (which we have estimated to be $113,683 per unit for North County and $120,493 for South County), and the PHA is not using 9% LIHTC. TCG's analysis shows that Santa Cruz County could reasonably achieve this level of hard cost budget through RAD, without needing additional soft funding.

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[5] Note that this is currently existing capital needs, up through year 3 of a capital needs assessment. It is not the same as the 20-year capital needs assessment and is usually a different analysis and report than a RAD physical conditions assessment or CNA.

C. Streamlined Voluntary Conversion (Section 22)

As noted above, in March 2019, HUD modified its Voluntary Conversion program to permit PHAs with 250 or fewer units to convert to Tenant Protection Vouchers. See PIH Notice 2019-05. This is limited to PHAs that wish to close out their public housing program. Unlike TPVs received through Section 18, when a PHA receives TPVs under Section 22, they must offer those vouchers to the existing tenants as tenant-based assistance. If the building(s) remain residential, families have the right to remain there, using tenant-based assistance. Families can voluntarily agree to allow the PHA to project base their vouchers.

In certain markets, where there is limited rental housing that accepts tenants with vouchers, or where private rental units do not meet HUD's Housing Quality Standards (HQS), or where the authority's properties are as good or better than competitive rental housing, the tenants may be willing to provide a waiver.

If a majority of tenants would likely provide a waiver, and some want to take the voucher directly, the PHA could provide project-based vouchers from its existing housing choice voucher program to support preservation or redevelopment by committing (to the HFA, Lender, Investor) to back-fill units by project-basing the authority's vouchers, as units that have tenants who have opted to keep their voucher and remain in the units turn over.

D. Rental Assistance Demonstration (RAD)

After the highly competitive CNI program and the stringent requirements of the Section 18 Demolition/Disposition program, and Section 22 Streamlined Voluntary Conversion (which is limited to PHAs with 250 or fewer units), RAD is the best option for all other public housing projects. RAD is available for all public housing sites and is not currently competitive. The other options listed below that are less favorable than RAD include: Capital Fund Financing, Public Housing Mixed-Finance and "Business as Usual," relying only on capital funding for upgrades.

All of PHA's public housing sites are eligible for RAD. RAD can effectively preserve, improve or redevelop sites to one degree or another. As detailed in this report's section on *How Rad Works (See Appendix 1)*, this program can support rehabilitation, demolition and replacement at existing sites, transfer of assistance to another site or preserve the existing site without financing and upfront rehabilitation. As noted above under Section 18, HUD's new Notice on the Section 18 Demolition/Disposition Program (PIH 2018-04 (HA) provides several additional options for housing authorities that can support redevelopment or repositioning of public housing communities. One of these options relates to RAD Conversions that achieve a certain level of rehabilitation or redevelopment without utilizing 9% Low Income Housing Tax Credits (LIHTC).[6] This level is 60% of the Housing Construction Cost specified by HUD for the type of unit in question. If the housing construction rehabilitation cost meets this level, HUD will provide Tenant Protection Vouchers (TPVs) for up to 25% of the (occupied) units being rehabilitated. The net effect of this is that the project receives a boost in its operating revenue, increasing the ability of the project to support debt, allowing for a higher level of rehabilitation, and resulting in higher cash flow. Informally, this is referred to as the RAD 75/25 program, with 75% of the units being rehabbed having RAD Contract Rents, and the other 25% having the higher rents from the TPVs, resulting in the blended average.

The method for reviewing the potential of projects for RAD conversion is determined in the following manner: 1) Determine development sites that might be suitable for conversion without initial rehabilitation, which is known as a Non-Financial RAD conversion; 2) Review which projects need financing as part of the conversion to make them feasible; 3) Examine 4% LIHTC equity to determine if this level of leveraged capital will work; and 4) If 4% LIHTC does not provide enough equity, examine the 9% LIHTC to determine if it provides the required capital – typically projects that require demolition followed by new construction.

1. **Non-Financial RAD Conversions.** For this analysis, the capital needs assessment is the driving source of data, along with current operating expenses. It assesses the capital needs that are either already needed now, or that will be needed within a 20-year timeframe, based on a life-cycle analysis. A *Sources and Uses* budget and an *Operating Pro Forma* budget are set up to determine what level of annual reserve contributions, called Annual Deposits to the Reserves for Replacement (ADRR) can be afforded and how well the reserves will meet the capital needs over the 20 years. To the extent that there is a shortfall, an Initial Deposit to the Reserves for Replacements (IDRR) would be needed to balance out the 20-year budgets. A recent CNA is needed in order to fully assess this option for PHA's properties.

2. **Financial Leveraged RAD Conversions.** Debt-Only RAD conversion calculates the net operating income based on RAD contract rents and an assumption of reduction in operating costs due to addressing the backlog of capital needs (reducing maintenance costs), and including additional energy conservation measures in the scope of the rehab. TCG's analysis of this option for Santa Cruz County shows that it would support an upfront rehab of $28,250 per unit for North County and $40,900 for South County, with the ability to contribute $450 PUPA to the reserves, covering total capital needs of $37,250 (uninflated) (North County) and $49,900 (South County). Depending on

[6] HUD annually publishes a list of maximum allowable Total Development Costs (TDCs) for public housing, by region, and by unit type (e.g., townhomes, elevator, row houses, etc.). This list also provides a number for Housing Construction Cost (HCC), which is about 60% of the TDC. This represents the contractor's cost for development of the units, utility laterals from the street, and finish landscaping, plus profit and overhead, and a contingency. It assumes payment of Davis Bacon wages and is derived from the average of two national indices. The difference between TDC and HCC is the Community Renewal Cost, which covers costs such as: planning, administration, site acquisition, relocation, non-residential facilities, on-site streets and infrastructure, remediation of environmental hazards, insurance, any initial operating deficit.

the level of total capital needs, additional soft funding would be needed. Under a RAD conversion based on debt and 4% LIHTC, the projects can support up to $59,900 per unit in hard construction cost (North County) and $79,000 per unit (South County), with balanced sources and uses budgets. Using the blended RAD and TPV rents, the hard cost budget needs to be at $113,683 per unit for North County and $120,493 for South County. This approach would be feasible for both North and South County.

E. Homeownership and Sales Possibilities

HUD Office of Public and Indian Housing (PIH) has long had programs to support the sale of public housing to eligible tenants. The current version of this program is Section 32, which is administered through the SAC. Briefly, units are sold at market value, although PHAs typically provide take-back financing as a silent second mortgage (non-interest bearing) which can be forgiven over a period of years. Some PHAs serve as lender for the portion of the sales price that is financed; others prefer to have a third-party servicer or direct lender. PHAs with Housing Choice Voucher Programs can also establish Section 8 homeownership programs.

For more information, see HUD's website on public housing homeownership:

https://www.hud.gov/program_offices/public_indian_housing/centers/sac/homeownership/

Another option would be to provide tenant-based vouchers to residents of some of the PHA's units and not request waivers from them to project base these units. When tenants leave the units would be privately owned by the authority and they could be sold on the market, to local homeownership programs such as Habitat, to tenants, participants in the Section 8 HCV program or otherwise. Under certain circumstances the proceeds of sale would need to be used for purposes authorized under Section 18 of the Act. PHA could also create a Section 8 Homeownership program.

V. Conclusions of Financial and Programmatic Analysis

Our analysis shows that Section 18/22 rents are significantly more favorable than RAD contract rents (157%). Given the extent of this financial advantage for Sections 18/22 rents, repositioning options through Section 18 and Section 22 options should be looked at with a view to making them work for the PHA. If consultation with the Special Applications Center determines that some of the authority's units would qualify for *conversion to TPVs under Section 18*—either through being scattered sites, or through meeting the obsolescence test (that can subsequently be project-based), this is the best option for those units, since those TPVs can be project-based without receiving waivers from the residents. Financially, the most favorable option for all other units of the Santa Cruz County Housing Authoritywould be *Streamlined Voluntary Conversion*.

Programatically, Streamlined Voluntary Conversion (SVC) has a number of advantages over RAD. There are also some less favorable comparisons that should be noted and resolved.

Some of the principal Advantages include:

- SVC is a simpler conversion process than RAD.
- SVC does not require third-party capital needs assessments, and does not require submittal of a financing plan that demonstrates the sufficiency of resources to address the 20 year needs identified in the CNA.
- SVC can be carried out separately from (and ahead of) any upgrade program, providing more flexibility.
- RAD has more strict site and neighborhood standards than project-based Section 8, which would apply to any new construction replacement.
- Under SVC, project ownership may be retained by the PHA or disposed of to a non-profit, for-profit, or LIHTC entity; under RAD, stronger PHA control/ ownership is needed.
- SVC conversion provides operating subsidy transition funding and Demolition/Disposition Transition Funding, while RAD does not.

Some principal Disadvantages of SVC compared to RAD include:

- The TPVs received through Streamlined Voluntary Conversion need to be offered first to the residents, and only upon receiving waivers from the residents can the authority project-base these vouchers.
- Tenants need to be re-screened for eligibility, whereas under RAD they are exempt from rescreening.
- Under SVC, unexpended capital funds and reserves would revert to Treasury.
- No resident organization support and annual $25 per unit funding is required under SVC.

- Under RAD, units currently used for Special Purposes can have their rent subsidy distributed across the balance of units, which is not permitted under SVC.
- Ground Leases and Seller Financing proceeds are defederalized under RAD, but treated as Proceeds under SVC, and are restricted to authorized uses.
- SVC can only be converted to PBV, whereas RAD vouchers can be PBV or PBRA.
- RAD provides RAD Rehab Assistance Payments, where the subsidy continues for vacant units during rehab; SVC does not have this provision.

VI. Preliminary Recommendations and Possible Next Steps

1. Review the Special Applications Center's (SAC) requirements for "scattered sites", and explore with SAC the possible Section 18 conversion of any of the PHA's "scattered site" units, and receipt of TPVs that can be project-based without tenant waivers.

2. With in-house resources, or through contracted third-party, estimate the backlog of capital needs at any project with high physical needs to determine if those capital needs reach the level needed to qualify for Section 18 disposition and conversion to TPVs. These TPVs can be project-based without tenant waivers.

3. Consider surveying residents to assess their willingness to provide fully-informed waivers that would permit the PHA to project-based these vouchers.

4. Consult with Board and Residents and other possible stakeholders in regard to long-range plans for properties: rehab; substantial upgrades; generate proceeds of sale that can support adding other affordable units at these sites or elsewhere.

5. Assess whether PHA has internal capacity to plan and implement repositioning strategies or whether engaging a financial consultant or co-developer partner would be needed or desired.

6. Pursue additional discussion with HUD (Enterprise) T.A. provider to explore possible home-ownership options, if that is an option the PHA wishes to consider.

7. Attend on-site or remotely any upcoming repositioning training sessions offered by HUD directly, Enterprise Community Partners, or others.

8. Review and discuss the advantages and potential disadvantages of Section 18/22 options, and determine whether it makes sense to file RAD applications to reserve authority. Keep in mind that new TPVs are limited, and generally offered "first come, first served". Repositioning options are increasingly drawing on TPVs, and expansion of their number will be dependent on Congress at some point.

9. Learn from Other PHAs that have Repositioned their Portfolios. Since 2013, over 1,000 Public Housing Authorities' properties, with more than 114,000 units, have converted to Project-based Housing Choice Vouchers through RAD. Many authorities have also included Section 18 Demolition/Disposition, Choice Neighborhood Initiative and other options in their redevelopment plans. Substantial numbers of authorities have already converted their entire stock and exited the public housing program. There are many venues for learning from these authorities and their experiences. HUD's RAD website offers numerous case studies and lists PHAs and their projects in various stages of redevelopment. Public Housing trade associations and private sector vendors hold frequent training events focused on RAD conversion and related subjects. These include development financing, tax credits and operating of Housing Choice Voucher project-based housing communities.

10. Consider holding a Board of Commissioners Workshop. After an initial study, such as this present one, many Boards of Commissioners want to have a working session (s) to address their questions and concerns.

VI. Benefits to PHA from Repositioning

The following are the major benefits to PHA from conversion of its public housing to Project-Based Housing Choice Vouchers either through RAD, Section 18 Demolition/ Disposition, or a combination of both.

A. Stabilization, Repositioning and Preservation of its Assets—If PHA were to convert its properties through RAD or Streamlined Voluntary Conversion/Section 18, revenues in Year One would be increased by 157% (Sections 18/22), and they would be "locked down", and much less subject to HUD budget swings. The additional revenue, combined with Housing Assistance Payment contracts at the project level, is bankable, and able to leverage debt and tax credit equity if needed or desired. Depending on the program (RAD or Section 18/22), the PHA could raise from non-HUD sources sufficient funding to provide from $157,000 to $399,400 per unit for hard construction cost budgets to upgrade and preserve the PHA's public housing assets. The projects would have their own reserve for replacement for future capital improvements, which reserves are not subject to HUD clawbacks. The PHA would have the option to convert to Section 8 initially, and undertake upgrades at a later date.

B. Eliminate Public Housing Requirements— Full portfolio conversion through either RAD or Section 18 Disposition/Demolition, or a combination of both, would allow PHA to remove itself from the HUD public housing requirements, which is very onerous particularly to very small PHAs, such as Santa Cruz County.

C. Expand Development Capacity—The process of working with lenders, the State Housing Finance Agency, investors and developer partners can deepen a PHA's ability to structure and finance affordable housing and potentially expand into other areas of the City, adding more affordable housing units to its inventory.

D. Build PHA's Financial Assets—Santa Cruz County PHA could participate in developer fees for financed projects as well as project cash flow. RAD permits a 10% fee on projects that involve only debt, and a 15% fee on projects that involve tax credits due to the added complexities and requirements. Project-basing of TPVs through Sections 18/22 would also generate developer fees (if redevelopment/rehab is undertaken) and cash flow, under limits set by California's Housing Finance Agency. If the PHA does not currently have staff with sufficient development expertise, it would likely need to partner with a non-profit or for-profit partner, and share these fees equitably.

   In a redevelopment effort, Santa Cruz County's properties could benefit from up to $88.3 MM in capital improvements and $2.2 million in contributions to reserves over 20 years, and the authority may also potentially benefit from a share of the developer fees and cash flow. Assuming 50% of fees, and 50% of Cash Flow, this would total to $23.9 million, for a total benefit of $114.4 million. By contrast, under "business as usual" as public housing, the authority will be fortunate to receive $12.3 million incrementally over the coming 20 years to address the PHA's portfolio of public housing (optimistically assuming that capital funding continues at today's level).

E. Potential Homeownership Program. As noted above, the repositioning of Santa Cruz County's public housing stock has the potential for the authority to either create an opportunity for affordable homeownership, or to sell some of the less efficient units as a means of generating additional capital for upgrades, or to provide working capital to support development of additional affordable housing.

VII. Benefits to Residents

Although there are inconveniences to residents when units are upgraded, overall the residents benefit from conversions to project-based Section 8. The following are some of the benefits to PHA residents.

A. Better Housing. Repositioning to Section 8 will result in upgraded housing. Improvements typically include the following: upgraded systems, energy conservation, new replacement appliances and updates to kitchens and bathrooms. The level of capital budget supported by this analysis would also address new roofs, refurbishment of sprinkler lines, landscape upgrades for better curb appeal, and exterior cosmetics.

B. Choice Mobility. RAD will require PHA to provide an opportunity for residents in the RAD converted properties to elect to receive a tenant-based Housing Choice Voucher after one (1) year for Project Based Vouchers (PBV) conversions or 2 years for PBRA conversions, by being placed at the top of the waiting list. Sections 18/22 repositioning will also provide residents with opportunities to receive vouchers directly.

C. Right to Return after Temporary Relocation, if applicable. Residents in properties being converted under RAD have the right to return to the property (or follow the subsidy assistance if it is being transferred to a different property). Under Streamlined Voluntary Conversion, residents have the right to remain in or return to their units if the units are going to continue to be operated as affordable housing.

D. No Re-Screening. Under RAD conversions, residents who were moved to accommodate rehabilitation (or demolition and new construction) have the right to return without having to undergo a re-screening if lease compliant. Sections 18/22 conversions do not have this resident benefit.

E. Continue to Pay 30% of their Income. Residents will continue to pay only 30% of their adjusted income.

VIII. Potential Challenges to the Authority

The following possible challenges should be addressed during any transition period.

A. Complex Process. Converting from public housing to project-based Housing Choice Vouchers is not a simple process. It requires planning, learning, decision-making, disruption to "normal operations" and many activities that may be new to the authority. Depending on the type of conversion (e.g., non-financial, debt-only, debt leverage with tax credits, rehab in place, temporary relocation), the level of impact on staff and residents will be unsettling.

B. PBV Versus PBRA. RAD can be operated under either the Project-Based Voucher (PBV) model of project-based Housing Choice Vouchers, where the vouchers are administered by the authority, or the Project-Based Rental Assistance (PBRA) model, where the HAP contract is administered directly by HUD. This is a major decision with potential impacts on staffing levels and administrative fee revenue. It is challenging to learn the nuances of the two options and to arrive at a selection that best fits the authority's objectives. About half of the RAD conversions to date have elected PBV and half PBRA, so there is no right or wrong choice. Conversion to Section 8 under HUD's Section 18 or Section 22 programs is done only through Tenant Protection Vouchers, which would fall under the authority's Housing Choice Voucher program as project-based vouchers. Section 18 TPV vouchers can be project-based, while Section 22 TPV vouchers can only be project-based with waivers from residents.

C. Staffing, Accounting, Reporting and Monitoring Changes. Property Management staff needs should remain about the same, although maintenance support levels should be less, especially in the early years after converting projects where an initial rehab is included. This is because maintenance activities will shift from responding to work order requests and "making do with limited financial resources" to preventive maintenance. As the number of units shift from public housing to project-based Section 8, requirements and procedures as well as accounting requirements and staff training may be needed. Revenues to support the authority's administration should remain level and then increase as cash flows improve and rental income increases steadily through the annual adjustments (Operating Cost Adjustment Factor under RAD or regular rent increases under Sections 18/22 conversion). Development fees, de-federalization of restricted reserves and any unobligated capital funds (RAD only) as well as improving cash flow should help recapitalize the agency. Additionally, it should cover any transition costs including staff training, purchase of new accounting systems and other necessary items.

Attachments

1. Detailed Calculation of RAD and Section 8 Rents.
2. Overview of Data Entry and Summary of Results for RAD and Sections 18/22 Conversions.
3. Pro Forma Analysis—100% TPVs, project-based
4. Cash Flow Analysis—100% TPVs, project-based

Pro Formas are available upon request for RAD Conversion Options: Non-Financial; Debt-Only; Rehab (4% LIHTC); and Rehab (4% Rehab 75% RAD rents; 25% TPV rents, project-based).

Santa Cruz County Rent Reasonable as % of FMR 98%

AMP 1: North County **Santa Cruz County** *AMP 1: North County*

BR Sizes	2019 RAD Contract Rents	Reason-able Rents	2019 FMRs	Utility Allow-ances	110% FMRs Less UAs	120% FMRs Less UAs	150% FMRs Less UAs	BR Sizes	RAD PBV Rents	RAD PBRA Rents	S. 18/S. 22 TPV as PBVs	RAD PBRA V. TPV/PBV	Var-iance		PBV/PBRA RAD Rents	TPVs/PBVs
0BR	$0	$0	$0	$0	$0	$0	$0	0BR	$0	$0	$0			0	$0	$0
1BR	$653	$1,950	$1,844	$135	$1,893	$2,078	$2,631	1BR	$653	$653	$1,893	-$1,240	190%	15	$117,608	$340,812
2BR	$860	$2,500	$2,439	$175	$2,508	$2,752	$3,484	2BR	$860	$860	$2,500	-$1,640	191%	43	$443,866	$1,290,000
3BR	$1,136	$3,200	$3,241	$214	$3,351	$3,675	$4,648	3BR	$1,136	$1,136	$3,200	-$2,064	182%	31	$422,584	$1,190,400
4BR	$1,282	$3,400	$3,701	$264	$3,807	$4,177	$5,288	4BR	$1,282	$1,282	$3,400	-$2,118	165%	11	$169,237	$448,800
5BR	$1,910	$3,600	$3,751	$310	$3,816	$4,191	$5,317	5BR	$1,910	$1,910	$3,600			1	$22,917	$43,200
														101	$1,176,212	$3,313,212
															$970	$2,734
																182%

Santa Cruz County Rent Reasonable as % of FMR 86%

AMP 1: South County **Santa Cruz County** *AMP 1: South County*

BR Sizes	2019 RAD Contract Rents	Reason-able Rents	2019 FMRs	Utility Allow-ances	110% FMRs Less UAs	120% FMRs Less UAs	150% FMRs Less UAs	BR Sizes	RAD PBV Rents	RAD PBRA Rents	S. 18/S. 22 TPV as PBVs	RAD PBRA V. TPV/PBV	Var-iance		PBV/PBRA RAD Rents	TPVs/PBVs
0BR	$0	$0	$0	$0	$0	$0	$0	0BR	$0	$0	$0			0	$0	$0
1BR	$653	$1,775	$1,844	$135	$1,893	$2,078	$2,631	1BR	$653	$653	$1,775	-$1,122	172%	5	$39,203	$106,500
2BR	$860	$2,300	$2,439	$175	$2,508	$2,752	$3,484	2BR	$860	$860	$2,300	-$1,440	167%	25	$258,062	$690,000
3BR	$1,136	$2,625	$3,241	$214	$3,351	$3,675	$4,648	3BR	$1,136	$1,136	$2,625	-$1,489	131%	99	$1,349,542	$3,118,500
4BR	$1,282	$2,900	$3,701	$264	$3,807	$4,177	$5,288	4BR	$1,282	$1,282	$2,900	-$1,618	126%	4	$61,541	$139,200
5BR	$1,910	$3,100	$3,751	$310	$3,816	$4,191	$5,317	5BR	$1,910	$1,910	$3,100			0		

Rent Reasonable Numbers provided by PHA	133	$1,708,347	$4,054,200
Excess Tenant Utility Reimbursements, if any, to be included in 2018 RAD Rents.		$1,070	$2,540
			137%
	234	$2,884,559	$7,367,412
			155%
		$1,027	$2,624

Data Entry Worksheet 6/30/19

PHA and Project Identifier

Santa Cruz County

AMP 1: North County Santa Cruz

Project Data: Units, Contract Rents, Reasonable Rents, Utility Allowances, 100% FMRs, HCCs

Contract Rents	Units	2018 Final Contract Rents	Reasonable Rents	Utility Allowances	100% FMRs	HCC Numbers	TDC Numbers
0 BR	0	$0	$0	$ -	$1,567	$ -	$ -
1 BR	15	$609	$1,950	$ 135	$1,844	$ 146,341	$ 256,097
2 BR	43	$810	$2,500	$ 175	$2,439	$ 174,925	$ 306,118
3 BR	31	$1,078	$3,200	$ 214	$3,241	$ 208,335	$ 364,586
4 BR	11	$1,220	$3,400	$ 164	$3,701	$ 244,844	$ 428,477
5 BR	1	$1,830	$3,600	$ 310	$3,751	$ 268,045	$ 469,078
	101	https://www.huduser.gov/portal/datasets/fmr.html#2019					
						Detached/Semi-Detached	

State:	CA			
OCAFs			HCC	TDC
2017	0.00%	Averages	$ 189,471	$ 331,574
2018	0.00%	60% HCC	$ 113,683	
2019	2.90%	57.14		$ 189,462
Vacancy Rate	5.00%			
PBV/PBRA	PBV			

Debt and Equity Assumptions

Loan Term	40	year
Interest Rate	4.75%	Annual
MIP	0.25%	Annual
DSCR	1.15	
4% Tax Credit	3.250%	June, 2019
% of TDC in Basis	91.000%	
GP % of Ownership	0.100%	
Acquisition Value per unit	$ 40,000	
Land Value as % of total	25%	
LIHTC Pay-In	$ 0.92	
QCT (Y/N)	Y	57%
Existing Debt to Pay Down	$ -	confirmed
Section 8 Payment Standard	110%	of FMRs
HCVs	5,047	Santa Cruz

Total Operating Expenses: **$930,369** Source: *HUD Inventory Assessment Tool*

Administrative	$ -	0%		
Asset Management Fee	$ -	0%		
Tenant Services	$ -	0%		
Utility Expense	$ -	0%		
Ordinary Maint and Ops	$ -	0%		
Protective Services	$ -	0%		
Real Estate Taxes	$ -	0%		
Property Insurance	$ -	0%		
Liability Insurance	$ -	0%		
Other General Expenses	$ 930,369	100%	$ 9,212	PUPA
Other Annual Income	$ 24,906	(late fees, lock-out fees, etc.)		
Excess Ten. Utilities Reimb.	$ 31,085	$ 26		
PNA Year 1 Budget TOTAL	$ 5,555,000		$ 55,000	
PNA 20-Year Total Inflated	$ 6,666,000		$ 66,000	PBV

Estimate of Conversion Savings by Type of Conversion		*Available for IDRR or Soft Source for Debt/Equity Conversion*	*Developer Fee*	*Surplus/ Deficit*	*Result*	*Benefits To PHA*	*Per Unit Hard Budget*
Non-Financial	5%	$ -	0%	$ (1,504,333)	**Needs Additional Soft Funds to work as Non-Financial**	$ 5,161,667	$ -
Debt Only	10%	$ -	5%	$ (2,353,913)	**Debt Only RAD Conversion Needs Soft Funding**	$ 3,770,662	$ 28,250
RAD Rehab 4%	15%			$ 94,988	**Project is Feasible as RAD 4%**	$ 7,722,570	$ 59,900
RAD Rehab/New 75/25 Blend	20%			$ 31,763	**Hard Cost Budget Exceeds 60% HCC**	$ 21,478,851	$ 164,000
Section 18/22 TPVs as PBV	20%			$ 25,872	**Project covers 20-year Capital Needs**	$ 52,290,187	$ 399,400

Data Entry Worksheet 6/30/19

PHA and Project Identifier

Santa Cruz County

AMP 1: South County Watsonville

Project Data: Units, Contract Rents, Reasonable Rents, Utility Allowances, 100% FMRs, HCCs

Contract Rents	Units	2018 Final Contract Rents	Reasonable Rents	Utility Allowances	100% FMRs	HCC Numbers	TDC Numbers
0 BR	0	$0	$0	$ -	$1,567	$ -	$ -
1 BR	5	$609	$1,775	$ 135	$1,844	$ 146,341	$ 256,097
2 BR	25	$810	$2,300	$ 175	$2,439	$ 174,925	$ 306,118
3 BR	99	$1,078	$2,625	$ 214	$3,241	$ 208,335	$ 364,586
4 BR	4	$1,220	$2,900	$ 164	$3,701	$ 244,844	$ 428,477
5 BR	0	$1,830	$3,100	$ 310	$3,751	$ 268,045	$ 469,078
	133	https://www.huduser.gov/portal/datasets/fmr.html#2019					
						Detached/Semi-Detached	

State:	CA				
OCAFs				HCC	TDC
2017	0.00%		Averages	$ 200,822	$ 351,439
2018	0.00%		60% HCC	$ 120,493	
2019	2.90%		57.14		$ 200,812

Vacancy Rate	5.00%
PBV/PBRA	PBV

Debt and Equity Assumptions

Loan Term	40	year
Interest Rate	4.75%	Annual
MIP	0.25%	Annual
DSCR	1.15	
4% Tax Credit	3.250%	June, 2019
% of TDC in Basis	91.000%	
GP % of Ownership	0.100%	
Acquisition Value per unit	$ 40,000	
Land Value as % of total	25%	
LIHTC Pay-In	$ 0.92	
QCT (Y/N)	Y	57%
Existing Debt to Pay Down	$ -	confirmed
Section 8 Payment Standard	110%	of FMRs
HCVs	5,047	Santa Cruz

Total Operating Expenses:	$1,225,140		Source: *HUD Inventory Assessment Tool*	
Administrative	$ -	0%		
Asset Management Fee	$ -	0%		
Tenant Services	$ -	0%		
Utility Expense	$ -	0%		
Ordinary Maint and Ops	$ -	0%		
Protective Services	$ -	0%		
Real Estate Taxes	$ -	0%		
Property Insurance	$ -	0%		
Liability Insurance	$ -	0%		
Other General Expenses	$ 1,225,140	100%	$ 9,212	PUPA
Other Annual Income	$ 32,798	(late fees, lock-out fees, etc.)		
Excess Ten. Utilities Reimb.	$ 40,934	$ 26		
PNA Year 1 Budget TOTAL	$ 9,310,000		$ 70,000	
PNA 20-Year Total Inflated	$ 11,172,000		$ 84,000	

Estimate of Conversion Savings by Type of Conversion		*Available for IDRR or Soft Source for Debt/Equity Conversion*	*Developer Fee*	PBV *Surplus/ Deficit*	*Result*	*Benefits To PHA*	*Per Unit Hard Budget*
Non-Financial	5%	$ -	0%	$ (1,344,955)	**Needs Additional Soft Funds to work as Non-Financial**	$ 9,827,045	$ -
Debt Only	10%	$ -	5%	$ (2,451,082)	**Debt Only RAD Conversion Needs Soft Funding**	$ 7,797,036	$ 40,900
RAD Rehab 4%	15%			$ 280,936	**Project is Feasible as RAD 4%**	$ 13,470,808	$ 79,000
RAD Rehab/New 75/25 Blend	20%			$ 26,650	**Hard Cost Budget Exceeds 60% HCC**	$ 27,043,772	$ 157,000
Section 18/22 TPVs as PBV	20%			$ 18,004	**Project covers 20-year Capital Needs**	$ 62,633,409	$ 363,500

Santa Cruz County

AMP 1: North County Santa Cruz

RAD Rehab + 100% TPVs	#REF!	*CF Bonus*	

Statement of Revenue and Expenses

Gross Revenue	$	3,313,212
Less Vacancy	$	(165,661)
Subtotal	$	3,147,551
Other Income	$	24,906
Effective Gross Revenue	$	3,172,458
Operating Expenses		
Administrative	$	-
Asset Management Fee	$	-
Tenant Services	$	-
Utility Expense	$	-
Ordinary Maint and Ops	$	-
Protective Services	$	-
Real Estate Taxes	$	-
Property Insurance	$	-
Liability Insurance	$	-
Other General Expenses	$	744,296
Total Operating Expenses	$	744,296
Reserves for Replacements	$	35,350
Revenues Less Expenses & Reserves	$	2,392,812

Reduction in OpEx from Rehab/Conversion	20%		
Debt Service Coverage Ratio	1.15		
Interest Rate (Perm)	5.00%		
Term	480 mos		
Debt Supported		$	35,958,817

Sources and Uses Budget

Sources				
Debt	$	35,958,817		
Equity	$	18,393,119		
PHA or other Soft Loan(s), Deferred Fee, Interim Income, AHP	$	606,000		
PHA Take Back Financing	$	4,040,000		
Total Sources	$	58,997,936		
Uses				
Acquisition	$	4,040,000		
Hard Construction, Overhead, Profit, Contingency	$	40,339,400	$	16,135,760
Soft Costs				

Relocation Costs	$	70,700
Professional Fees		
Architecture & Engineering	$	1,210,182
Physical Conditions Assessme	$	17,500
Borrower's Legal Counsel	$	90,000
Lender's Legal Counsel	$	60,000
Feasibility Studies	$	-
Environmental Reports	$	3,500
Appraisal / Market Study	$	30,000
Accounting	$	25,000
Survey	$	10,300
Other Costs	$	-

Loan Fees and Costs	$ -			
FHA MIP	$ 359,588			
FHA Application Fee	$ -			
FHA Inspection Fee	$ 403,394			
Financing Fee	$ 1,187,771			
Organizational Costs	$ 500			
Title Insurance/FHA Exam Fe	$ 107,876			
Recordation Fee	$ 495,135			
Closing Escrow Agent Fee	$ 5,000			
Prepayment Penalty/Premiun	$ -			
Payables	$ -			
Construction Interest	$ 1,966,546			
Construction Loan Fees	$ 403,394			
Cost of Bond Issuance	$ 294,990			
Reserves	$ -			
Initial Deposit to Reserves	$ -			
Initial Operating Deficit Escro	$ -			
Operating Reserve	$ 389,823			
Tax and Insurance Escrow	$ -			
Other Costs	$ -			
Total Soft Costs			$ 7,131,198	
Developer Fees			$ 7,461,465	
Soft Costs + Fee			$ 14,592,663	
Total Uses			$ 58,972,063	
Surplus/(Gap/Interim Income)			$ 25,872	$ 75.43
Benefits to Authority				
Hard Construction Budget + Contingency			$ 40,339,400	
20-Year Contributions to Reserves			$ 949,868	$ 408,805
Sources and Uses Surplus (Gap)			$ 25,872	
Share of Developer Fee		50%	$ 3,730,732	
Share of 20-Year Cash Flow		50%	$ 7,244,314	
Total Potential Benefit			$ 52,290,187	
20-Year Capital Needs			$ 5,555,000	$ 55,000
Hard Construction + Reserves			$ 41,289,268	$ 408,805
Variance			$ 35,734,268	

Santa Cruz County

AMP 1: South County Watsonville

RAD Rehab + 100% TPVs	#REF!	*CF Bonus*

Statement of Revenue and Expenses

Gross Revenue	$	4,054,200
Less Vacancy	$	(202,710)
Subtotal	$	3,851,490
Other Income	$	32,798
Effective Gross Revenue	$	3,884,288
Operating Expenses		
Administrative	$	-
Asset Management Fee	$	-
Tenant Services	$	-
Utility Expense	$	-
Ordinary Maint and Ops	$	-
Protective Services	$	-
Real Estate Taxes	$	-
Property Insurance	$	-
Liability Insurance	$	-
Other General Expenses	$	980,112
Total Operating Expenses	$	980,112
Reserves for Replacements	$	46,550
Revenues Less Expenses & Reserves	$	2,857,626

Reduction in OpEx from Rehab/Conversion	20%	
Debt Service Coverage Ratio	1.15	
Interest Rate (Perm)	5.00%	
Term	480 mos	
Debt Supported		$ 42,943,960

Sources and Uses Budget

Sources				
Debt	$	42,943,960		
Equity	$	22,166,088		
PHA or other Soft Loan(s), Deferred Fee, Interim Income, AHP	$	798,000		
PHA Take Back Financing	$	5,320,000		
Total Sources	$	71,228,048		
Uses				
Acquisition	$	5,320,000		
Hard Construction, Overhead, Profit, Contingency	$	48,345,500	$	19,338,200
Soft Costs				

Relocation Costs	$	93,100
Professional Fees		
Architecture & Engineering	$	1,450,365
Physical Conditions Assessme	$	17,500
Borrower's Legal Counsel	$	90,000
Lender's Legal Counsel	$	60,000
Feasibility Studies	$	-
Environmental Reports	$	3,500
Appraisal / Market Study	$	30,000
Accounting	$	25,000
Survey	$	10,300
Other Costs	$	-

Loan Fees and Costs	$ -		
FHA MIP	$ 429,440		
FHA Application Fee	$ -		
FHA Inspection Fee	$ 483,455		
Financing Fee	$ 1,430,155		
Organizational Costs	$ 500		
Title Insurance/FHA Exam Fe	$ 128,832		
Recordation Fee	$ 592,949		
Closing Escrow Agent Fee	$ 5,000		
Prepayment Penalty/Premiun	$ -		
Payables	$ -		
Construction Interest	$ 2,356,843		
Construction Loan Fees	$ 483,455		
Cost of Bond Issuance	$ 356,140		
Reserves	$ -		
Initial Deposit to Reserves	$ -		
Initial Operating Deficit Escro	$ -		
Operating Reserve	$ 513,331		
Tax and Insurance Escrow	$ -		
Other Costs	$ -		
Total Soft Costs		$ 8,559,865	
Developer Fees		$ 8,984,680	
Soft Costs + Fee		$ 17,544,545	
Total Uses		$ 71,210,045	
Surplus/(Gap/Interim Income)		$ 18,004	$ 52.49

Benefits to Authority			
Hard Construction Budget + Contingency		$ 48,345,500	
20-Year Contributions to Reserves		$ 1,250,816	$ 372,905
Sources and Uses Surplus (Gap)		$ 18,004	
Share of Developer Fee	50%	$ 4,492,340	
Share of 20-Year Cash Flow	50%	$ 8,526,749	
Total Potential Benefit		$ 62,633,409	
20-Year Capital Needs		$ 9,310,000	$ 70,000
Hard Construction + Reserves		$ 49,596,316	$ 372,905
Variance		$ 40,286,316	

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 6C

FROM: Executive Director

SUBJECT: Brommer Street Transitional Housing Program

RECOMMENDATION: Authorize Agency Staff Not To Apply for Renewal Funding Through HUD Continuum of Care Program; Authorize Agency Staff to Transition Program to Section 8 Voucher Units While Continuing to Serve Homeless Families and Maintaining Partnership with County Human Services Department

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BACKGROUND SUMMARY:

In 1991 The Housing Authority acquired a six-unit apartment building on Brommer Street. The initial acquisition, accomplished with HUD Supportive Housing Program Funds and later rehabilitated through a loan from the California Department of Housing and Community Development, were intended to provide transitional housing for homeless families. For decades, the six two-bedroom units have provided a valuable resource for families transitioning from homelessness to permanent housing. Families are referred to the program through the County Human Services Department (HSD), and HSD provides supportive services including job training, counseling and childcare. The program receives funding through the Countywide HUD Continuum of Care Application for approximately $57,000, with approximately $23,000 going to HSD for services, and the remainder of funding going to the Housing Authority for operations, maintenance and administration.

Since the initial program development, transitional housing programs have fallen out of favor with HUD and have not been shown to be as effective as other interventions. Instead, permanent supportive housing programs are currently more consistent with HUD priorities and national best practices. In the past few years, the Brommer Street transitional housing program has ranked in the lower tier by the Homelessness Action Partnership (HAP) ranking committee and has been at risk for cuts or re-allocation. This trend gave the Housing Authority reason to rethink the use of the property.

In addition to an outdated program model, the funding model for the Brommer Street program has never sufficiently covered the programs costs. Specifically, the program is not generating enough cash flow to pay off the rehabilitation construction loan and adequately fund the reserve account. The Housing Authority currently owes HCD even more now than we did when we took out the loan 17 years ago, as we have not even been able to keep up with the accrual of interest.

The Housing Authority has spoken with HCD and with our own legal counsel, as well as staff at HSD, and HAP consultant Tony Gardner, to explore an alternate program model and funding structure for Brommer Street. After careful consideration, staff believe that utilizing Section 8 vouchers at the Brommer Street development would allow us to better serve our community, maintain or expand our partnership with HSD, and generate the cash flow needed to truly cover program costs, develop adequate reserves, and pay down our HCD loan. Under the current funding model, Brommer Street's total annual revenue is around $58,000 which consists of tenant rent of roughly $24,000 (based on 30% of the residents' income) and the net HUD grant funding of $34,000 (the $57,000 HUD grant less $23,000 which is a pass through to HSD). Under a Section 8 funding model, Brommer's revenue would be a function of the fair market rents (or reasonable rents) which would generate around $180,000 annually under full occupancy based on current reasonable rents. Tenants would continue to pay 30% of their income as rent while HUD would pay the remainder of the rent in the form of HAP.

The Continuum of Care Funding Application is currently open, with applications being scored by our local ranking committee in early September. Therefore, Housing Authority staff has prepared a renewal application, so that we are ready and able to apply for renewal funding and preserve the status quo, if so directed by the Board.

However, with the Board's approval, Staff proposes to withdraw our application for renewal funding through the CoC. Prior to the expiration of our current funding on September 30, 2020 Housing Authority staff would work with legal counsel to transfer ownership of the property to an appropriate affiliated entity controlled by the Agency, would enter into an MOU with HSD designating the units for homeless families referred by their Department and identifying the supportive services they would provide, and would update the Section 8 Administrative Plan to formalize the acceptance of HSD referrals for the units.

Additionally, HSD would submit an application through the CoC for supportive services, potentially receiving the entire $57,000 that had previously been split between our agencies, which would be used to maintain or expand the services provided to residents (depending on the level of funding awarded). The Housing Authority would write a letter of support for their application and express our intention to designate the units for the families referred by HSD and to provide them with Section 8 vouchers (subject to final approval by HCD and by the Board of Commissioners). Based on information received by Tony Gardner, this supportive services grant would be an eligible use of CoC funds, is in alignment with local priorities and national best practices, and is likely to be a strong application.

RECOMMENDATION: Authorize Agency Staff <u>Not</u> To Apply for Renewal Funding Through HUD Continuum of Care Program; Authorize Agency Staff to Transition Program to Section 8 Voucher Units While Maintaining Partnership with County Human Services Department

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ

County of Santa Cruz

HUMAN SERVICES DEPARTMENT
Ellen Timberlake, Director
1000 Emeline Avenue Santa Cruz, CA 95060
(831) 454-4130 FAX: (831) 454-4642

August 7, 2019

Jenny Panetta
Executive Director
Housing Authority of the County of Santa Cruz
2160 41st Avenue
Capitola, CA 95010

Dear Ms. Panetta,

I am very pleased to write you regarding our support for changing the usage of the Housing Authority's property at 925-932 Brommer St. in Santa Cruz. Over the years, the Brommer St. property has been the sight of a wonderful partnership between the County of Santa Cruz Human Services Department (HSD) and the Housing Authority of the County of Santa Cruz (Housing Authority) to provide transitional housing for families who receive CalWORKs assistance and are experiencing homelessness.

However, to better align with national best practice and more effectively address participating families' homeless situation, I support the Housing Authority's recommendation to utilize the Brommer St. Property for Permanent Supportive Housing for families. I also support the Housing Authority's desire to use Section 8 Housing Choice Vouchers for rental assistance for participating families. Supportive services for the new program will be provided by HSD, or its designated partner, conditional on funding being awarded through the local Continuum of Care's annual U.S. Department of Housing and Urban Development Notice of Funding Availability (NOFA) process.

I look forward to our continued partnership to serve families experiencing homelessness. Please feel free to contact me should you need any additional information or assistance.

Thank you,

Emily Balli for Ellen Timberlake

Ellen Timberlake

HOUSING AUTHORITY
OF THE COUNTY OF SANTA CRUZ

2160 41st Avenue | Capitola, California 95010 | Tel: 831.454.9455 | Fax: 831.469.3712 | www.hacosantacruz.org
Also serving Hollister and San Juan Bautista | Tel: 831.637.0487

July 19, 2019

The Honorable Senator Bill Monning
State Capitol, Room 4040
Sacramento, CA 95814

Dear Senator Monning:

On behalf of the Board of Commissioners of the Housing Authority of the County of Santa Cruz, I am writing to express support for SB 329 regarding Source of Income Discrimination in Housing.

The Section 8 Housing Choice Voucher program provides vital rental assistance and housing stability to thousands of families in Santa Cruz County. Families wait many years on a waiting list to receive a voucher. However, once they receive that voucher, it is not a guarantee of housing. Instead, families must compete in an expensive and tight rental market to find a landlord. Unfortunately, some landlords are unwilling to even consider renting to voucher holders, and have established a "no Section 8" policy.

As you may know, SB 329 would prohibit landlords and property managers from refusing to rent to someone with a Section 8 Housing Choice Voucher simply because they a have voucher. The bill does not prevent a landlord from denying a voucher holder due to bad credit, eviction history, or other screening criteria, nor does it require a landlord to reduce the rent to the Section 8 payment standard. The proposed bill would simply prevent the voucher itself from being the basis for refusing to rent to certain tenants.

Therefore, on behalf of our Board of Commissioners, and the thousands of families we serve, we urge you to support the passage of SB 329, so that low income families with a voucher get a fair chance in finding housing.

Sincerely,

Sonja Brunner
Chairperson

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July 19, 2019

The Honorable Assemblymember Mark Stone
State Capitol
P.O. Box 942849
Sacramento, CA 95814

Dear Assemblymember Stone:

On behalf of the Board of Commissioners of the Housing Authority of the County of Santa Cruz, I am writing to express support for SB 329 regarding Source of Income Discrimination in Housing.

The Section 8 Housing Choice Voucher program provides vital rental assistance and housing stability to thousands of families in Santa Cruz County. Families wait many years on a waiting list to receive a voucher. However, once they receive that voucher, it is not a guarantee of housing. Instead, families must compete in an expensive and tight rental market to find a landlord. Unfortunately, some landlords are unwilling to even consider renting to voucher holders, and have established a "no Section 8" policy.

As you may know, SB 329 would prohibit landlords and property managers from refusing to rent to someone with a Section 8 Housing Choice Voucher simply because they a have voucher. The bill does not prevent a landlord from denying a voucher holder due to bad credit, eviction history, or other screening criteria, nor does it require a landlord to reduce the rent to the Section 8 payment standard. The proposed bill would simply prevent the voucher itself from being the basis for refusing to rent to certain tenants.

Therefore, on behalf of our Board of Commissioners, and the thousands of families we serve, we urge you to support the passage of SB 329, so that low income families with a voucher get a fair chance in finding housing.

Sincerely,

Sonja Brunner
Chairperson

AGENDA ITEM SUMMARY

MEETING DATE: August 28, 2019 **ITEM NUMBER:** 8

FROM: Executive Director

SUBJECT: Executive Director's Report – August 28, 2019

RECOMMENDATION: Receive Report

BACKGROUND SUMMARY:

Please call or e-mail me with questions you might have on any of the Agenda Items for the August 28, 2019 meeting. I would be happy to give you additional background or answer any of your questions in advance of the meeting. My direct phone number is (831) 454-5931 and my email address is jennyp@hacosantacruz.org.

Housing Authority Software Conversion: The Housing Authority successfully completed our software conversion effective July 1 as planned. While we are completely up and running in the new software environment, there will be much ongoing development work over the months to come, including development and customization of all system generated letters and reports, streamlining processes, and development and release of web-based portals. The first web-portal released was the landlord portal, which was launched on August 1, 2019. Resident and Applicant portals will be released in the coming months, initially with a "soft launch" with a test group of applicants, caseworkers, and program participants, prior to opening them up for general use.

Public Charge Final Rule Released: On August 14, the Department of Homeland Security (DHS) published a final rule titled "Inadmissibility on Public Charge Grounds". The final rule defines public charge. According to the law, any individual who is applying for a visa or for admission to the United States is inadmissible if he or she is likely at any time to become a public charge. Currently, public charge is not statutorily defined. The final rule would define a "public charge" based on the receipt of financial support from the general public through government funding (i.e. public benefits), including federal rental assistance. The individual would need to receive one or more designated public benefits, including but not limited to federal rental assistance, for more than 12 months within any 36-month period to meet the threshold.

The proposed new definition of "public charge" is "that a person should be considered a public charge based on the receipt of financial support from the general public through government funding (i.e., public benefits).” The final rule defines public benefit as a list of cash aid and noncash medical care, housing, and food benefit programs. The list of benefits includes the current cash assistance and institutionalization benefit and further expands the benefits to include the Supplemental Nutrition Assistance Program (SNAP/food stamps), the Housing Choice Voucher Program (HCV), Section 8 Project-Based Rental Assistance (PBRA), Medicaid, and Public Housing.

The final rule does not prevent eligible noncitizens from accessing services like federal rental assistance, food stamps, or other programs benefits. However, provisions in the rule will render certain individuals ineligible for extension of stay or change of legal immigration status if the individual received one or more public benefits for more than 12 months in the aggregate within any 36-month period since obtaining the status he or she wishes to extend or change. If litigation does not prevent the rule from taking effect, the policy will become effective in 60 days, on October 15, 2019. The Housing Authority is in the process of identifying how many current participants may be impacted by this and identifying or developing an informational flyer for program participants and applicants about how the receipt of federal rental assistance and other public benefits may impact applications for citizenship. The flyer will emphasize the following information:

- The rule is not in effect yet. Any rule changes will apply only to applications submitted on or after October 15th, 2019.
- Not everyone is subject to the rule. Many immigrants are exempt from the public charge inadmissibility ground.
- Benefits used by family members, such as children, will not be counted against the applicant for immigration status.
- Every person's situation is different. We urge you to consult with an immigration attorney, a professional accredited by the Department of Justice, or a local service provider providing immigration services, such as the CAB Immigration Project if you have questions about how use of public benefits may or may not affect your immigration status.
- The changes are being challenged in court and may be postponed or overturned. Some county governments, including San Francisco and Santa Clara, have already filed lawsuits against the new public charge rule, and immigration rights advocates plan to follow suit. Their litigation could delay the implementation of the rule or stop it entirely.

Section 8 Administrative Fees: The current Housing Authority budget reflects a blended Section 8 administrative fee proration of 82% for CY2019, and 77% for 2020. Administrative fees are not finalized by HUD until several months after the end of the CY they pertain to. Unfortunately, the most recent notification from HUD reflects an estimated admin fee proration of 79% for CY19, which is below what was anticipated. Additionally, since 2019 lease up has been slower than expected due to delays in project based properties at Sunrise in Hollister and Water Street in Santa Cruz, it is likely that admin fee revenue will also be lower than projected. However, HUD does tend to initially provide extremely conservative admin fee prorations, which are usually adjusted upwards over the course of the year.

Census 2020: The Housing Authority is participating in the Census 2020 Complete Count Committee. We have spoken to Committee leaders and we are planning on participating in efforts to disseminate information (including perhaps posters in our lobby, flyers in regular mailings, and an email blast to our email subscribers). We are also in conversation about potentially coordinating "pop-up" census booths at various locations that may help engage hard to reach populations, particularly at farmworker housing locations.

Correction to Section 8 Housing Choice Voucher Administrative Plan: At the regular June meeting, the Board approved a few minor changes regarding waiting list information in the Administrative Plan. After these changes had been approved, one Commissioner identified an unintentional omission in the language that was approved. Although the agenda item description correctly noted that the Housing Authority would be permitted to accept referrals from MidPen's waiting list for farmworker units at San Andreas after 120 of vacancy, the actual wording in the Admin Plan was less specific and referred simply to "an extended vacancy". The Administrative Plan has been updated to include the more specific 120-day timeframe that was in the Agenda Item description.

Legislative Update: Housing Authority staff has been engaging in August Advocacy activities. During the August Recess, I met with Congressman Panetta to provide information about current Agency activities, challenges and opportunities. I also spoke with the Congressman about the proposed changes to FMR methodology, the proposed regulation regarding mixed families, the public charge rule, and some proposed legislation that would expand affordable housing tax credits, among other issues. With regards to the Federal budget, the House T-HUD subcommittee responded to the Trump Administrations proposed cuts with their own draft 2020 appropriations bills, reflecting modest increases in HUD funding. The draft bill is estimated to provide sufficient renewal funding for all current voucher holders. It also provides slight increases to administrative fees, but still falls short of the estimated costs to operate the voucher program. The bill includes language that prohibits HUD from using funding to implement their proposed mixed immigration status family rule. Other interesting notes from the House T-HUD Appropriations subcommittee include additional funding for Tenant Protection Vouchers (although not explicitly for LIPH repositioning). The committee also directed HUD to work with authorizing committees to "develop statutory flexibilities" so that vouchers will be usable in rapidly rising rental markets, and asked HUD to develop recommendations regarding funding levels necessary to ensure PHAs can serve the same number of households. Now that the House and Senate have reached an agreement on overall spending levels for the upcoming fiscal year, the Senate has a lot of work to do to catch up to the House, and is expected to draft their T-HUD budget in September. Even if the Senate works quickly on their appropriations bills, it is likely that a budget will not be reached by the time the FFY ends in September, and that a continuing resolution will be necessary.

Landlord Incentive Program – Quarterly Update: The following information summarizes the activity in the Landlord Incentive Program for 2019 (to date).

Jurisdiction	Percentage	Share of Costs	# Claims	$ Claims	Budget Remaining
County of Santa Cruz	53.54%	$53,540	7	$16,179	$37,361
City of Santa Cruz	21.21%	$21,210	3	$6,858	$14,352
City of Watsonville	17.17%	$17,170	9	$14,458	$2,712
City of Capitola	4.04%	$4,040	0	0	$4,040
City of Scotts Valley	4.04%	$4,040	0	0	$4,040
TOTAL	**100%**	**$100,000**	**19**	**$37,495**	**$62,505**

Project Based Voucher Program – Quarterly Update: Two new project based developments were originally scheduled for occupancy on July 1, 2019. Sunrise Senior Apartments in Hollister has experienced significant construction delays and is now expecting to be ready for occupancy in November. CHISPA has begun reaching out to applicants on the Sunrise site-based waiting list to identify eligible senior households. Water Street Apartments experienced minor delays but is nearing completion. Searching voucher holders have been screened by the property management company and selected for occupancy. It is expected that by the time of August board meeting, the site will have their certificate of occupancy, HQS inspections will be complete, and families will be moving into the units.

Beyond these two developments, MidPen Housing is in the process of conducting outreach to eligible existing households at two farmworker housing properties that have been conditionally awarded project based vouchers; Jardines del Valle and Villas del Paraiso. Additionally, Housing Authority staff have been in contact with the development teams at CHISPA, Eden, and MidPen, who have discussed their upcoming development pipelines, and provided preliminary information to the Housing Authority suggesting that we may receive applications for over 100 additional project based vouchers at 4 – 5 different sites over the course of the next year. Additionally, HA staff have met with County staff from the Health Services Agency and Planning Department to explore the potential to combine No Place Like Home funding with Project Based Vouchers to allow for best use of available development funds. HA staff have discussed upcoming changes in the PBV scoring criteria (as previously discussed with the Board). Additionally, HA staff have spoken with the developers about the timing of these proposals, and the importance of submitting applications to the Housing Authority while we have funding available. If the Housing Authority faces a funding shortfall, which could happen in 2020, we will not be able to approve PBV requests until we are out of shortfall status.

HOUSING AUTHORITY OF THE COUNTY OF SANTA CRUZ